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TECH:
Raising Hyperscaler Capex 2026 Estimates

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Tech: Raising Hyperscaler Capex 2026 Estimates

Research 09 Feb 26, 10:06 AM Analysts: Jordan Chalfin, CFA Head of Technology Michael Pugh Analyst

Executive Summary

- **We are substantially raising our hyperscaler capex estimates for 2026 following the guidance and commentary on calendar 4Q25 earnings calls.**
- **The 2026 capex guidance blew away our estimates for Alphabet and Amazon and beat our estimate for Meta even though we were substantially above consensus for all of them.**
- **We are now projecting ~$750 bn in capex for the top 5 hyperscalers, which is up massively from our ~$620 bn estimate in January 2026 and our ~$600 bn estimate in November 2025.**
- **Our ~$750 bn capex estimate for 2026 implies it will be up ~$300 bn YoY or up ~67% YoY, which would be the third consecutive year of growth exceeding 60% YoY.**
- **Capex as a % of sales will continue to climb to seemingly untenable levels in CY2026 including ~86% for ORCL, ~54% for META, ~47% for MSFT, ~46% for GOOGL, and ~25% for AMZN.**
- **There is some upside risk to our previous hyperscaler US$ issuance forecast of ~$93 bn in calendar 2026 driven by higher capex although M&A will also be a swing factor.**

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Financial Metrics

Hyperscalers: Financial Metrics - Pro Forma for Recent Bond Deal (LTM, $ mn, %)	AMZN	MSFT	GOOGL	META	ORCL*
Recommendation & Ratings					
CreditSights Recommendation	O/P	U/P	O/P	U/P	O/P
Credit Ratings (Mdy / S&P / Fitch)	A1 / AA / AA-	Aaa / AAA / NR	Aa2 / AA+ / NR	Aa3 / AA- / NR	Baa2 / BBB / BBB
Key Finacials					
Revenue	716,924	305,453	402,836	200,965	61,017
YoY % growth	12.4%	16.7%	15.1%	22.2%	11.1%
EBITDAR	183,843	203,484	178,490	125,116	33,558
Operating lease cost	(14,006)	(6,468)	(3,362)	(2,798)	(2,161)
EBITDA	169,837	197,016	175,128	122,318	31,397
EBITDA margin	23.7%	64.5%	43.5%	60.9%	51.5%
Capex	131,231	118,000	91,447	72,215	35,477
Capex % of Sales	18.3%	38.6%	22.7%	35.9%	58.1%
CFO-capex	8,283	42,506	73,266	43,585	(13,181)
Balance Sheet & Leverage					
Debt	68,987	46,207	49,085	58,744	133,075
Cash	123,029	89,462	126,843	81,592	44,766
Net Debt	(54,042)	(43,255)	(77,758)	(22,848)	88,309
Operating lease liabilities	89,252	22,865	15,954	25,153	18,679
Finance lease liabilities	12,286	60,151	2,500	1,184	4,976
Total lease liabilities	101,538	83,016	18,454	26,337	23,655
Lease-adjusted gross leverage	**0.9x**	**0.6x**	**0.4x**	**0.7x**	**4.7x**
Lease-adjusted net leverage	0.3x	0.2x	-0.3x	0.0x	3.3x
Equity Valuation					
Market cap	2,592,129	3,067,627	4,166,080	1,774,211	451,946
Enterprise value	2,538,087	3,024,372	4,088,322	1,751,363	540,255
EV / Revenue	3.5x	9.9x	10.1x	8.7x	8.9x
EV / EBITDA	14.9x	15.4x	23.3x	14.3x	17.2x
FCF yield	0.3%	1.4%	1.8%	2.5%	-2.9%

*ORCL metrics are pro forma for the recent $25 bn bond deal
Operating lease costs are estimated in LTM for some of the companies
Source: Company Reports, CreditSights

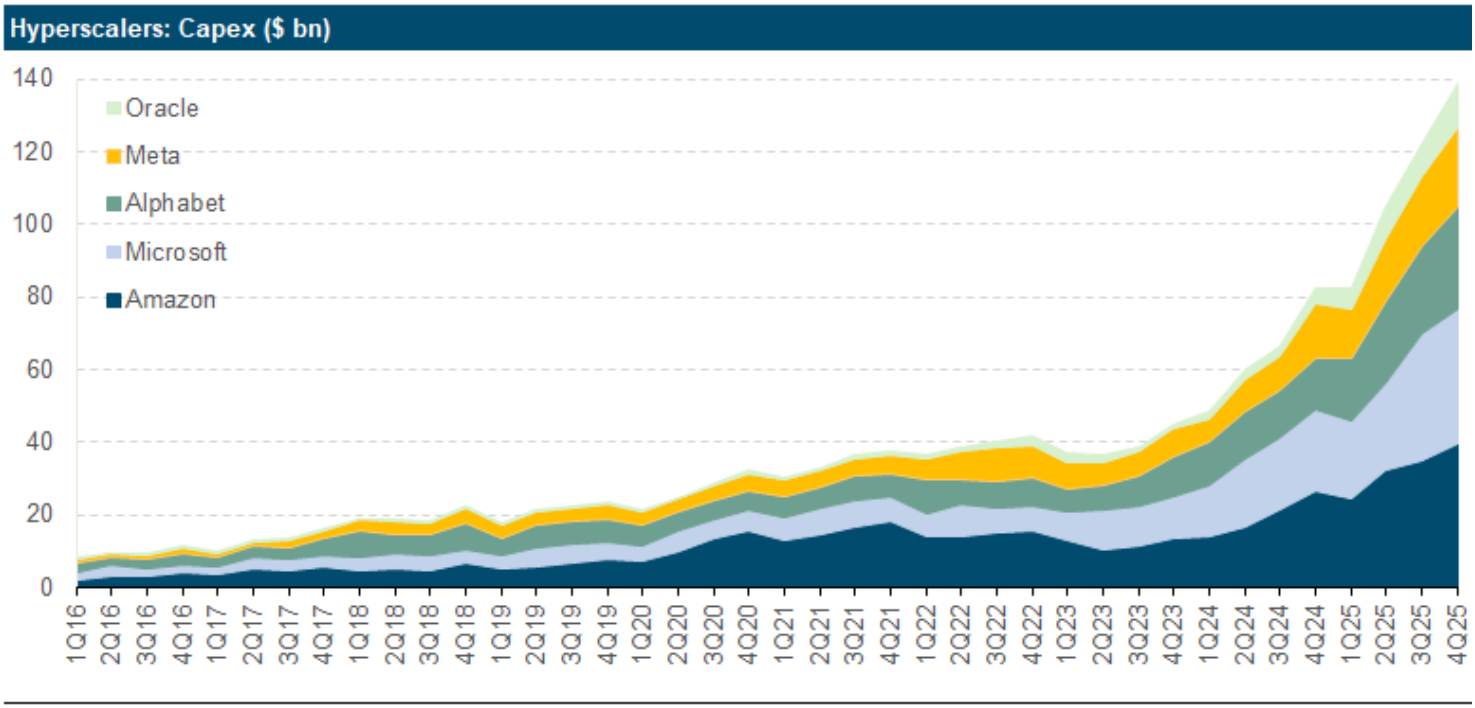
Context

We are publishing this report given the massive upside surprises to capex for 2026, based on the guidance and commentary in calendar 4Q25 earnings calls. We have received several client requests for the underlying data in these charts since they were initially published in November 2025 (see **Technology: Hyperscaler Capex 2026 Estimates**) and more recently throughout this earnings season. ***If you want an Excel version of the underlying data in these charts, reach out via the 'Ask an Analyst' button associated with this report.***

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Hyperscaler Capex Trends

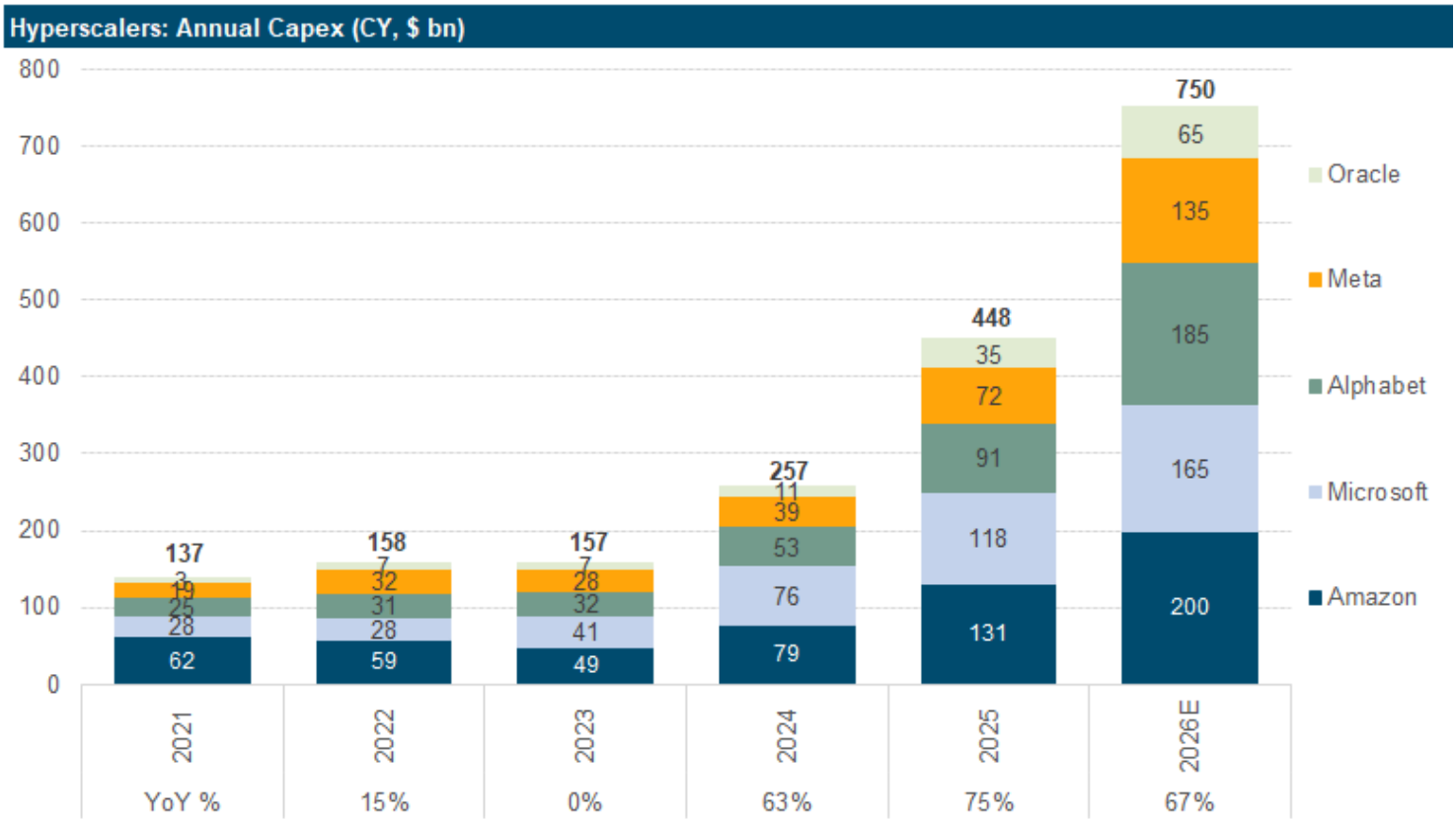
Staggering capex growth. The capex growth for the top 5 hyperscalers has been staggering over the past couple years. Notably, capex has risen to $139 bn in aggregate in 4Q25, which is ~$556 bn on an annualized basis. Amazon is spending the most capex (although a portion of that is for its Ecommerce business), followed by Microsoft, Alphabet, Meta, and Oracle.



Amazon and Microsoft capex includes property acquired under finance leases; Meta includes principal payments on finance leases; Oracle calendar 4Q25 is quarter-end November
Source: Company Reports, CreditSights

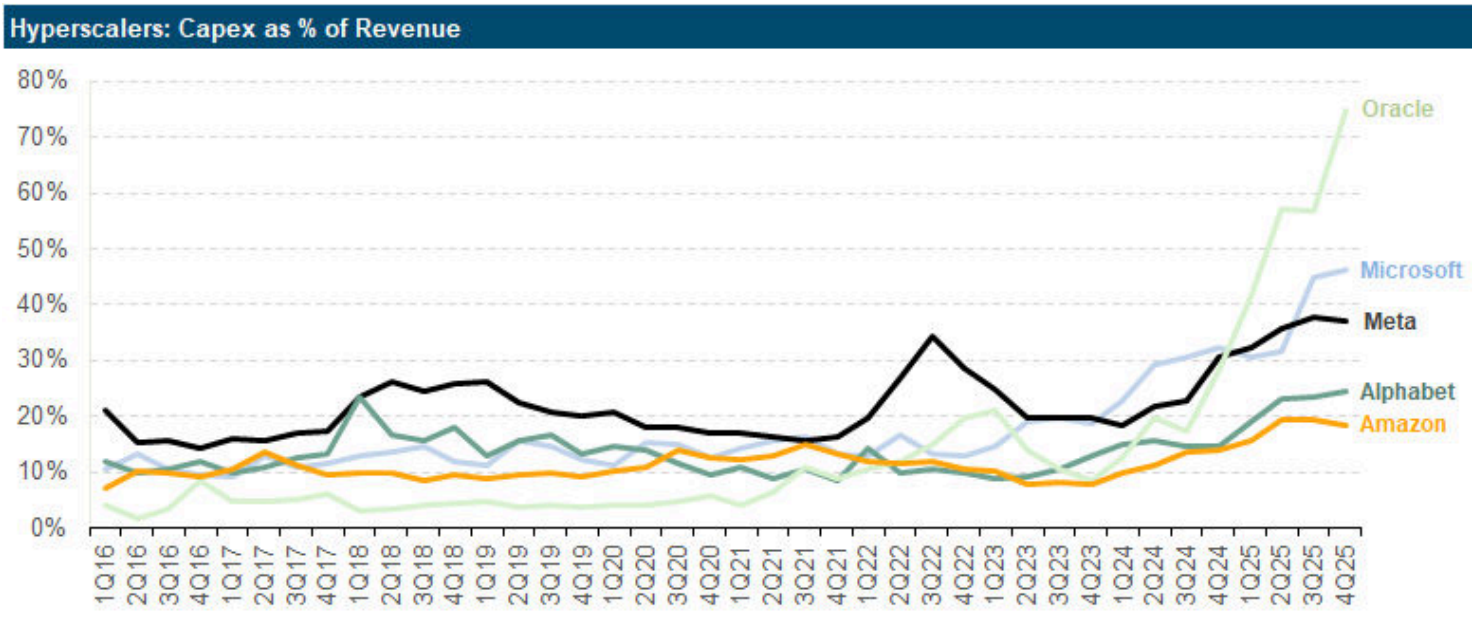
We're projecting ~$750 bn capex for 2026. This would be up ~$300 bn YoY and up ~67% YoY. It would be the third consecutive year of capex growth exceeding 60%. The ~$750 bn estimate is up massively from our ~$620 bn estimate in January 2026 (see **Tech 2026 Outlook (1/3): Top 10 Themes**) and our ~$600 bn estimate in November 2025 (see **Technology: Hyperscaler Capex 2026 Estimates**).

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Amazon and Microsoft capex includes property acquired under finance leases; Meta includes principal payments on finance leases; Oracle calendar 4Q25 is quarter-end November
Source: Company Reports, CreditSights

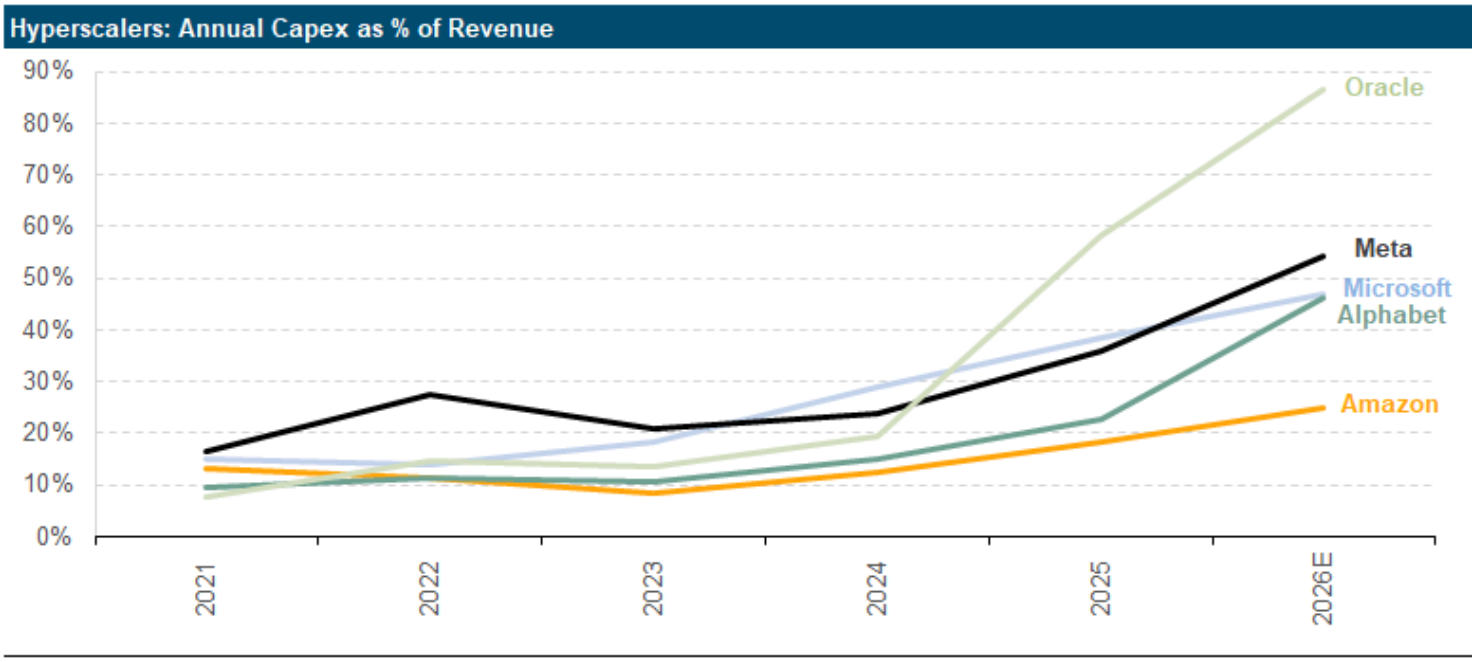
Capex as a percentage of sales continue to rise to seemingly untenable levels. In the most recent quarter, capex was 75% of sales for Oracle, 46% for Microsoft, 37% for Meta, 25% for Alphabet, and 18% for Amazon. These levels are remarkable given historically low capex for software companies before they pivoted to cloud infrastructure and more recently AI cloud infrastructure.



Amazon and Microsoft capex includes property acquired under finance leases; Meta includes principal payments on finance leases; Oracle calendar 4Q25 is quarter-end November
Alphabet revenue excluding traffic acquisition costs (TAC)
Source: Company Reports, CreditSights

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Capex as a percentage of sales will continue to increase in 2026. While the companies are all seeing strong revenue growth, capex is growing even faster. As such, capex as a percentage of sales will continue to climb in 2026. We estimate this will be ~86% for Oracle, ~54% for Meta, ~47% for Microsoft, ~46% for Alphabet, and ~25% for Amazon (this would be substantially higher for AWS on a standalone basis).



Amazon and Microsoft capex includes property acquired under finance leases; Meta includes principal payments on finance leases; Oracle calendar 4Q25 is quarter-end November; Alphabet revenue excludes traffic acquisition costs (TAC)

We use our own capex estimates for all companies; we use consensus estimates for revenue except Oracle which is our own estimates

Source: Company Reports, Bloomberg, CreditSights

Company-Specific Details

We raised our calendar 2026 capex estimates for all 5 hyperscalers although some a lot more than others.

Alphabet: largest upside surprise to capex guidance in 2026. Alphabet unveiled capex guidance of $175-185 bn in 2026 which blew away our $125 bn estimate and consensus at $117 bn. This implies capex will be up 91-102% YoY. We increased our estimate to $185 bn which is at the high-end of guidance. The upside surprise reflects both secular trends and share gains. Alphabet is executing really well across the entire AI stack (chips, models, apps). Google Cloud accelerated by 14 pt to 48% YoY growth in 4Q25 which was a ~9 pt consensus beat, and GCP growth is "much higher" than that (i.e., Workspace is growing at a much slower rate but still double digits). Alphabet has data center leases although mostly builds its own data centers (see **Alphabet: 4Q25 | Capex $175-185 bn in 2026**).

Amazon: substantial upside surprise and spending the most capex. Amazon unveiled guidance for $200 bn capex in 2026, which was substantially above our $155 bn estimate and consensus of $146 bn. We have raised our estimate to be in-line with guidance. This implies capex will be up over 50% YoY. Amazon's capex is predominately for AWS, although its Ecommerce business is capital-intensive (e.g., warehouses, delivery). AWS growth accelerated by 4 pt to up 24% YoY in constant currency, which is the fastest growth over the last 13 quarters, driven by both core and AI services. Amazon added 3.9GW of power capacity in 2025 (including 1.2GW in 4Q25), which is more than any other cloud provider. Amazon said it has doubled its power capacity from 2022 to 2025 and expects to double it again by 2027. Amazon anticipates "strong long-term" ROIC on its capex (see **Amazon: 4Q25 | Capex $200 bn in 2026**).

Meta: capex guidance for 2026 surprised to the upside. Meta provided capex guidance of $115-135 bn in 2026, which was above our $120 bn estimate and consensus of $111 bn. We increased our estimate to $135 bn which is at the high-end of guidance. Its 4Q25 revenue was up 24% YoY which beat expectations although its 1Q26 guidance smashed expectations, implying revenue will be up 26-34% YoY (see **Meta: 4Q25 | Move to Net Debt Eventually**).

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Meta is the only hyperscaler (among the top 5) that is not a public cloud provider (i.e., it doesn't sell cloud infrastructure to other companies). As such, its capex is entirely for internal purposes to support its social media applications (e.g., recommendation algorithms, Meta AI) and model training. In addition, Meta also rents cloud capacity from other companies such as Oracle, Google, CoreWeave, and others. While Meta's open-source Llama models have lagged peers, the company is investing heavily in new proprietary models under project codenames Avocado (reasoning, coding) and Mango (image, video).

Microsoft: we raised our 2026 capex estimate slightly given industry trends. Capex was $37.5 bn in calendar 4Q25 and is expected to decline sequentially in calendar 1Q26 given "normal variability." The mix of short-lived assets (e.g., GPUs, CPUs) increased from roughly half in calendar 3Q25 to two-thirds in calendar 4Q25 and is expected to be similar in calendar 1Q26 (see **Microsoft: F2Q26 | OpenAI ~45% of RPO**). While Microsoft did not provide any capex commentary beyond calendar 1Q26, we are raising our estimate slightly from $160 bn to $165 bn given the broader industry trends. Microsoft uses a lot more finance leases than other hyperscalers. We have included assets acquired under finance leases as capex, although those acquisitions are non-cash and thus less relevant for funding needs. We think $40-50 bn is a reasonable estimate for assets acquired under finance leases in calendar 2026, implying $115-125 bn in cash capex. Microsoft has been the most conservative among the hyperscalers in regard to its long-term infrastructure planning. Specifically, the company has relied heavily on renting capacity from neoclouds, which reduces capex for both data center development and tech hardware. Importantly, those agreements are generally 4-5 years, so Microsoft will have the flexibility to walk away after the initial term if it has enough capacity from its owned or leased data centers.

Oracle: funding plans might indicate upside to calendar 2026 capex. Oracle recently announced a $45-50 bn funding plan for CY2026 which is more than we thought Oracle needed this year (see **Oracle: $45-50 Bn Equity & Debt Raise; Move to O/P**). It's unclear if Oracle is pre-funding some cash needs into CY2027, being conservative with the amount since they are promising only one bond deal, planning to refinance other debt (~$5 bn term loans, ~$3 bn commercial paper), or if their capex and FCF burn are higher than estimates. Oracle has not provided any capex guidance beyond its $50 bn figure for FY2026 (May 2026). However, we think higher capex than previously anticipated is a reasonable assumption for calendar 2026. We are now projecting ~$65 bn in capex in calendar 2026, which is above ~$57 bn consensus for the next four quarters (through November 2025).

Issuance Expectations

There could be upside to our hyperscaler issuance forecasts. We previously forecast ~$93 bn in USD bond issuance from the top 5 hyperscalers in calendar 2026 and $175-200 bn for the entire IG Tech sector (see **Tech 2026 Outlook (2/3): Sector Rec, Issuance, M&A**). Since then, Oracle issued $25 bn bonds (see **Oracle: 8-Part US$ Bond Deal ($20-25 bn)** and **Oracle: Priced $25 bn Notes Inside Our Buy Levels**) although promised it won't come to market again in calendar 2026, coming in slightly below our $28 bn estimate. However, the substantially higher capex estimates - particularly Alphabet and Amazon and to a lesser extent Meta - could drive some upside to our issuance forecast that far outweighs the $3 bn downside at Oracle. While there could be upside to our ~$93 bn forecast, we are not getting carried away with our issuance forecasts. We think the top 4 hyperscalers (excludes Oracle) will seek to avoid flooding the market with too much debt given the technical impact on its bonds, they have enormous cash balances ($82-127 bn), will see strong growth in operating cash flow in 2026 to cover some of the higher capex, and bond deals in late 2025 could have pre-funded some 2026 cash flow needs. M&A could also be an important swing factor for issuance in 2026. Alphabet has a ~$32 bn pending acquisition of Wiz (approved by DOJ but subject to international approvals) and Amazon is considering a large investment as part of OpenAI's current $100 bn funding round (at an $830 bn post-money valuation).

We could see reverse yankees and cross-border deals this year. Given the technical impact from too much US$ bond supply, we could see reverse yankees and cross-border deals in CY2026. Alphabet did two cross-border deals in CY2025, although we think more tech companies will consider issuing in Euros and other currencies to diversify their

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funding.

AI infrastructure buildout also requires debt funding from other players. We'll likely see funding in the HY and private credit markets from neoclouds, data center developers, and model builders. There were several deals last year that had guarantees or backstops by hyperscalers (e.g., Meta, Google), which is a trend we expect to continue.



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