COMMENTARY · AI INFRASTRUCTURE

The Central Bank of AI

Nvidia is helping finance the companies that buy its chips, and its biggest buyers are leaning harder on credit markets. I think the demand is real. The financing deserves a closer look.

By **Leandro Perez** · October 28, 2026 · Data as of October 28, before Microsoft, Alphabet and Amazon report this week

Nvidia has become something unusual for a hardware company. It still sells the systems that AI runs on, but it now also helps fund many of the companies that buy them.

I've started to think of it as AI's central bank. It produces the scarce asset the system depends on, and more and more it supplies the credit that keeps the system buying. CFO Colette Kress explained the logic on the August earnings call: "The frontier AI labs have extraordinary demand for training and inference compute, but they are growing faster than what their balance sheets and credit profiles can support."[1]

What Nvidia can afford

It can afford to. In the quarter that ended July 26, Nvidia earned $63.7 billion of operating income on $96.2 billion of revenue. Its free cash flow for the first half was $69.9 billion (Exhibit 3).[2]

The support comes in forms that shouldn't be added together. Nvidia holds $99 billion of equity investments, which it says focus on AI model makers and infrastructure financiers, and has committed another $25 billion. Guarantees are separate. About $3.5 billion were in place at quarter-end. In August, after the quarter closed, Nvidia agreed to guarantee up to $105 billion of leases at a campus OpenAI will use, but each starts only when its lease does, the first in fiscal 2029, and pays out only if the tenant defaults.[3] The equity has done well, mostly on paper. At least $20 billion of its $23.7 billion of first-half gains was unrealized.[4]

Working capital is where I'd look more closely. Free cash flow fell to $21.3 billion in the second quarter from $48.6 billion in the first, even as operating income rose. Receivables explain most of the drop. They grew $22.3 billion, and days sales outstanding rose to 60 from 45, which Nvidia attributes to longer payment terms on large deals with investment-grade customers. Cash taxes and higher prepaid balances explain much of the rest.[5] Giving big buyers more time to pay is a quiet form of financing.

EXHIBIT 3 **Nvidia's financial reach**

As of July 26, 2026 (fiscal Q2 2027) unless noted. Rows are different instruments; none should be added together.

EARNINGS AND CASH		
Revenue, Q2	**$96.2B**	Operating income $63.7B, a 66% margin; Data Center $89.0B, or 93% of revenue
Free cash flow, first half	**$69.9B**	Company definition. Q1 $48.6B, Q2 $21.3B
Accounts receivable	**$63.1B**	Up $22.3B in Q2; days sales outstanding 60, from 45
EQUITY (ON BALANCE SHEET)		
Equity investments held	**$99B**	Focused on AI labs and infrastructure financiers; $20B+ of first-half gains unrealized
Unfunded equity commitments	**$25B**	$18B expected in the rest of fiscal 2027
FUTURE COMMITMENTS AND CONDITIONAL SUPPORT (OFF BALANCE SHEET)		
Lease guarantees in place	**$3.5B**	Land, power and shell guarantees at quarter-end; payable only if called
OpenAI-site guarantees	**Up to $105B**	Signed Aug 2026, after quarter-end; phases in as leases begin from FY2029; unfunded
AI cloud commitments	**$36B**	Capacity Nvidia agrees to buy from AI clouds; shrinks as others use it. Separate from $29B of cloud services for Nvidia's own R&D
Supply and capacity	**$279B**	Mainly memory; some cancelable or adjustable before firm orders

Source: NVIDIA Form 10-Q for the quarter ended July 26, 2026 (Notes 6, 8 and 10; MD&A), Q2 FY27 press release and CFO commentary. The 10-Q's $108.5B maximum guarantee exposure combines the two guarantee rows. The filing does not reconcile the $36B and $29B figures, which may overlap. Notes 2–5.

Following the money

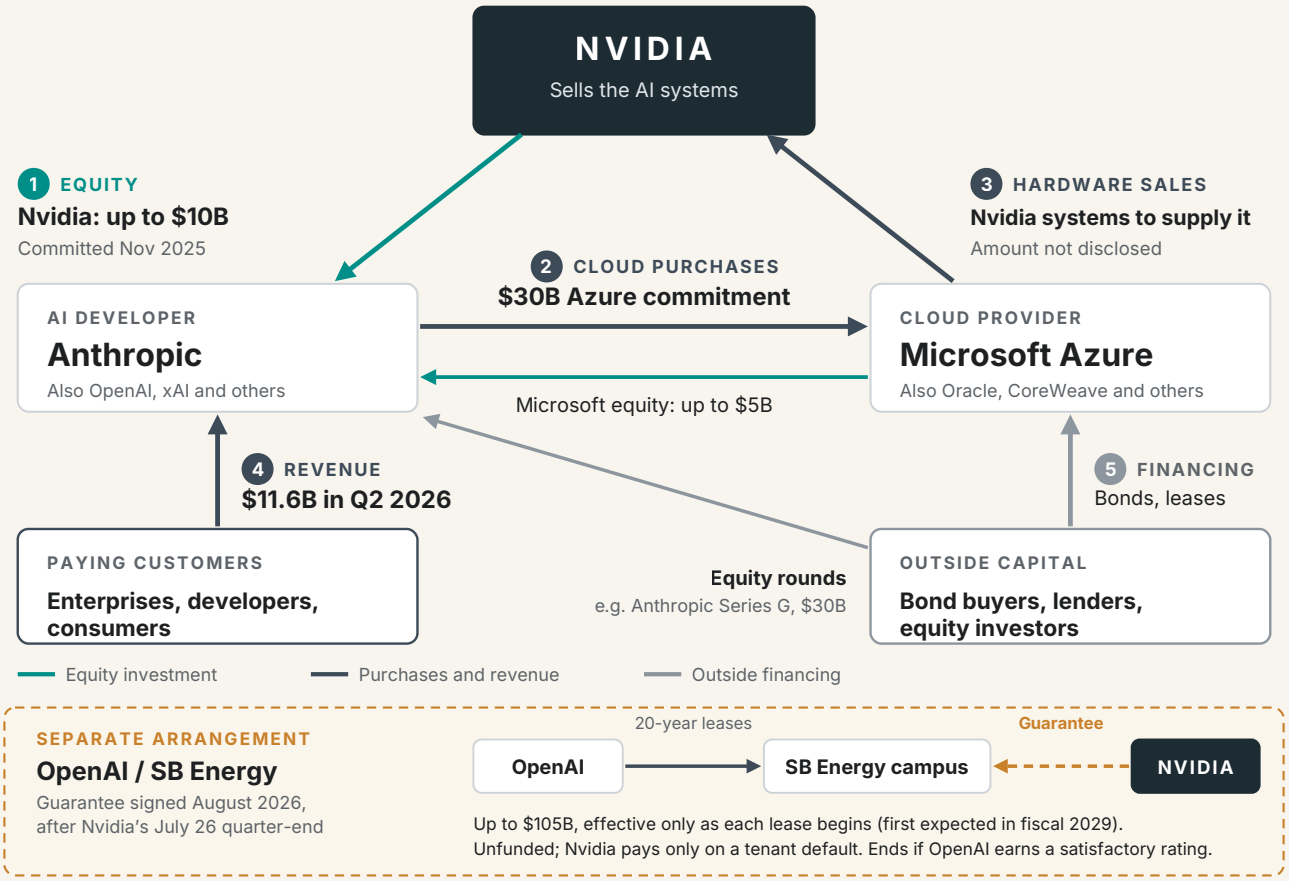
The clearest example is the November 2025 deal among Microsoft, Nvidia and Anthropic (Exhibit 1). Nvidia committed to invest up to $10 billion in Anthropic, and Microsoft up to $5 billion. Anthropic committed to $30 billion of Azure capacity, starting on Nvidia systems that Microsoft buys to provide it.[6]

It's tempting to call that a circle, but the dollars don't simply loop back. Microsoft pays for its hardware with its own cash, and Anthropic's equity funds far more than one cloud contract. Nvidia's capital helps make demand possible sooner, and some of that demand later shows up as Nvidia revenue. The sales are real. What's changed is how much of the demand leans on Nvidia's balance sheet.

The pattern repeats with OpenAI, CoreWeave and Nebius. The OpenAI guarantee stands out. It ends once OpenAI earns a satisfactory rating, so in effect Nvidia is lending OpenAI its credit.[7]

The test is whether paying customers grow into this. Anthropic's Q2 revenue was $11.6 billion, about $46 billion annualized, and its $265.6 billion of fixed or minimum purchase commitments run into the 2030s. It's not a bill due next year but a bet that revenue keeps compounding into capacity booked years ahead.[8]

EXHIBIT 1 **The AI capital loop**



COUNTERPARTY	WHAT NVIDIA PROVIDES	TYPE	AMOUNT
OpenAI	Investment in its $122B funding round (March 2026)	Equity	**$30B**
CoreWeave	Additional investment (January 2026)	Equity	**$2B**
	Order to buy its unsold capacity through April 2032	Capacity backstop	**$6.3B**
Nebius	Investment made days before Meta committed up to $27B to Nebius	Equity	**$2B**

Diagram: the Microsoft–Anthropic–Nvidia agreement of November 2025; the OpenAI/SB Energy guarantee below it is a separate contract. Sources in notes 6–8. "Up to" amounts are caps. Microsoft's hardware purchases for Anthropic's capacity are not disclosed.

The hyperscaler financing question

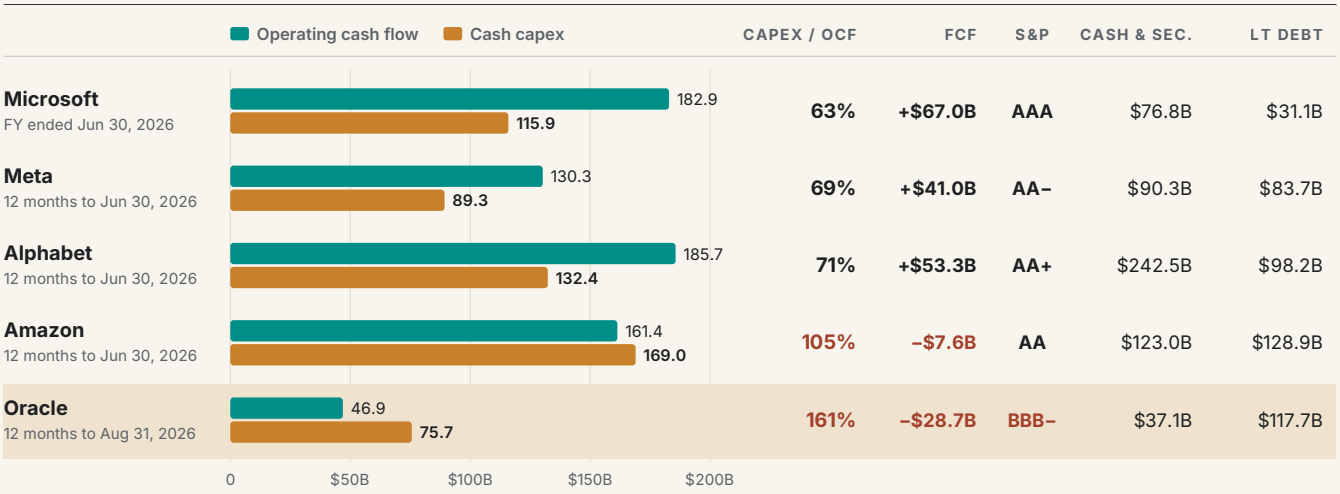
The largest buyers don't need Nvidia's money, but they are spending at a pace that increasingly needs someone else's. Over the 12 months to June, capex took 63% of Microsoft's operating cash flow, 69% of Meta's and 71% of Alphabet's. Amazon spent slightly more than it generated (Exhibit 2).[9] Alphabet's free cash flow turned negative in the June quarter, and Meta's followed in September.

That isn't distress. These companies are choosing to invest, and their operating cash flow is still growing. It does change where the next dollar comes from. The five largest hyperscalers sold about $121 billion of U.S. bonds in 2025, by BofA's count, and by early September this year they and SpaceX had already passed $180 billion. Meta's Hyperion campus sits in a $27 billion off-balance-sheet joint venture, and Meta is creating a non-voting share class it can use to raise equity.[10]

That money costs more than it did a few years ago. Hyperscalers are issuing at roughly 5.5% to 7%, and the 30-year Treasury yield reached its highest level since 2007 in August.[11] As a simplified financing requirement, capacity financed at 6% over a six-year life must produce about 20 cents of cash flow per dollar invested each year, after operating costs, to repay the capital with interest. It isn't a full return hurdle. It ignores taxes, ramp-up time and any return to shareholders, so the real bar is likely higher.[12]

EXHIBIT 2 **The cash-flow cost of the AI buildout**

Trailing 12 months, $ billions. Cash and long-term debt at the end of each period.



	Operating cash flow	Cash capex	CAPEX / OCF	FCF	S&P	CASH & SEC.	LT DEBT
Microsoft FY ended Jun 30, 2026	182.9	115.9	63%	+$67.0B	AAA	$76.8B	$31.1B
Meta 12 months to Jun 30, 2026	130.3	89.3	69%	+$41.0B	AA–	$90.3B	$83.7B
Alphabet 12 months to Jun 30, 2026	185.7	132.4	71%	+$53.3B	AA+	$242.5B	$98.2B
Amazon 12 months to Jun 30, 2026	161.4	169.0	105%	–$7.6B	AA	$123.0B	$128.9B
Oracle 12 months to Aug 31, 2026	46.9	75.7	161%	–$28.7B	BBB–	$37.1B	$117.7B

Source: company releases and filings; S&P ratings as reported in August 2026. Capex is cash purchases of property and equipment (Amazon net of proceeds and incentives; Microsoft excludes finance leases; Meta excludes finance-lease principal). FCF = operating cash flow minus capex. Cash includes marketable securities. Long-term debt excludes the current portion, lease liabilities and purchase commitments, so it understates total obligations. Note 9.

Same opportunity, different balance sheets

Oracle shows why the balance sheet matters. Its free cash flow over the past four quarters was −$28.7 billion, and it carries $117.7 billion of long-term debt. It has also signed $288 billion of data center leases that haven't started. Those aren't debt today, but each one becomes a fixed obligation when it begins.[13]

Oracle is also leaning on its customers. It received $11.4 billion of prepayments last quarter that it accounts for as carrying a financing component, and it expects customers to repay $20 billion to $25 billion of its fiscal 2027 capex. That's customers paying for the buildout in advance, not ordinary service revenue. It reduces what Oracle has to borrow but ties it more tightly to a few large contracts, OpenAI's above all. S&P cut Oracle to BBB–, one notch above junk, in July.[14]

Microsoft and Alphabet each produced more than $50 billion of free cash flow while spending at a record pace, and each holds more cash than long-term debt. They can absorb several years of disappointing returns. Oracle has much less room.

Why I remain constructive

None of this makes me doubt the demand. Nvidia's preliminary outlook is for about 70% revenue growth next fiscal year, and it says supply, not orders, is the limit.[15] Usage is compounding too. Google said in May it was processing more than 3.2 quadrillion tokens a month, up from about 480 trillion a year earlier.[16] That happened while the price of a given level of AI capability fell somewhere between 9x and 900x a year, by Epoch AI's estimates.[17] That supports the case without proving it. Falling prices grow total spending only if usage rises faster than prices fall, and the new capacity still has to earn its cost of capital. Rising revenue at the labs and the clouds says the first is happening. The second is still unproven.

Adoption still has a long way to go. About 20% of U.S. businesses say they use AI, and 37% of firms with 250 or more employees.[18] Competition gives everyone a reason to keep building. ByteDance has discussed as much as $70 billion of capex this year, more than double last year's, which makes it hard for any American lab to slow down on its own.[19] And the labs' revenue is real. Anthropic earned $974 million of operating income in the second quarter, and estimates of OpenAI's run rate range from about $50 billion to $70 billion.[20]

The 1999 parallel

Telecom is the obvious comparison, as long as it isn't pushed too far. The internet was real and traffic kept growing, yet equipment makers lent heavily to their customers to keep orders coming, and those loans went bad quickly when demand slowed. By September 2001 Lucent had set aside about $2.1 billion of reserves against $3.0 billion of customer financing it had extended. That spring, Cisco wrote down $2.25 billion of inventory in a single quarter.[21]

The differences matter, but not all of them favor today. Lucent was lending to start-ups funded mostly with debt, while Nvidia's biggest customers carry AA or AAA ratings. Nvidia's support is mostly equity and guarantees, and those lose money differently from loans. A loan carries a claim to be repaid and some recovery if the borrower fails. Equity has no claim, sits last in line and can lose value long before any default. A guarantee costs nothing until it's called, and it's most likely to be called when the tenant is weakest. So the structure is different, not automatically safer. The bigger change is the counterparty. The weakest participants today, the neoclouds, the special-purpose vehicles and the labs still burning cash, have more in common with the 1999 borrowers than with Microsoft, and much of Nvidia's support goes to them. That's where I'd expect problems to show up first.[22]

Who benefits, and who carries the risk

If demand keeps growing and the new capacity earns its cost of capital, nearly everyone in the loop does well, Nvidia most of all. If utilization, pricing or monetization falls short, the losses won't land evenly.

	IF RETURNS HOLD	IF RETURNS FALL SHORT
Nvidia	Hardware sales, equity gains and a share of AI cloud rental revenue	Sales, equity values and receivables could weaken together while guarantees are called; supply commitments are only partly adjustable
Model developers	Scale and lower unit costs; today's commitments look cheap	Largely fixed compute bills against usage-based revenue; more dilution
Cloud providers	Backlogs turn into revenue at good margins	Depreciation on underused capacity; hardest for Oracle, given its leases and customer concentration
Equity investors	Earnings growth justifies the spending	Lower returns on capital, smaller buybacks, more share issuance
Bondholders and lenders	Coupons, with little upside	Losses concentrate in neocloud debt and SPVs secured by GPUs that lose value quickly

What I'm watching

- **Nvidia's cash conversion.** Whether receivables and DSO fall as large multi-quarter deals are paid.
- **The OpenAI guarantee.** Whether OpenAI earns a satisfactory rating before the first lease starts, expected in fiscal 2029.
- **Neocloud utilization and pricing**, and whether Nvidia ends up buying CoreWeave's unsold capacity.
- **Cloud revenue against capex** at Microsoft, Alphabet and Amazon, starting this week.
- **Oracle's credit spreads** and its path to positive free cash flow by fiscal 2029, an S&P downgrade trigger.

I lean constructive on the technology and on demand for compute, and selective about the companies financing it. Nvidia's investments could turn out to be some of the best it ever makes, but the same links that make them profitable on the way up would spread losses on the way down. The signals I trust most are the financial ones: cash conversion, credit spreads, and how much of the buildout is ultimately paid for by end customers rather than by financing.

Notes and sources

1. NVIDIA Q2 FY27 earnings call, August 26, 2026 (transcript, NVIDIA IR). On the same call Kress said Nvidia expects demand from AI labs supported by its balance sheet to contribute "roughly a quarter of our business next year," described AI cloud arrangements in which Nvidia guarantees a minimum and shares revenue above it ("we get paid twice, once on the hardware sale and again through the share of rental revenue"), and said "We're not making loans."
2. NVIDIA Q2 FY27 press release and CFO commentary (8-K, CFO commentary) and Form 10-Q (sec.gov): revenue $96,221M (Q2 FY26: $46,743M); operating income $63,734M; Data Center $89.0B (92.5%). Free cash flow, company definition (operating cash flow less purchases of property, equipment and intangibles, less principal payments on them): Q1 $48,554M, Q2 $21,341M, first half $69,895M.
3. 10-Q, MD&A ("equity investments of $99 billion and equity investment commitments of $25 billion") and Note 10. CFO commentary: "Our equity investments are focused on AI model makers, infrastructure financiers, and other private companies." Kress on the call: "we've invested nearly $50 billion in the frontier AI labs," an amount invested rather than a carrying value; the filings do not break holdings down by investee. Equity investments: marketable equity securities $42,783M, publicly held securities in other assets $4,957M, and non-marketable securities $51,157M (non-marketable equity securities of $47,898M, up from $3,799M a year earlier, plus about $3.3B of equity-method investments in infrastructure financiers). Guarantees: land, power and shell guarantees of $3,529M at July 26, the only guarantees in place at quarter-end. "In August 2026, we entered into guarantees, capped at a total of $105 billion" for SB Energy leases; "Each guarantee generally becomes effective upon commencement of the applicable lease, the first of which is expected in fiscal year 2029," and payment is "triggered upon certain tenant defaults." The 10-Q's maximum gross exposure of $108.5B includes both. Guarantees are contingent obligations, not funded debt.
4. 10-Q: gains from equity securities, net, $23,707M for the six months. Of this, net unrealized gains on publicly held securities still held were $12.5B, and upward price adjustments to non-marketable securities were $7,504M, about $20.0B in total. $36.9B of public holdings were under short-term lock-ups, and $5.0B are locked up through December 2027.
5. Derived from the 10-Qs for the quarters ended April 26 and July 26, 2026 (Q2 = six months less Q1). Q2 cash used by changes in receivables $22,347M, inventories $5,784M and prepaid and other assets $5,497M; accrued and other current liabilities provided $252M, against $7,763M in Q1. Receivables were $40,710M at April 26 and $63,059M at July 26. CFO commentary: DSO of 60 days, "up from 45 days sequentially," reflecting extended payment terms on large, multi-quarter agreements with certain investment-grade customers; and, on operating cash flow, "The sequential decrease was driven by higher working capital adjustments and cash taxes."
6. Anthropic, "Microsoft, NVIDIA and Anthropic announce strategic partnerships," November 18, 2025 (anthropic.com). Anthropic's initial capacity is to run on Nvidia Grace Blackwell and Vera Rubin systems; it also committed to contract up to one gigawatt of additional capacity. Anthropic's $30B Series G in February 2026 included Microsoft and Nvidia, but their amounts were not separately disclosed, so how much of the "up to" commitments has been funded is not public. Anthropic's Form S-1 (October 26, 2026) shows a Microsoft minimum spend of at least $44.9B from November 2026 to May 2033 (sec.gov).
7. OpenAI: funding announced February 27, 2026 (Amazon $50B, Nvidia $30B, SoftBank $30B) and closed at $122B on March 31 (Engadget), replacing a September 2025 letter of intent for up to $100B (Outlook Business); OpenAI committed to 5 GW of Vera Rubin capacity (Converge Digest). Guarantee: 10-Q Note 10 and MD&A (signed in August 2026, after the July 26 quarter-end; cap $105B; about 4.25 GW of IT load at SB Energy's Pike County, Ohio campus; 20-year leases; each guarantee effective only when its lease commences, the first expected in fiscal 2029; payable only on certain tenant defaults; ends on events including OpenAI achieving a satisfactory credit rating or completion of each lease term; Nvidia holds an option on about 3.8 GW more). CoreWeave: order form dated September 9, 2025, initial value $6.3B, under which Nvidia buys residual unsold capacity through April 13, 2032 (8-K); $2B at $87.20 a share in January 2026 (DCD). Nebius: $2B Nvidia investment and Meta commitment of up to $27B, March 2026 (The Next Web). Kress also referred to "selective credit enhancement for nearly 2 gigawatts of compute" for an unnamed lab.
8. Anthropic Form S-1: Q2 2026 revenue $11.6B (annualized $46.4B, LP Research calculation); about $265.6B of fixed or minimum purchase commitments at June 30, 2026, separate from about $321.4B of signed leases that had not commenced. Named minimums include Google Cloud (at least $114.5B, April 2026 to July 2033), AWS (at least $110.0B, May 2026 to April 2036) and Microsoft (at least $44.9B, November 2026 to May 2033).
9. Trailing-12-month figures. Microsoft FY2026 (OCF $182,935M; additions to property and equipment $115,948M) (8-K); Microsoft's Q4 FY26 capex including finance leases was $41.0B, of which $5.6B were finance leases (earnings call, July 29, 2026). Alphabet (OCF $185,675M; capex $132,402M; Q2 FCF −$5,855M) (8-K). Amazon (OCF $161,403M; capex net of proceeds and incentives $169,007M) (8-K). Meta, sum of Q3 2025, Q4 2025 and the first half of 2026 (OCF $130,301M; purchases of property and equipment $89,325M); Meta's own FCF definition also deducts $3.1B of finance-lease principal, and on that basis its Q3 2026 FCF was −$2,120M (8-K). Oracle, Q2 FY26 to Q1 FY27 (OCF $46,940M; capex $75,660M) (8-K). Cash and marketable securities / long-term debt at period end: Microsoft $76.8B / $31.1B; Meta $90.3B / $83.7B; Alphabet $242.5B / $98.2B; Amazon $123.0B / $128.9B; Oracle $37.1B / $117.7B. Ratings (secondary source; Oracle's July downgrade and Amazon's AA are corroborated by separate press reports of S&P's actions, while Microsoft's, Alphabet's and Meta's are not independently confirmed): Advisor Perspectives, August 3, 2026.
10. BofA, via Reuters, February 9, 2026 (Yahoo Finance); 2026 USD issuance by Alphabet, Amazon, Meta, Microsoft, Oracle and SpaceX: TwentyFour Asset Management, September 3, 2026 (blog). Issuance is not the same as debt outstanding: Alphabet raised $56.2B of debt in the first half and Meta's long-term debt rose to $80.9B from $58.7B, while Microsoft's long-term debt fell to $31.1B in fiscal 2026. Hyperion: Blue Owl funds hold 80% and Meta 20%, with a Meta residual value guarantee (Bisnow). Meta's non-voting Class C stock: Q3 2026 release. Microsoft's shift toward operating leases and longer data center lives (CFO Dive). Nvidia itself issued $25.0B of senior notes in June 2026 (10-Q).
11. TwentyFour Asset Management, September 3, 2026.

12. Capital recovery factor: $r / (1 - (1 + r)^{-n}) = 0.06 / (1 - 1.06^{-6}) = 0.203$. This is a simplified financing requirement: the level annual cash flow, after operating costs and before taxes, that repays $1 plus 6% interest over six years. It is not a full project return hurdle or a return-on-capital measure. It ignores taxes, residual value, ramp-up time and any return to equity holders. At a 9% blended cost of capital the factor is 0.223. Adding straight-line depreciation (1/6) to 6% interest on the original amount (22.7%) overstates the hurdle because it ignores repayment of principal over time.
13. Oracle Form 10-Q for the quarter ended August 31, 2026: non-current notes payable and borrowings $117,712M; "$288 billion of additional lease commitments, substantially all related to data center arrangements," expected to commence between Q2 FY27 and FY29 (sec.gov). Free cash flow from the Q1 FY27 release, sum of four quarters.
14. Oracle 10-Q: "$11.4 billion of prepayments from customers that included a significant financing component"; deferred revenue $30.8B vs. $15.4B at May 31, 2026. FY27 capex of up to $95B, including $20B–$25B expected to be repaid by customers (Outlook Business, June 11, 2026). 2026 financing: a $25B bond sale in February, 141M shares sold under the ATM program for net proceeds of $19.9B, and $5B of mandatory convertible preferred (10-Q; StreetInsider). S&P downgrade to BBB–, July 9, 2026, including OpenAI's share of backlog and downgrade triggers (PPC Land). Moody's Baa2, negative outlook (Newsquawk, February 2, 2026). Five-year CDS about 200bp in early August, from under 50bp in mid-2025 (Advisor Perspectives).
15. NVIDIA Q2 FY27 earnings call. Kress: "This is a supply-constrained outlook." Huang: "even though our demand is much greater than 70%, our supply allows us to confidently deliver 70%."
16. Sundar Pichai, Google I/O keynote, May 19, 2026 (Shacknews).
17. Epoch AI, "AI inference price trends," March 12, 2025: the price to reach a fixed performance level fell 9x to 900x a year depending on the benchmark, over data from late 2021 to early 2025 (epoch.ai).
18. U.S. Census Bureau, Business Trends and Outlook Survey, May 26, 2026: 19.8% of businesses (census.gov).
19. Bloomberg, May 27, 2026 (Bloomberg Law).
20. Anthropic Form S-1 (Q2 2026 operating income $974M). OpenAI: nearly $70B annualized per Axios (Bloomberg Law, September 29, 2026) and about $50B per the Financial Times (Bloomberg Government, October 8, 2026), with the gap reportedly tied to how sales through cloud partners are counted. Both are unaudited press reports.
21. Lucent fiscal 2002 annual report (Form 10-K, Exhibit 13): customer financing at September 30, 2001 of $5.3B committed and $3.0B drawn, with reserves of about $2.1B on drawn amounts; revenue fell from $28.9B in fiscal 2000 to $12.3B in fiscal 2002 (sec.gov). Cisco, Q3 fiscal 2001 results, May 8, 2001: excess inventory charge of $2,249M; net sales of $4.73B, down about 30% from the prior quarter (newsroom.cisco.com). At the peak, in November 2000, Lucent had about $7B of customer-financing commitments, Nortel $3.1B and Cisco $2.4B (TheStreet).
22. Lucent's exposure was mostly loans to customers, which carried a repayment claim and, in default, a claim in recovery. Nvidia's is mostly equity, which has no repayment claim and absorbs losses first, and contingent guarantees, which cost nothing unless called but tend to be called when the counterparty is weakest. Comparing either as a share of revenue says little about relative risk, so I don't. Credit ratings: note 9.

Figures are as reported in company filings and releases available on October 28, 2026, unless noted. Microsoft and Alphabet report results on October 28 and Amazon on October 29, after this piece's data cutoff. Press-reported figures are labeled as such. This commentary is for information only and is not investment advice.