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S&P: AI Infrastructure Buildout Weighs Credit Risks And Rewards

Key takeaways

- Frontier AI labs are the most speculative of AI participants mainly because of the gap between their massive funding needs and uncertainty in meeting their monetization expectations.
- Hyperscalers are best positioned in this AI revolution given their strong balance sheets and competitive positions through their cloud platforms. However, their aggressive capex investments have begun to erode free operating cash flow, leaving credit risk profiles modestly riskier than before.
- Positive rating actions for AI chip and hardware vendors reflect insatiable demand.
- Oracle Corp.’s debt-financed AI strategy has led to a negative rating outlook change and its credit metrics will remain stretched for the ‘BBB’ rating for the next three years.

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