

COREWEAVE: THE BEGINNING OF THE END FOR AI BOOM?

EPISODE
435

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Credit markets are asking the question

~15%

secondary-market bond yield

<\$80

bond price per \$100 of face value

Distress pricing puts the funding model under scrutiny

Financing problem or industry problem?

The same credit sell-off can support two very different interpretations

1 The projects work; the balance sheet is stretched

Attractive operating economics can coexist with excessive borrowing and an unfunded expansion programme.

2 The projects do not earn their cost of capital

If realistic pricing, utilisation and replacement costs fail the test, the problem reaches beyond one operator.

The compute refinery

A useful economic analogy for a capital-intensive operator

Electricity → GPU clusters → Compute

The margin depends on the price of compute, operating efficiency and the cost of the equipment.

A capable operator still faces a capital cycle

Two asset lives, two capital commitments

Illustrative facility assumptions in the Economic Model

Commitment	Model horizon	Economic implication
Tenant infrastructure	15 years	Spread the fit-out over a longer life
GPU equipment	5 years	Replace the equipment repeatedly
Customer contracts	Often multiple years	Reduce revenue uncertainty during the term

A long lease secures capacity and creates a fixed obligation. Replacement life is a modelling assumption.

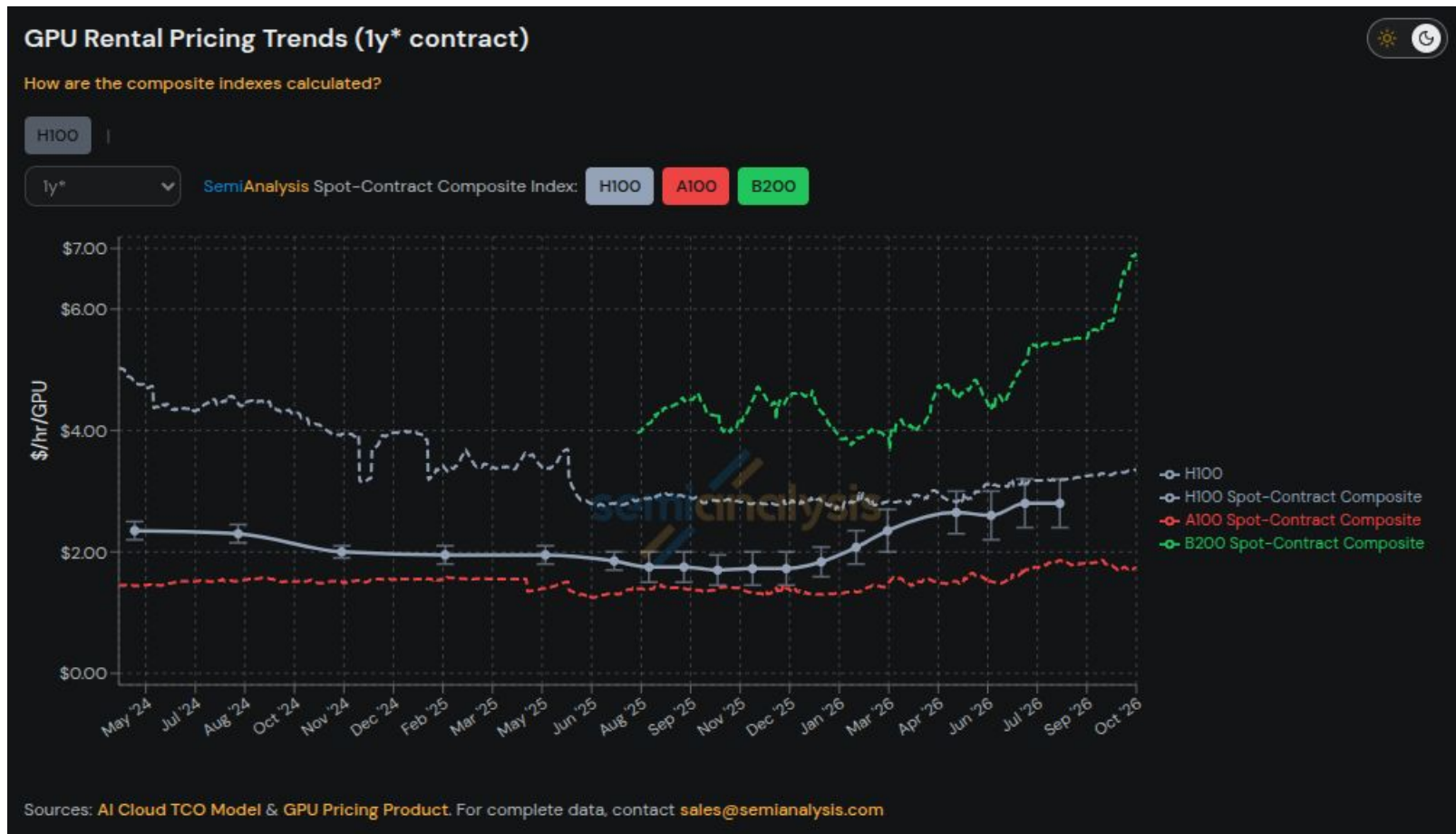
A100 and H100 unit economics

US\$ per GPU-hour • model assumptions, not quoted market prices

GPU / item	Year 1	Year 2	Year 3	Year 4	Year 5
A100 revenue	1.80	1.64	1.49	1.36	1.23
A100 other opex	0.38	0.40	0.42	0.44	0.46
A100 power / cooling	0.07	0.07	0.07	0.08	0.08
H100 revenue	3.25	2.96	2.69	2.45	2.23
H100 other opex	0.70	0.74	0.77	0.81	0.85
H100 power / cooling	0.10	0.10	0.11	0.11	0.11

Annual assumptions: rental rates -9%; other operating cost +5%; power / cooling +3%.

A100 and H100 unit economics



Building the 100 MW example

H100 economics • initial investment and operating assumptions

Input	Model assumption
Installed GPU capacity	55,556 GPUs
Utilisation	90%
Equipment cost	US\$40,000 per GPU → US\$2.222bn
Tenant infrastructure	US\$3m per MW → US\$0.300bn
Total initial capex	US\$2.522bn

What does 100 MW earn?

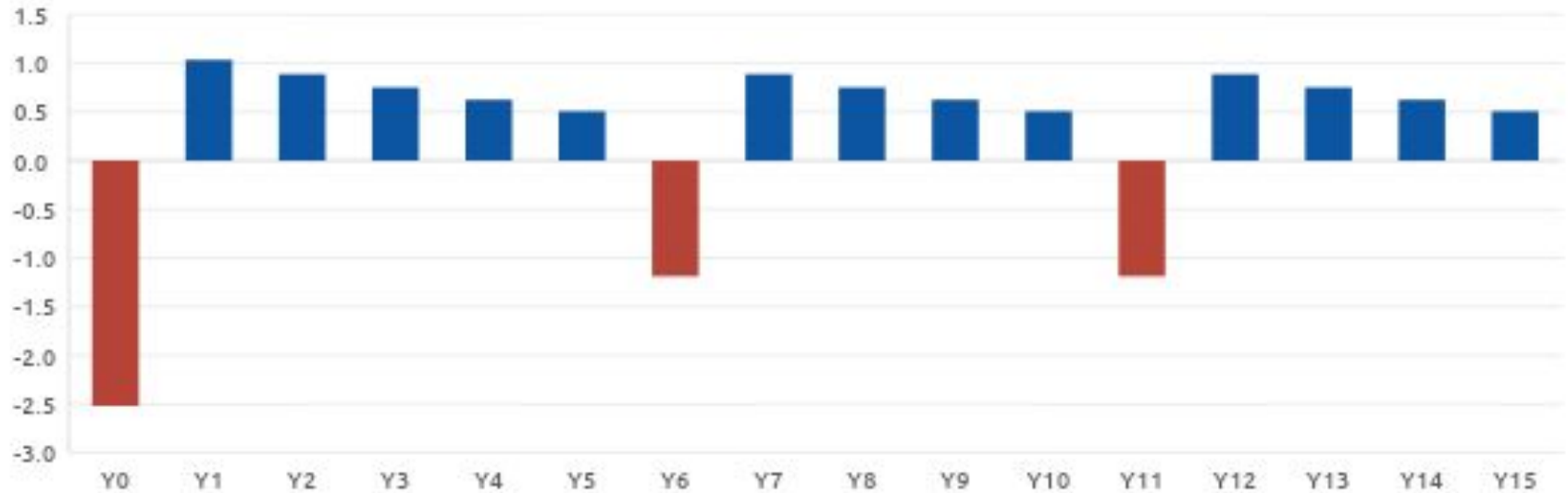
US\$m per year • H100 worked example

Operating item	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	1,424	1,295	1,179	1,073	976
Other operating costs	-341	-358	-376	-394	-414
Power and cooling	-49	-50	-52	-53	-55
Cash / EBITDA	1,034	888	752	625	507

90% utilisation; 438m billed GPU-hours each year. EBITDA excludes interest, tax and equipment replacement.

A facility needs repeated reinvestment

US\$bn • cash flow before interest, Economic Model row 37

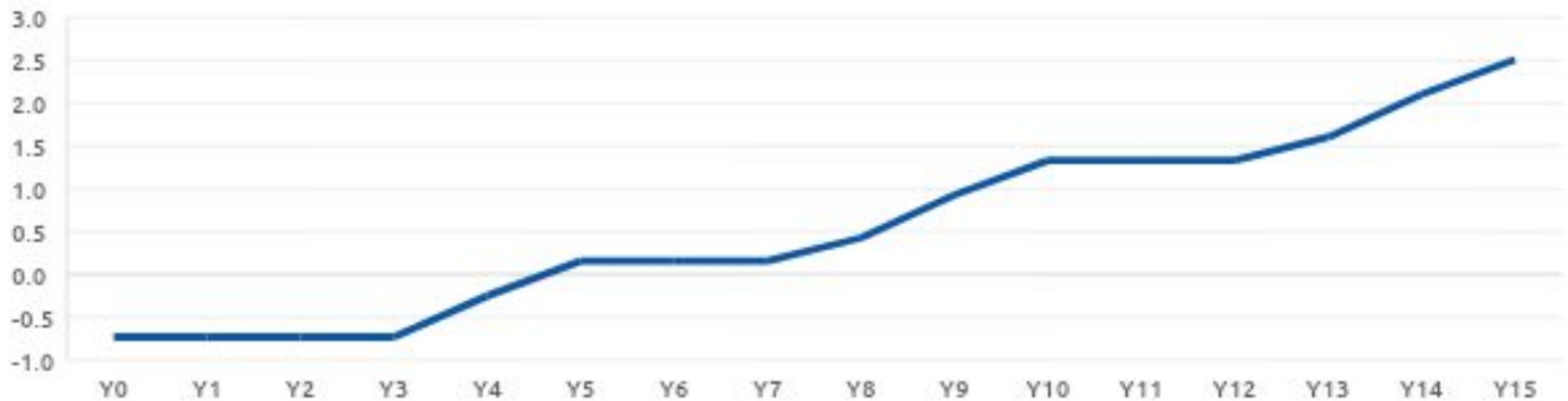


Initial capex in year 0; GPU refresh outflows in years 6 and 11. The facility continues operating.

20% modelled equity IRR

75% initial debt funding • 9% borrowing cost • simplified facility model

Capital is committed before equity cash returns



Debt is cleared during year 4; cumulative equity cash turns positive in year 5, within this model.

Lower operating risk can enable more leverage

Contracted revenue improves financeability; debt changes the equity risk

Multi-year contracts + customer prepayments

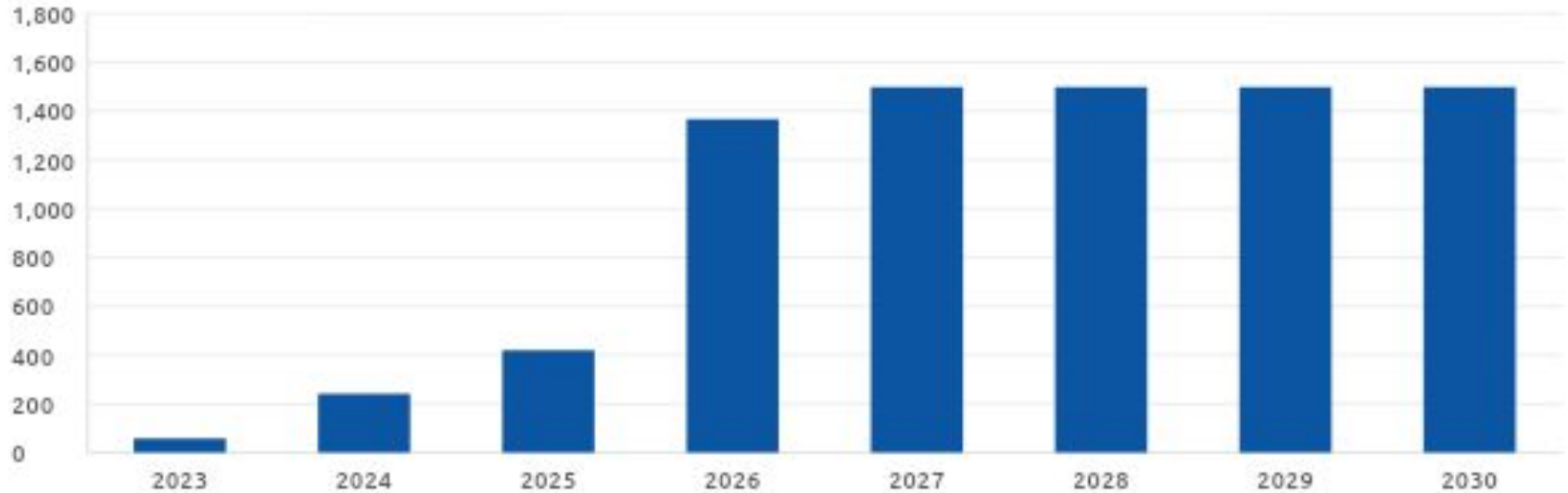
More visible cash receipts

More borrowing + faster construction

Less room for delays, overruns or refinancing stress

Construction grows faster than the cash harvest

Annual capacity additions in the Economic Model • MW



58.5 MW in 2023 → 241.5 MW in 2024 → 1,366 MW in 2026; then 1,500 MW annually to 2030.

Stack the vintages: early losses accumulate

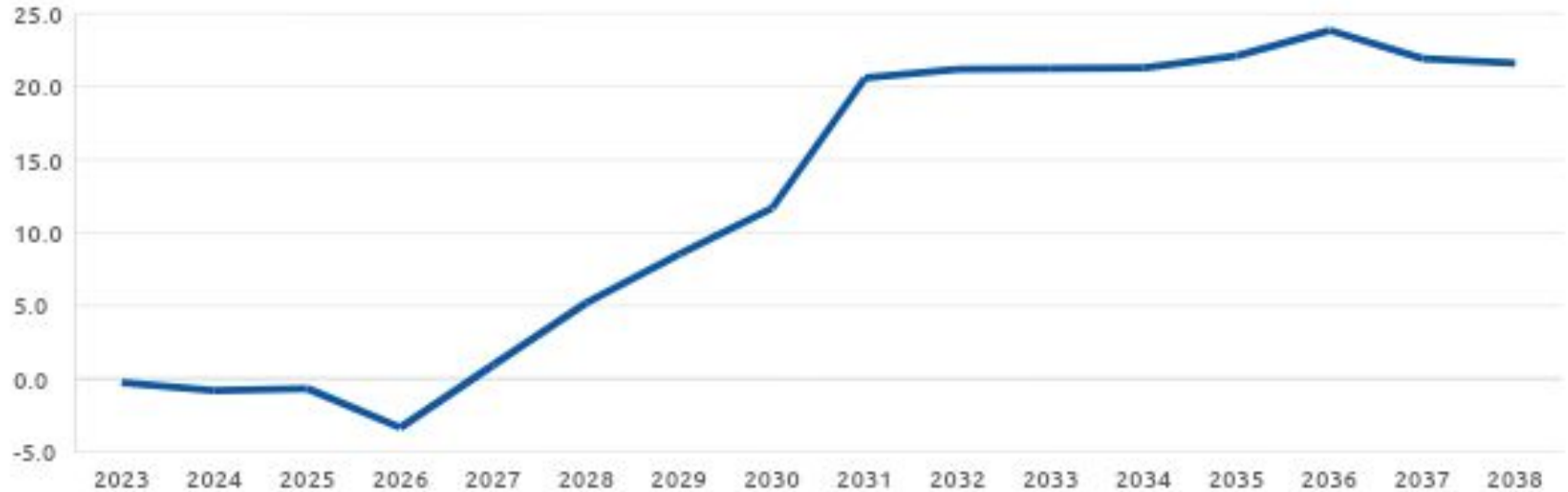
Pre-tax earnings • US\$bn • model, not cash flow or reported earnings

Vintage / MW	2023	2024	2025	2026	2027	2028	2029	2030
2023 / 59	-0.25	0.23	0.18	0.14	0.09	0.03	0.33	0.20
2024 / 242	—	-1.05	0.96	0.76	0.57	0.38	0.10	1.38
2025 / 420	—	—	-1.82	1.68	1.32	0.99	0.67	0.18
2026 / 1,366	—	—	—	-5.92	5.46	4.30	3.21	2.17
2027 / 1,500	—	—	—	—	-6.50	5.99	4.73	3.53
2028 / 1,500	—	—	—	—	—	-6.50	5.99	4.73
2029 / 1,500	—	—	—	—	—	—	-6.50	5.99
2030 / 1,500	—	—	—	—	—	—	—	-6.50
Total	-0.25	-0.81	-0.67	-3.35	0.94	5.19	8.54	11.67

First-year losses include depreciation and interest; they are not capex.

The earnings harvest arrives later

Aggregate pre-tax earnings • US\$bn • simplified vintage model



New vintages end after 2030 in this exhibit. Replacement cycles continue; earnings are not free cash flow.

“Debt” needs a definition

Separate the obligations before adding up a headline number

Category	What the obligation represents
Financial borrowings	Principal, interest and refinancing obligations
Recognised lease liabilities	Present value of qualifying future lease payments
Future commitments	Contractual spending; may not yet be recognised debt
Customer advances	Cash received for services still to be delivered

Reconcile dates, gross versus net debt, lease treatment and potential double counting.

Customer prepayments are useful funding

Illustrative accounting example • US\$100m paid before service delivery

When payment arrives	Effect
Cash asset	+US\$100m
Deferred revenue liability	+US\$100m
Revenue earned at receipt	US\$0 until the service is provided

The liability is real. So is the funding benefit.

Illustrative only. Cash may subsequently fund construction; it need not remain available to offset the liability.

What if expansion stops?

Economic Model scenario outputs • US\$bn

Last new vintage	Operating value ¹	Debt	Discounted equity ²
2026	61.9	47.0	7.4
2027	106.4	82.8	11.7
2028	150.9	80.5	35.0
2029	195.4	89.1	52.9
2030	239.9	90.8	74.2

¹ 10× average 2031–35 EBIT. ² (Operating value – debt) ÷ 1.15⁵ for every scenario, as in the source.

The valuation depends on reaching the harvest

More capacity adds operating value—and a larger funding obligation

US\$35.0bn

discounted equity: stop in 2028

US\$74.2bn

discounted equity: stop in 2030

This is a scenario comparison, not a forecast.

Friendlier valuation multiple, shallower drop of in revenue and you can triple those valuations easily.

Both figures retain the workbook's 10× EBIT valuation and common five-year discount convention.

What would break the financing explanation?

The conclusion depends on the operating assumptions surviving a stress test

Test	What would weaken the thesis
Compute pricing / utilisation	Receipts fall below the earning curve
GPU life / refresh cost	More frequent or more expensive replacement
Construction and delivery	Revenue starts later while funding costs continue
Financing and customer risk	Refinancing fails, cash is restricted, or contracts underperform

Stress secured borrowing costs separately from secondary unsecured bond yields.

A financing problem—under these assumptions

A good operator can still be a fragile equity investment

The model supports the project economics.
Expansion and leverage determine whether equity captures them.

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