

## Internet/e-Commerce

# Raising Internet capex ests: A look into Internet capex, capacity and monetization

Industry Overview

## AI capex returns remain the top hyperscaler debate

The biggest debate for the Internet hyperscaler stocks remains the return profile on AI capex spend, while biggest concern in 2Q results is that higher capex (and lower FCF ests.) will overshadow strong revs. In our view, this concern has outweighed recent positive cloud pricing (Amazon) and capacity monetization data points. In this report, we raise our capex estimates, translate capex into estimated data center GW capacity, and review monetization estimates on that capacity. We also conduct an internet hyperscaler valuation analysis & list potential catalysts that could improve hyperscaler sentiment.

## Raising capex estimates as hyperscalers prioritize capacity

Given the recent capital raise by Alphabet, reported server order increases by Amazon, LLM capacity use comments from Meta, and higher memory costs, we are raising our sector capex estimates. For Alphabet, we now expect Capex of \$195bn in 2026 (vs \$187bn previously), \$290bn in 2027 (vs \$257bn). For Meta, we expect Capex of \$145bn in 2026 (vs \$130bn previously) and \$185bn in 2027 (vs \$157bn). For Amazon AWS (excludes retail), we expect Capex of \$159bn in 2026 (unchanged), \$230bn in 2027 (vs \$196bn). (We will adjust our ests for related revenues & depreciation as additional June advertising and Cloud data points come in.)

## Sizing hyperscaler data center GW capacity through 2030

We est. capacity by triangulating capex results and outlooks, Amazon's GW disclosures, and industry estimates on costs to build data center capacity. We estimate the Big-3 Internet mega caps had ~27GW capacity exiting 2025, which will grow to 39GW in 2026 and 57GW in 2027. We estimate Amazon will add the most capacity in 2026-2027 at 15GW, followed by Google at 9GW and Meta at ~6GW, with Amazon's capacity additions at a lower cost than peers (at around \$24bn in AWS capex per GW per 2025 disclosures).

## Recent capacity deals suggest growing capacity value

Assuming 70% of Amazon's AWS capacity is used for Cloud (vs 30% for core), we estimate AWS revenue per GW of capacity at \$10.6bn in 2026, with Google Cloud at \$15.7bn. These revenues/GW are well below recent capacity deals by Anthropic and Google with SpaceX at up to \$50bn per GW (for specialized AI capacity), which give us optimism on future capacity related revenue upside. For Meta, we estimate the company could have up to ~23GW of capacity by 2030, and if 40% is available for AI enterprise sales, we estimate a \$110bn potential enterprise opportunity (assuming \$12bn/GW).

## Internet hyperscaler valuation analysis

For our valuation analysis, we back out est. valuations for core advertising and retail revenues (at 12-15x implied P/Es) and look at valuations imbedded in hyperscaler stocks per unit of GW capacity. While our analysis is subject to numerous assumptions & excludes the impact of projects like Leo and Reality Labs., we think our analysis identifies the limited implied value the Street is giving to Meta's capacity build. Our analysis suggests an implied value for Google at \$110bn per 2028 Cloud GW (assuming 70% of capacity for Cloud), Amazon at \$59bn per AWS GW, and Meta at \$4bn per AI GW. We note that Meta is the major beneficiary with proof points on capacity revenue levers. See our other conclusions on the next page.

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AI: Artificial Intelligence

FCF: Free Cash Flow

GW: Gigawatt

API: Application Programming Interface

MTIA: Meta Training and Inference Accelerator

TAM: Total Addressable Market

LLM: Large Language Model

## Introduction

We think the biggest debate for the Internet hyperscaler stocks, in our view, remains the return profile on AI capex spend. The elevated capex spend has increased hyperscalers fixed costs, lowered competitive differentiation and increased long-term margin risk. While risk of incremental near-term FCF pressure is increasing, there have been recent positive cloud pricing (Amazon), capacity leasing (Anthropic deal with SpaceX) and LLM data points (Meta improvements with Watermelon) that suggest strong monetization potential. However, despite strong and accelerating Cloud sector revenue growth, Amazon and Meta P/E valuations are well below historical averages, and Google has underperformed since announcing a capital raise on June 3<sup>rd</sup>, suggesting investors remain skeptical on AI capex spend ROIs.

In this report, we update our capex estimates, translate capex into implied installed GW data center capacity, and estimate the potential monetization value of that capacity through a revenue-per-GW analysis. We also analyze for Internet hyperscaler capacity, and potential catalysts that could drive stock multiple expansion.

Our key conclusions:

- Amazon will add most capacity in 2026-2027 and therefore has potential for most capacity driven incremental revenue growth in the group. We estimate Amazon will add 15GW of capacity over the 2-year period, followed by Google at 9GW and Meta at ~6GW. Reiterate Buy on Amazon.
- We estimate that Amazon will have the lowest cost per incremental GW of capacity. We estimate Amazon capacity additions at \$25bn/GW in 2026 vs Google at \$37bn/GW and Meta at \$45bn/GW, which reflects AWS's scale advantage, use of internal chips, and more balanced mix of core cloud workloads (vs AI). Higher costs at Google and Meta in 2026 partially reflect additional upfront facilities spend (vs chips), more specialized AI capacity (GPUs vs CPUs).
- Google has higher revenue per GW of estimated AI / Cloud capacity, which is due to its premium cloud mix and differentiated AI infrastructure anchored by TPUs. However, with estimated 2026 AWS revenue per AWS GW at roughly \$10bn versus Alphabet Cloud at \$16bn, there is potential upside to our AWS revenue estimates as AI workloads grow as a percent of total.
- There is significant upside potential to our Cloud revenue estimates based on recent capacity deals. We estimate annual Cloud revenues per GW of capacity for Amazon and Google ranging from \$10bn to \$17bn, well below recent capacity deals signed by Anthropic and Google with SpaceX at over \$40bn a GW (estimated). We also use a conservative \$12bn per GW in estimating Meta's enterprise revenue potential, which could have significant upside considering specialized AI capacity that Meta is building.
- Meta is getting little to negative value on its capacity build. Even using a conservative 5x 2027 revenues on Meta's ads business (which translates to around 12x P/E assuming 50% margins) and assuming a relatively high 60% of capacity will be used for the core ad business, Meta's stock valuation embeds a \$4bn/GW AI capacity valuation based on our capacity estimates. Reiterate Buy on Meta.



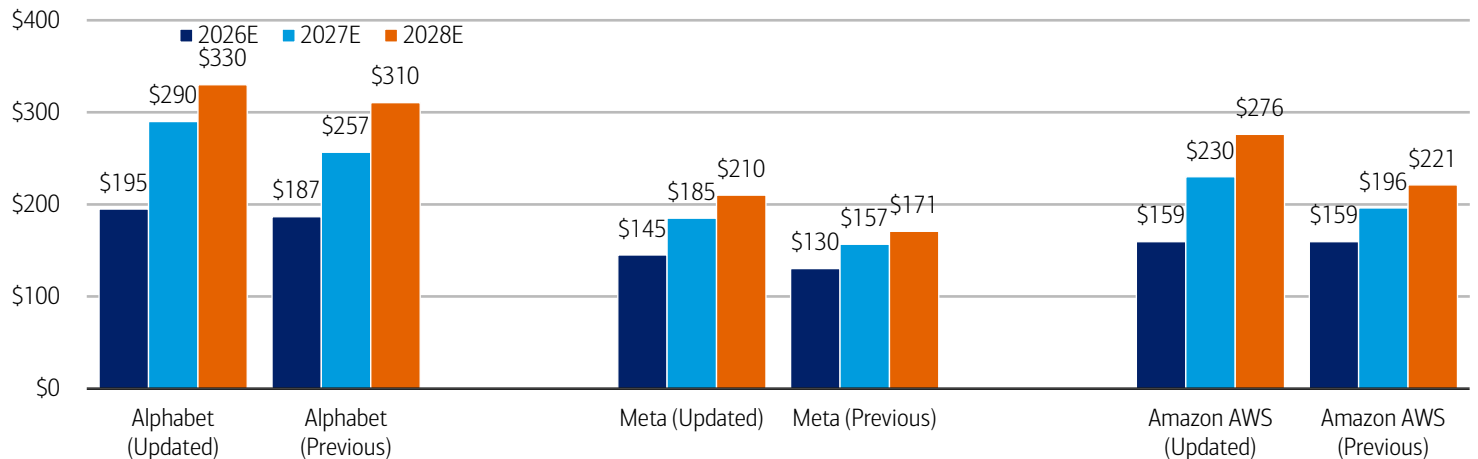
## Section 1: Raising Capex Estimates

Given the recent capital raises by Alphabet and Amazon, combined with a DigiTimes report that AWS has asked server supply chain partners to increase 3Q'26 shipments, comments from Meta's management on increase capacity needs for its new LLM (Watermelon), Google's commentary emphasizing a significant step-up in capex next year, and DRAM spot pricing data that suggests pricing is up 40% q/q, we are raising our capex estimates. We believe hyperscalers will prioritize capacity availability over near-term FCF optimization, as demand for AI training, inference, cloud workloads and internal AI product deployment remains supply constrained. Recent commentary supporting our outlook for higher capex:

- In June Google indicated plans to raise \$80 in capital to fund infrastructure investment,
- In early July, Meta said its next-gen AI model 'Watermelon' uses 10x more compute,
- In early July, Amazon Web Services has told its server supply chain partners to raise shipment volumes for 3Q'26 (per Digitimes), and
- In mid-June, per Bloomberg, Meta signed a 1.6GW capacity agreement with neo cloud provider, Crusoe

### Exhibit 1: We are raising our capex estimates to reflect recent Cloud industry data points

Updated Capex Estimates for Alphabet, Meta and Amazon AWS (\$ bn)



Source: BofA Global Research Estimates

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### Revised estimates:

- **Alphabet:** We now expect Capex of \$195bn in 2026 (vs \$187bn previously), growing 49% y/y to \$290bn in 2027 (vs \$257bn previously) and 14% y/y in 2028 to \$330bn (vs \$310bn previously).
- **Meta:** We now expect Capex of \$145bn in 2026 (vs \$130bn previously), growing 28% y/y to \$185bn in 2027 (vs \$157bn previously) and 14% y/y in 2028 to \$210bn (vs \$171bn previously).
- **Amazon AWS:** We expect Capex of \$159bn in 2026 (unchanged), growing 44% y/y to \$230bn in 2027 (vs \$196bn previously) and 20% y/y in 2028 to \$276bn (vs \$221bn previously).

Note: Our updated Alphabet, Amazon and Meta models just reflect revisions to our capex estimates only. We will incorporate the associated impact on depreciation, EPS, FCF and other financial metrics as we receive June revenue data points.



## Section 2: Estimating installed GW Capacity

Using our capex estimates, we estimate historical and future installed GW data center capacity for Alphabet, Meta and Amazon AWS. Our analysis uses company-level capex as the starting point, then applies an estimated cost to build and equip AI-oriented data center capacity. While the exercise is high-level given limited company-level disclosures, we believe it helps in sizing the scale of hyperscaler infrastructure deployment and the potential monetizable compute base. **Our key assumptions include:**

### Cost to Build a GW of Capacity

We estimate that in 2026, the cost to build 1GW of data center capacity is \$25bn to \$45bn, inclusive of the major infrastructure and compute components. The range reflects differences in accelerator mix, rack density, power redundancy, cooling architecture, land and construction costs, and whether the capacity is optimized for training, inference or mixed workloads. We think capex cost per GW could be elevated for Meta and Google in 2026 as land and construction costs are elevated ahead of chip deployment, and capacity is more specialized for AI workloads than various Cloud competitors. Future offsets could include improving chip performance, use of proprietary chips, and rapid growth in memory and other supply availability.

Using data from multiple secondary sources, we estimate that the largest component of AI data center build cost is AI servers and GPUs, which account for roughly 55% to 60% of total cost. This reflects the high cost of accelerators, server systems and related compute hardware required to support training and inference workloads. Power infrastructure is the next largest cost category at approximately 12% to 18%, including substations, transformers, switchgear, backup generation and power distribution equipment needed to support dense AI workloads. Networking represents another 8% to 12% of total cost, driven by high-performance interconnects, switches and optical networking required to link large GPU or TPU clusters. Beyond compute and power, we estimate building, land and site work account for roughly 8% to 12% of total cost, including land acquisition, shell construction, site preparation and related civil work. Cooling and mechanical systems represent approximately 6% to 10%, and other costs and contingency account for ~3% to 5%.

#### Exhibit 2: We estimate \$25bn to \$45bn to build 1GW of AI data center capacity

Cost Build-up of 1GW Capacity Data center (\$ bn)

Capex bucket	Approx. % of total	Lower (\$ bn)	Higher (\$ bn)	What it includes
AI servers / GPUs	55%-60%	\$14	\$28	GPU servers, CPUs, memory, storage inside servers
Networking	8%-12%	\$2	\$5	Switches, optical modules, NICs, cables, back-end GPU networking
Power infrastructure	12%-18%	\$3	\$8	Substations, transformers, switchgear, UPS, PDUs, backup generation
Cooling / mechanical systems	6%-10%	\$2	\$5	Liquid cooling, chillers, cooling distribution, heat rejection
Building / land / site work	8%-12%	\$2	\$5	Land, shell, security, physical construction, permitting
Other / contingency	3%-5%	\$1	\$2	Design, engineering, commissioning, spares, buffers
<b>Total</b>	<b>100%</b>	<b>\$25</b>	<b>\$45</b>	<b>1GW AI data center</b>

Source: BofA Global Research Estimates, Epoch AI, JLL

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#### Company specific assumptions: Google and Amazon custom silicon Advantage

For company-specific assumptions, we use a 2026 cost per GW of ~\$45bn for Meta, \$37bn for Alphabet and \$25bn Amazon. For Amazon, we can triangulate cost per GW based on Amazon's capex and 2-year GW capacity growth outlook. The higher Meta assumption reflects greater upfront costs for data center land/building (ahead of GPU deployment) and reliance on external GPU infrastructure. For Alphabet and Amazon, we assume lower cost per GW to reflect custom silicon usage, particularly the ability to use internally developed TPUs and Trainium/Graviton chips, which we believe can lower effective compute cost versus a more GPU-heavy architecture.

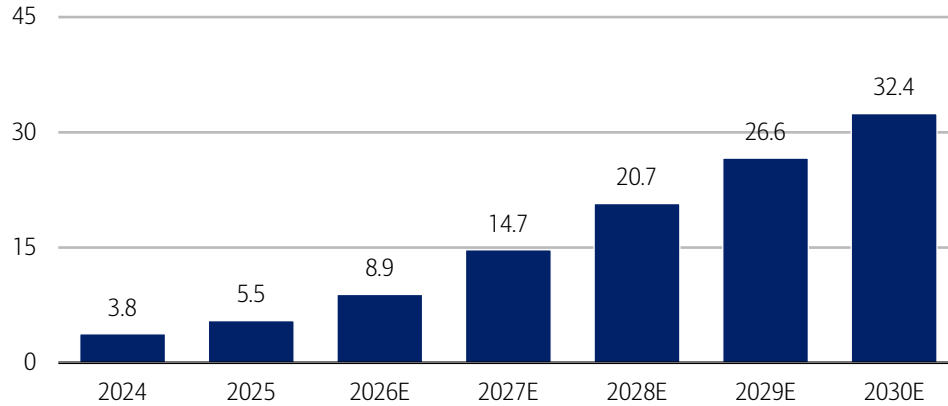


## Alphabet Installed Capacity Estimates

We estimate Alphabet had 5.5GW of capacity in 2025, which will increase 62% y/y to 8.9GW in 2026 and 66% y/y to 14.7GW in 2027. By 2030, we project Alphabet's installed capacity to reach 32.4GW.

### Exhibit 3: We estimate Alphabet capacity will grow to 15GW by 2027

Estimated Alphabet Installed Data Center Capacity (GW)



Source: BofA Global Research Estimates

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We est. Alphabet's capex of \$195bn in 2026 and \$290bn in 2027. Assuming share of capex directed towards Cloud business and AI data centers increases from 45% in 2024, to 60% in 2025 and 70% by 2030 and avg. cost to add 1GW of capacity increases from ~\$31bn in 2024 to ~\$46bn by 2030, we estimate Alphabet's capacity will increase from ~8.9GW in 2026 to 32.4GW by 2030. The increase in cost per GW in 2026, followed by a decline in 2027, reflects timing dynamics in the capacity buildout (physical infrastructure before chips are deployed). We expect revenue per GW to fall in 2027 to reflect timing of capacity deployment, and then increase again in 2028.

### Exhibit 4: We estimate Alphabet's capacity will increase from ~8.9GW in 2026 to ~32.4GW by 2030

Alphabet's Capex and Commissioned capacity estimates by year

	2024	2025	2026E	2027E	2028E	2029E	2030E
Existing Capacity	3.0	3.8	5.5	8.9	14.7	20.7	26.6
GW Addition	0.8	1.7	3.4	5.8	6.0	5.9	5.8
<b>Total Capacity</b>	<b>3.8</b>	<b>5.5</b>	<b>8.9</b>	<b>14.7</b>	<b>20.7</b>	<b>26.6</b>	<b>32.4</b>
Alphabet Capex (\$ bn)	\$52.5	\$91.4	\$195.0	\$290.0	\$330.0	\$356.4	\$384.9
Y/Y		63%	74%	113%	49%	14%	8%
% for Cloud	45%	60%	64%	70%	70%	70%	70%
Google Cloud Capex (\$ bn)	\$23.6	\$54.9	\$124.8	\$203.0	\$231.0	\$249.5	\$269.4
Y/Y		109%	132%	127%	63%	14%	8%
Cost per GW Added	\$31.0	\$31.9	\$36.7	\$34.9	\$38.4	\$42.2	\$46.4
Y/Y		3%	15%	-5%	10%	10%	10%
Google Cloud Revenues (BofA Estimates)	\$43	\$59	\$97	\$156	\$238	\$309	\$387
Y/Y		31%	36%	66%	61%	52%	30%
<i>Street Estimates</i>			\$97	\$149	\$210	\$273	\$344
<i>% Difference (BofA vs Street)</i>			0.5%	5.2%	13.2%	13.5%	12.4%
Incremental Y/Y Revenue	\$10.1	\$15.5	\$38.7	\$59.0	\$81.5	\$71.4	\$77.3
Incremental Rev per GW Added	\$13.3	\$9.0	\$11.4	\$10.1	\$13.5	\$12.1	\$13.3
Y/Y		-27%	-32%	26%	-11%	34%	-11%

Source: BofA Global Research Estimates

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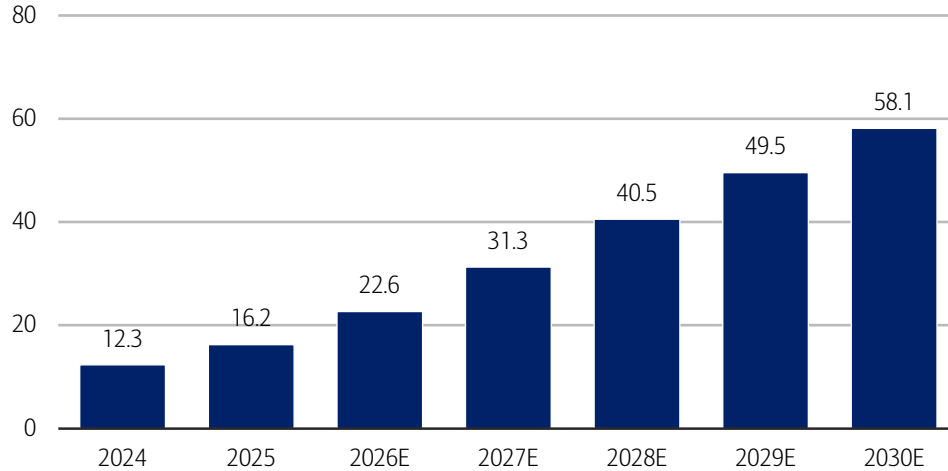


## Amazon Installed Capacity Estimates

We estimate Amazon had 16.2GW of installed capacity in 2025, which will increase 40% y/y to 22.6GW in 2026 and 38% y/y to 31.3GW in 2027. By 2030, we project Amazon’s installed capacity to reach 58.1GW.

### Exhibit 5: We estimate Amazon AWS capacity will increase to 31GW by 2027

Estimated Amazon Installed Data Center Capacity (GW)



Source: BofA Global Research Estimates

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We estimate AWS capex of \$159bn in 2026 and \$230bn in 2027. Assuming share of capex directed towards data centers at 100% and average cost to add 1GW of new capacity increases from ~\$23bn in 2024 to ~\$36bn by 2030 (as capacity becomes more weighted toward AI), we estimate Amazon’s capacity will increase from ~22.6GW in 2026 to ~58.1GW by 2030.

### Exhibit 6: We estimate Amazon’s AI data center capacity will increase from ~22.6GW in 2026 to ~58.1GW by 2030

Amazon Capex and Commissioned capacity estimates by year

	2024	2025	2026E	2027E	2028E	2029E	2030E
Existing Capacity	10.0	12.3	16.2	22.6	31.3	40.5	49.5
GW Addition	2.3	3.9	6.4	8.6	9.3	9.0	8.6
<b>Total Capacity</b>	<b>12.3</b>	<b>16.2</b>	<b>22.6</b>	<b>31.3</b>	<b>40.5</b>	<b>49.5</b>	<b>58.1</b>
AWS Capex (\$ bn)	\$53.0	\$94.6	\$159.4	\$230.0	\$276.0	\$295.3	\$310.1
Y/Y	114%	78%	69%	44%	20%	7%	5%
Cost per GW Added	\$23.0	\$24.2	\$24.9	\$26.6	\$29.8	\$32.8	\$36.1
Y/Y		5%	3%	7%	12%	10%	10%
AWS Revenues (BofA Estimates)	\$108	\$129	\$168	\$218	\$275	\$338	\$409
Y/Y	19%	20%	31%	30%	26%	23%	21%
Street Estimates			\$168	\$217	\$275	\$337	\$406
% Difference (BofA vs Street)			0.2%	0.3%	-0.1%	0.3%	0.7%
Incremental Y/Y Revenue	\$16.8	\$21.2	\$39.3	\$49.9	\$56.7	\$63.2	\$70.9
Incremental Rev per GW Added	\$7.3	\$5.4	\$6.1	\$5.8	\$6.1	\$7.0	\$8.2
Y/Y	3%	-26%	14%	-6%	6%	15%	14%

Source: BofA Global Research Estimates

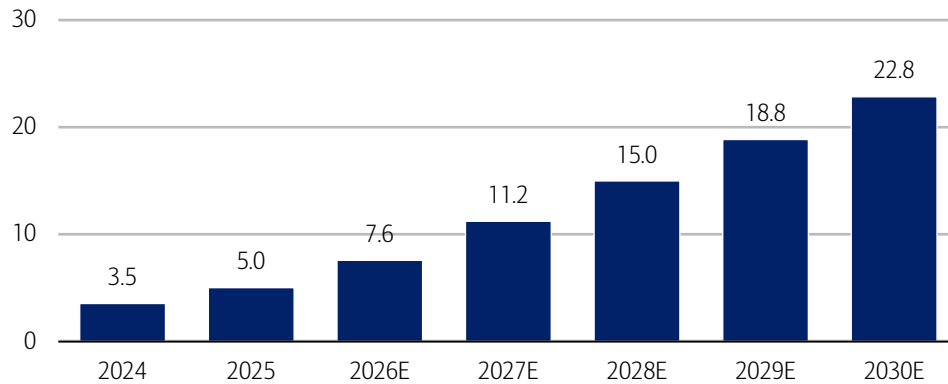


## Meta Installed Capacity Estimates

We estimate Meta had 5.0GW of installed capacity in 2025, which will increase 53% y/y to 7.6GW in 2026 and 48% y/y to 11.2GW in 2027. By 2030, we project Meta's installed capacity to reach 22.8GW.

### Exhibit 7: We estimate Meta capacity will grow to 11GW by 2027

Estimated Meta Installed Data Center Capacity (GW)



Source: BofA Global Research Estimates

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We estimate Meta's capex of \$145bn in 2026 and \$185bn in 2027. Assuming share of capex directed towards AI data centers increases from 70% in 2024 to 85% by 2030 and average cost to add 1GW of new capacity increases from ~\$36bn in 2024 to \$49bn by 2030, we estimate Meta's capacity will increase from ~7.6GW in 2026 to 22.8GW by 2030. The increase in cost per GW in 2026, followed by a decline in 2027, reflects timing dynamics in the capacity buildout as data center capacity takes time to build and come online. As a result, effective cost per GW appears elevated in 2026, and then falls in 2027 as more of the prior-year investment begins to come online.

### Exhibit 8: We estimate Meta's commissioned capacity will increase from ~7.7GW in 2026 to 22.8GW by 2030

Meta's Capex and capacity estimates by year

	2024	2025	2026E	2027E	2028E	2029E	2030E
Existing Capacity	2.8	3.5	5.0	7.6	11.2	15.0	18.8
GW Addition	0.7	1.5	2.6	3.6	3.8	3.9	4.0
<b>Total Capacity</b>	<b>3.5</b>	<b>5.0</b>	<b>7.6</b>	<b>11.2</b>	<b>15.0</b>	<b>18.8</b>	<b>22.8</b>
Meta Capex (\$ bn)	\$37.3	\$69.7	\$145.0	\$185.0	\$210.0	\$220.5	\$231.5
Y/Y	38%	87%	108%	28%	14%	5%	5%
% for AI Data Centers	70%	80%	80%	85%	85%	85%	85%
Meta AI Data Center Capex (\$ bn)	\$26.1	\$55.8	\$116.0	\$157.3	\$178.5	\$187.4	\$196.8
Y/Y	21%	114%	108%	36%	14%	5%	5%
Cost per GW Added	\$36.0	\$37.8	\$45.4	\$43.1	\$47.4	\$48.3	\$49.3
Y/Y		5%	20%	-5%	10%	2%	2%
Meta Total Revenues (BofA Estimates)	\$165	\$201	\$255	\$311	\$370	\$425	\$480
Y/Y	22%	22%	27%	22%	19%	15%	13%
<i>Street Estimates</i>			\$253	\$302	\$353	\$403	\$455
% Difference (BofA vs Street)			0.7%	3.1%	4.8%	5.5%	5.4%
Incremental Y/Y Revenue	\$29.6	\$36.5	\$53.6	\$56.8	\$58.2	\$55.4	\$55.3
Incremental Rev per GW Added	\$40.9	\$24.7	\$21.0	\$15.6	\$15.5	\$14.3	\$13.8
Y/Y	49%	-39%	-15%	-26%	-1%	-8%	-3%

Source: BofA Global Research Estimates

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### Power generation a key risk our capacity estimates

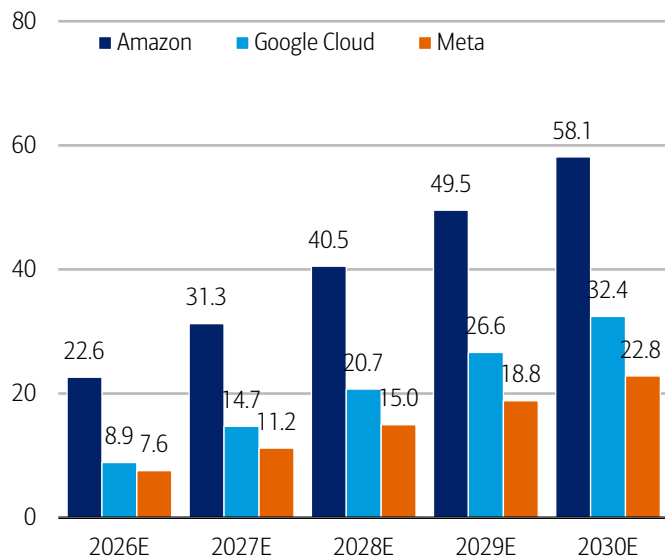
We think one of the biggest risks to our capacity estimates remains the power needed to supply estimated capacity builds. The US DOE estimates that data centers could consume up to 9% of US power generation by 2030, up from 4% today, which is directionally consistent with our capacity growth estimates. Cloud companies will need to be innovative with their power generation and consumption to enable their capacity ambitions both on a short and long-term basis. As chip innovation continues, we expect ongoing improvement in yields per GW of power capacity.

### Section 3: Estimated revenues based on installed capacity

In this section, we review our estimates for monetization of data center capacity. We view this as a high-level revenue-capacity analysis that aligns with our AWS and Google Cloud revenue estimates. In this analysis we assume 30% of Google and Amazon capacity will be used for core businesses, while 60% of Meta’s capacity will be used for its core business. For Meta, while the company does not currently operate a scaled enterprise cloud business, management has recently suggested that excess AI capacity could be sold externally, creating a potential additional monetization stream (See our note: [Enterprise sales could add visibility on AI capacity value](#)). We assume Meta’s AI capacity (beyond core use) could be monetized at \$12bn/GW, within the \$10-\$17bn/GW range estimated for Amazon and Google.

**Exhibit 9: AWS, Google Cloud and Meta Installed Capacity Estimates**

Installed Capacity Estimates (GW)

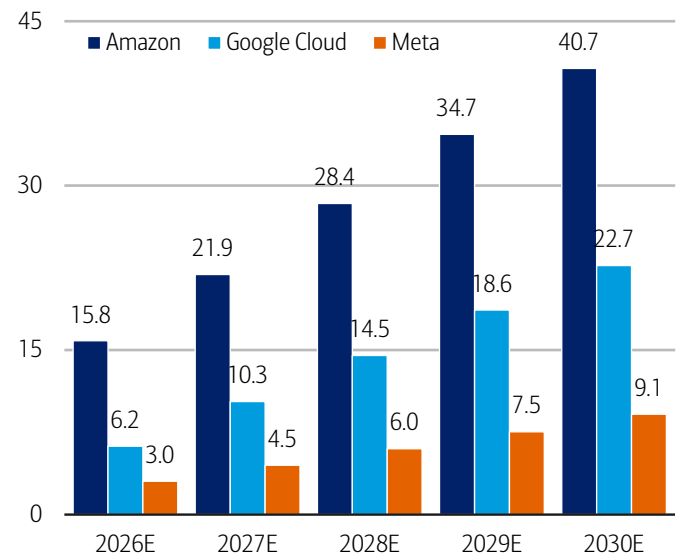


Source: BofA Global Research Estimates

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**Exhibit 10: Adj. Capacity assuming % of capacity used internally**

Adjusted capacity available for AI / Cloud workloads



Source: BofA Global Research Estimates

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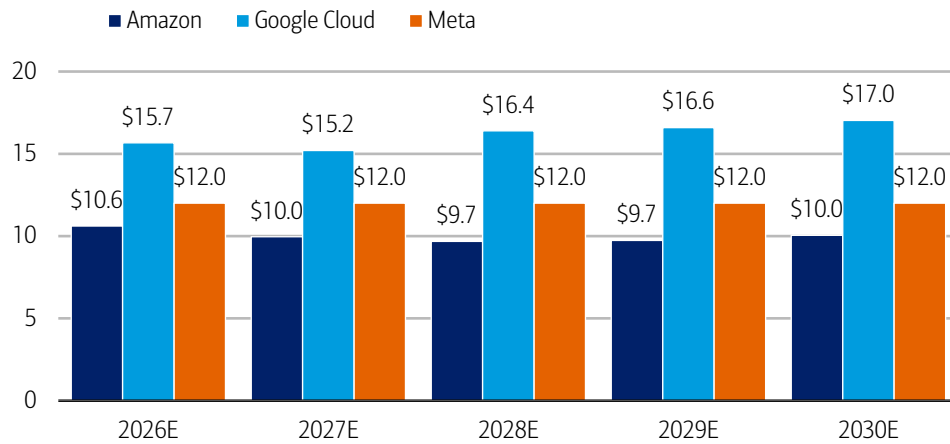
### Revenue per GW of Adj capacity

Using estimated Cloud revenue and adjusted AI / Cloud capacity, we derive revenue per GW of adjusted capacity. In 2026, we estimate AWS will generate \$168bn of revenue from its installed capacity base of 22.6GW (15.8GW for Cloud), representing ~\$10.6bn of annual revenue per Cloud GW. For Alphabet, we estimate Google Cloud revenues of \$97bn on 8.9GW of installed capacity (6.2GW for Cloud), representing ~\$16bn of annual revenue per GW. For Meta, while capacity will most likely be used for internal purposes, we estimate \$36bn of external capacity monetization potential, assuming 40% of 7.6GW of installed capacity (i.e. 3.0GW) and ~\$12bn of annual revenue potential per GW.



**Exhibit 11: Estimated Cloud revenues per GW**

Estimated Revenue per GW of adjusted AI / Cloud capacity



Source: BofA Global Research Estimates

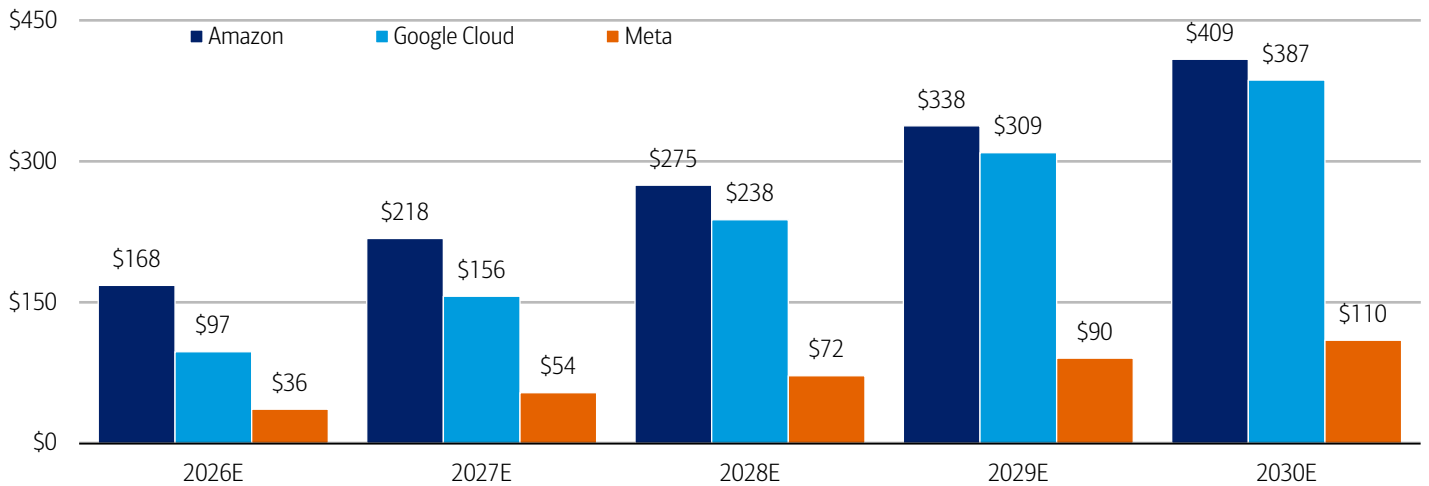
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**Internet hyperscalers AI capacity could support ~\$900bn revenue by 2030**

By 2030, we estimate Cloud revenues at \$409bn for AWS and \$387bn for Alphabet and we see potential for \$110bn for Meta. For AWS, this assumes total installed capacity increases to 58.1GW (40.7bn for Cloud), with revenue per GW at \$10bn/GW. For Alphabet, we estimate 32.4GW of total installed capacity (22,7bn for Cloud) and revenues per GW at \$17bn. For Meta, we estimate \$110bn of external capacity monetization potential by 2030, assuming 9.1GW of external capacity availability at \$12bn of annual revenue potential per GW.

**Exhibit 12: Internet hyperscalers AI capacity could support ~\$900tr revenue by 2030**

Revenue potential of installed data center capacity



Source: BofA Global Research Estimates

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**Section 4: Internet Hyperscaler Valuation Analysis**

We analyze Internet hyperscaler valuation and evaluate companies on the basis of implied value per GW of AI / cloud capacity. In this analysis, which relies on several assumptions and estimates, we first back out the implied value of each company’s core retail, advertising, and other core non-cloud businesses, and then compare the remaining enterprise value against estimated 2028 GW capacity.

While Meta does not have an established enterprise cloud business today, we think this analysis can help investors better assess the potential discount being applied to Meta’s



emerging AI capacity asset relative to hyperscaler peers, and the implied upside if Meta can monetize this capacity through internal AI products, frontier LLM development licensing, or external compute leasing.

Our key assumptions:

- We conservatively value Meta ad revenues at 5.0x revenues (roughly 12x earnings assuming 50% margins and 15% tax rate), Google ad and subscription revenues at 6.5x revenues (roughly 15x earnings assuming 50% margins and 16% tax rate) and Amazon retail, 3P, subscription and ad revenues at 1.5x revenues (roughly 15x earnings assuming 8% margins and 18% tax rate).
- We assume 60% of Meta's capacity is used for core ad businesses, 30% of Google's capacity is used for core ad businesses, and 30% of Amazon's capacity is used for core retail/ads businesses.
- We use 2027 revenues for core valuation estimates, and 2028 GW capacity for market cap/GW analysis.

## Alphabet

We estimate Alphabet's AI capacity at an implied valuation of roughly \$110bn per GW. This suggests a premium to Internet peers, supported by Google Cloud's TPU/Gemini differentiation and higher-value AI workload share.

### Exhibit 13: We estimate Alphabet's AI capacity at an implied valuation of roughly \$110bn per GW

Alphabet GW Valuation Analysis

Alphabet	Estimates
2027 Advertising and Subscription Revenue (\$ bn)	\$436
Revenue Valuation multiple	6.5x
Advertising Business Estimated Value (\$ bn)	\$2,834
Alphabet stock price	\$365.00
Diluted shares (YE'26) (mn)	12,267
Market Cap (\$ bn)	\$4,477
Net Cash	\$49
Enterprise Value (\$ bn)	\$4,428
Remaining Cloud / AI business value	\$1,595
2028 Capacity for AI/Cloud workloads (assuming 70% of total)	14.50
<b>Estimated value per GW capacity (\$ bn)</b>	<b>\$110</b>

Source: BofA Global Research Estimates

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## Amazon

We estimate Amazon's AI capacity at an implied valuation of roughly \$59bn per GW. This implied valuation is a discount to Alphabet and could reflect a lower Cloud revenue per GW yield, and less perceived AI infrastructure/LLM differentiation.

### Exhibit 14: We estimate Amazon's AI capacity at an implied valuation of roughly \$59bn per GW

Amazon GW Valuation Analysis

Amazon	2027 Estimates
2027 Retail & Advertising Revenue (\$ bn)	\$731
Revenue Valuation multiple	1.5x
Retail and Advertising Business Estimated Value (\$ bn)	\$1,096
Amazon stock price	\$244.00
Diluted shares (YE'26) (mn)	10,929
Market Cap (\$ bn)	\$2,667
Net Cash	-\$115
Enterprise Value (\$ bn)	\$2,782
Remaining Cloud / AI business value	\$1,685
2027 Capacity for AI/Cloud workloads (assuming 70% of total)	28.37
<b>Estimated value per GW capacity (\$ bn)</b>	<b>\$59</b>

Source: BofA Global Research Estimates

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## Meta

We estimate Meta's AI capacity at an implied valuation of roughly \$4bn/GW. This implied valuation suggests the Street is assigning minimal to no value to Meta's AI infrastructure capacity.

### Exhibit 15: We estimate Meta's AI capacity at an implied valuation of roughly \$4bn/GW

Meta GW Valuation Analysis

Meta	Estimates
2027 Advertising Revenue (\$ bn)	\$303
Revenue Valuation multiple	5.0x
Advertising Business Estimated Value (\$ bn)	\$1,516
Meta stock price	\$600.00
Diluted shares (YE'26) (mn)	2,564
Market Cap (\$ bn)	\$1,538
Net Cash	\$0
Enterprise Value (\$ bn)	\$1,538
Remaining AI business value	\$23
2028 Capacity for AI workloads (assuming 40% of total)	5.99
<b>Estimated value per GW capacity (\$ bn)</b>	<b>\$4</b>

Source: BofA Global Research Estimates

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## Potential catalysts that could drive re-rating:

- Strong 2Q Cloud margins.** Amazon and Google both reported an q/q uptick in Cloud margins in 1Q 2027 and continued margin improvement could help support optimism on Cloud ROIs. Key margin drivers could include: 1) Unusually high capacity utilization, 2) Strong demand for Bedrock and Gemini Enterprise Agent Platform (formally Vertex AI), which could be generating reported revenues on a net (high-margin) basis, and 3) Cloud pricing increases (see our note: [Prime Day and AWS price increase in the news](#)).
- Visibility on incremental monetization revenue streams:** New AI-driven revenue streams could improve investor sentiment by providing clearer evidence that elevated infrastructure investment is translating into incremental revenue.
  - Meta Enterprise/Cloud Offering Visibility:** In late May, Meta established a new Enterprise Solutions unit to drive corporate adoption of its AI tools. The new group is focused on customizing AI solutions for enterprise clients, with the goal of developing repeatable deployment models to scale adoption. Visibility on an enterprise AI offering could introduce optimism on meaningful new revenue stream.
  - Meta AI Subscription offering ramp:** In late May, Meta launched a paid consumer subscription offering for its Meta AI capabilities. The rollout has begun in Singapore, Guatemala, and Bolivia, with broader expansion planned. Each 1% AI subscription conversion rate (~35mn users), and an ARPU of ~\$10 per month, represents ~\$4.2bn in incremental annual revenue (~1.5% upside to Street's 2027 revenue estimates).
  - Meta Business Agent traction:** In early June, Meta made Meta Business Agent available globally. Broader adoption of business agents could enable businesses to automate customer engagement, marketing, and campaign management workflows, effectively evolving Meta's platform into a CRM- and customer-service-like software solution. We see future potential for Meta to monetize Business



Agents through subscription offerings, creating an AI marketing cloud opportunity.

- d. **Google New TPU venture launch with Blackstone:** Per the WSJ, Alphabet and Blackstone are planning to launch a new AI cloud company leveraging Google's TPU infrastructure. The report noted that the companies are targeting ~500MW of capacity by 2027 and have already identified a pipeline of data centers, some of which are already under construction. The new venture could accelerate ecosystem adoption and monetization of TPU capacity.
  - e. **Amazon agents:** AWS is increasingly positioning Bedrock AgentCore as the enterprise agentic AI platform. Broader adoption of Amazon agents could accelerate Bedrock usage, increase inference workloads, and support stronger monetization of AWS AI infrastructure.
3. **New products or Frontier AI breakthroughs:** Model or product breakthroughs that improve monetization, lower inference costs or expand addressable use cases could improve sentiment on AI investments.
- a. **Traction for OpenAI models on Amazon.** Amazon added OpenAI models to Bedrock in April and evidence of accelerating customer traction for Bedrock could drive optimism on the AWS platform.
  - b. **Meta's more advanced LLMs:** Management has indicated that more advanced models are in development, with "Watermelon" capabilities comparing favorably to leading edge models.
  - c. **Meta's new AI creative tools:** Leveraging Musespark, Meta is embedding AI-native creation capabilities directly into the user experience, including features such as Meta AI, making it easier for users to generate and share content in real time. This could increase content velocity, enrich the overall feed, and drive higher time spent across the platform.
  - d. **Google Gemini 4:** Google could launch its next Gemini model in 4Q'26. A step-function improvement in capabilities and inference efficiency could strengthen Google's AI product cycle across Search, Cloud and Workspace, while improving investor confidence that incremental AI capex and vertical hardware integration is leading to LLM leadership.
4. **New cost efficiencies that offset rising infrastructure costs:** AI continues to drive efficiency gains across large-tech platforms, specifically in areas such as coding, content moderation, and internal tooling, which could help moderate OpEx growth. While Meta did not lower FY26 expense outlook on the 1Q call, ongoing cost actions from the start of the year (recent 10% workforce reduction in May) have potential to drive OpEx below estimates.
5. **New disclosures:** New disclosures on AI revenue contribution, inference usage, capacity utilization, pricing, customer adoption, or AI product attach could give investors greater visibility into the return profile of AI spending and aid sentiment.
- a. **For Amazon,** more details on capacity growth, Bedrock traction, agent usage, and Bedrock revenue recognition could improve confidence that incremental infrastructure investment is translating into high Cloud ROI.
  - b. **For Google,** disclosure around capacity growth, Gemini API licensing revenues, TPU sales backlog and expectations, and Gemini Enterprise



Agent Platform ramp (formally Vertex AI) could help increase confidence in Cloud sales opportunity and margins.

- c. **For Meta**, disclosure around Enterprise AI opportunity, paid subscription opportunity or expectations, Business Agent monetization, or LLM progress could be positive for sentiment, as evidence of AI capacity monetization would help reframe infrastructure spend from a cost center into a potential new revenue stream.

### Exhibit 16: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
GOOGL	GOOGL US	Alphabet A	US\$ 366.46	B-1-7
GOOG	GOOG US	Alphabet C	US\$ 364.9	B-1-7
AMZN	AMZN US	Amazon.com	US\$ 244.16	B-1-9
META	META US	Meta Platforms	US\$ 600.29	B-1-7

Source: BofA Global Research

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## Price objective basis & risk

### Alphabet (GOOGL / GOOG)

Our price objective of \$430/\$430 is based on 28x 2027E core Google GAAP EPS plus cash per share. Alphabet has traded at an average multiple of 22x GAAP P/E over the last ten years, and we think our target multiple is reasonable vs history given expectations for double-digit revenue growth, Cloud margin expansion, and opportunity to capitalize on strong AI assets.

Downside risks are 1) loss of search traffic to AI tools from competitors, 2) LLM integration in search may take longer than expected or negatively impact search revenues, 3) revenue pressure from compliance with the EU Digital Markets Act (DMA), and 4) potential for increasing Capex and lower FCF-given AI investments.

### Amazon.com (AMZN)

Our \$310 PO is based on our SOTP analysis that values AWS at 9x 2027E sales, 1P Retail at 1.0x, 3P Retail at 2.5x, and Advertising at 5.0x. Our 2027 sales multiples compare to 5.4x for SaaS comps, 1.3x for Retail comps, 2.3x for Marketplace comps, and 4.4x for Online Media comps. Our PO implies 3.5x blended 2027E P/Sales, and 31x 2027E EPS.

Downside risks to our estimates and price objective are increasing competition from offline and local retailers, share loss to Cloud competitors with advanced AI technology, elevated investment needs for AWS that could pressure margins and macro-economic pressures on consumer spend. The stock has been subject to heavy volatility in the past, and this volatility could increase due to economic uncertainty.

### Meta Platforms Inc (META)

Our \$835 price objective is based on 24x 2027E GAAP EPS, plus net cash. On a total company basis, including Metaverse investments, our valuation is at a slight premium to S&P 500 given Meta's higher growth rate and AI opportunity. Historically, Meta has traded at an average premium of 3pts to S&P 500.

Downside risks are: 1) Significant dependence on digital advertising revenue, which remain highly sensitive to macroeconomic conditions, 2) Elevated spend on AI initiatives



that could negatively impact margins, 3) Growing base of fixed assets could reduce cost flexibility in a macro downturn, 4) Slowing pace of share repurchases with significant AI investments, 5) Intensifying competition for user engagement and advertising budgets from AI-native platforms, and 6) Elevated regulatory overhang from new teen safety cases or unfavorable outcomes in ongoing litigation.

## **Analyst Certification**

I, Justin Post, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.



## US - Internet Coverage Cluster

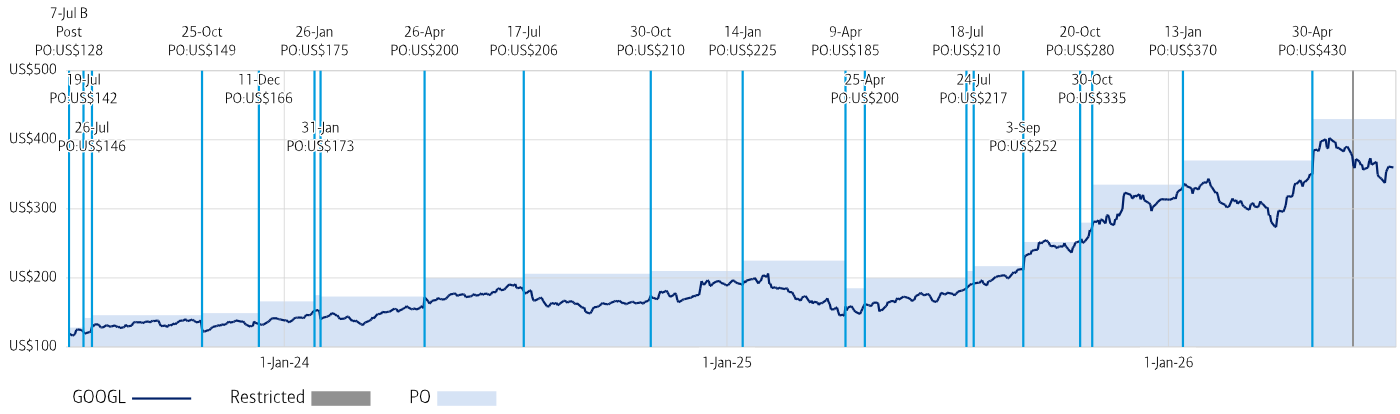
Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Chewy Inc	CHWY	CHWY US	Michael McGovern
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Justin Post
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Ethos	LIFE	LIFE US	Michael McGovern
	Expedia	EXPE	EXPE US	Justin Post
	LegalZoom	LZ	LZ US	Michael McGovern
	Life360	LIF	LIF US	Nitin Bansal, CFA
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Navan, Inc.	NAVN	NAVN US	Nafeesa Gupta
	Peloton	PTON	PTON US	Nafeesa Gupta
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Tripadvisor	TRIP	TRIP US	Nafeesa Gupta
	Uber	UBER	UBER US	Justin Post
	Wayfair	W	W US	Michael McGovern
	Wix.com	WIX	WIX US	Michael McGovern
<b>NEUTRAL</b>				
	Airbnb	ABNB	ABNB US	Justin Post
	Carvana	CVNA	CVNA US	Michael McGovern
	Coursera Inc.	COUR	COUR US	Nafeesa Gupta
	Duolingo	DUOL	DUOL US	Omar Dessouky, CFA
	eBay	EBAY	EBAY US	Michael McGovern
	Etsy, Inc.	ETSY	ETSY US	Michael McGovern
	Instacart	CART	CART US	Justin Post
	Match Group	MTCH	MTCH US	Omar Dessouky, CFA
	Pinterest	PINS	PINS US	Justin Post
	Reddit	RDDT	RDDT US	Justin Post
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	StubHub Holdings	STUB	STUB US	Justin Post
	Unity	U	U US	Omar Dessouky, CFA
	Vivid Seats	SEAT	SEAT US	Steven McDermott
	Zillow	Z	Z US	Omar Dessouky, CFA
	Zillow Group	ZG	ZG US	Omar Dessouky, CFA
<b>UNDERPERFORM</b>				
	ACV Auctions	ACVA	ACVA US	Michael McGovern
	Bumble	BMBL	BMBL US	Omar Dessouky, CFA
	Cardlytics, Inc	CDLX	CDLX US	Omar Dessouky, CFA
	Ibotta	IBTA	IBTA US	Nitin Bansal, CFA
	Lyft, Inc.	LYFT	LYFT US	Justin Post
	Yelp	YELP	YELP US	Nitin Bansal, CFA
<b>RSTR</b>				
	Global Business Travel Group, Inc.	GBTG	GBTG US	Nafeesa Gupta

## Disclosures

## Important Disclosures



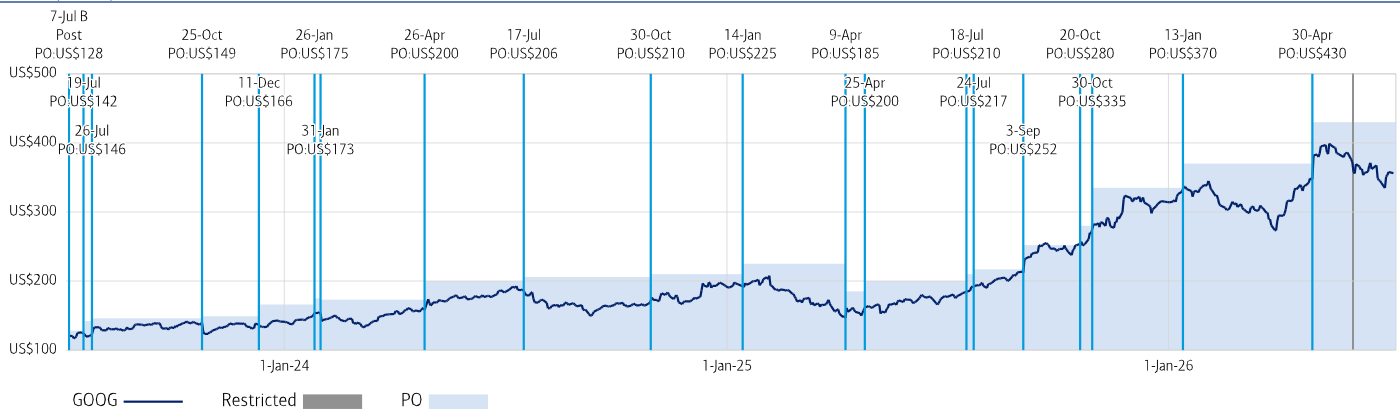
**Alphabet A (GOOGL) Price Chart**



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

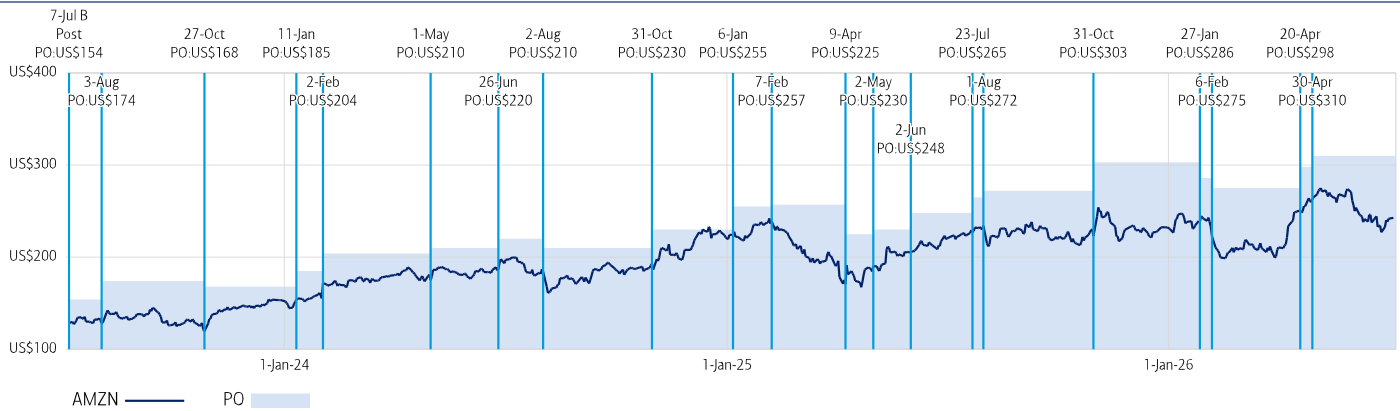
**Alphabet C (GOOG) Price Chart**



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**Amazon.com (AMZN) Price Chart**

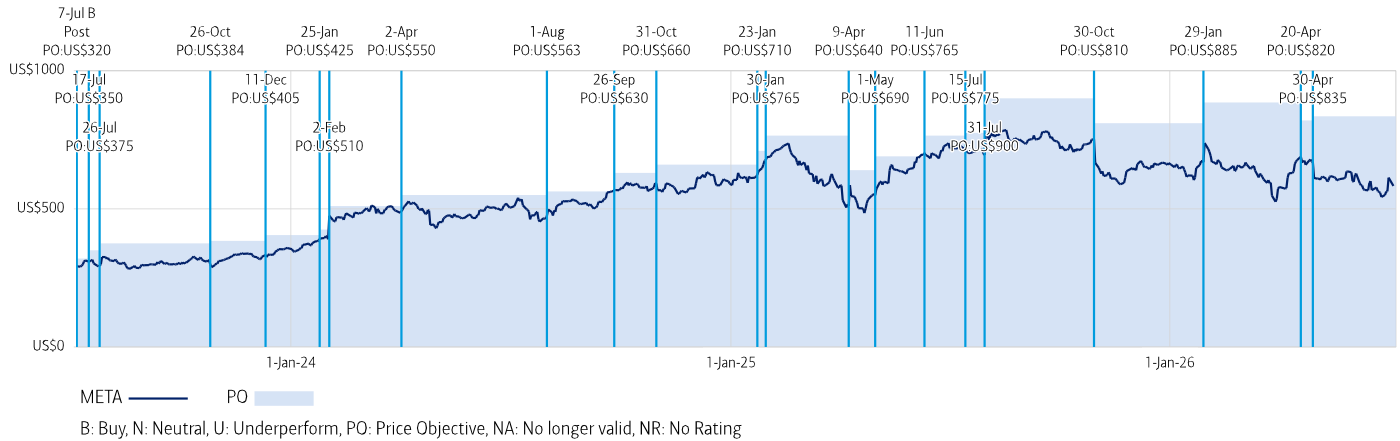


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**Meta Platforms (META) Price Chart**



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	243	60.60%	Buy	123	50.62%
Hold	87	21.70%	Hold	45	51.72%
Sell	71	17.71%	Sell	21	29.58%

**Equity Investment Rating Distribution: Global Group (as of 30 Jun 2026)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1987	56.11%	Buy	1190	59.89%
Hold	797	22.51%	Hold	496	62.23%
Sell	757	21.38%	Sell	391	51.65%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Underperform	N/A	≥ 20%

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