FAQs

The economics of the AI buildout

Quantitative Strategy

Will AI returns outearn the cost of capital?

Most of our equity meetings are 90% AI, 10% everything else. But they all boil down to the question above. In our view, (1) AI capex likely has further to run; (2) monetization vs. cost of capital is the only question that matters; and (3) the best opportunities right now may be outside Tech–AI adopters, commodities/physical buildout plays. We see balanced risk/reward for the S&P 500 over the next 12m, and long-term bulls on Corporate America (more below). Across Info Tech and Comm Svcs, the playing field is more level, more rational after 2026's PE compression. We are market-weight both sectors.

What's the goldilocks scenario for AI capex from here?

Instead of tracking AI capex in a vacuum, investors should track it relative to AI revenues. Hyperscalers' free cash flow is expected to shift from negative to positive by 2H27 as AI-related revenue growth accelerates and AI capex decelerates. The risk: AI capex has surprised by a much wider (and accelerating) amount than revenue– 50% vs. 20% this year - so 2027 expectations imply a marked shift in trend. And our team's estimated compute demand thru 2030 implies ~$10tn of spend, $2tn above forecasts (Exhibit 22).

What's the range of returns on invested capital?

AI returns boil down to consumer, enterprise and government spend. The bull case is easy: AI is a need (like Utilities) but purveyors have pricing power. Case in point: we pay 50% more for streaming content than we did for cable in 1995 in real dollars. Enterprise spend could be gargantuan if just 10% of US workers are rationalized: $13tn US wages translates to as much as 3tn annual AI TAM (Exhibit 12). Assuming a fixed cost of capital (10%), our scenarios yield excess returns ranging from losses of $500bn p.a. to close to +$1tn p.a. by 2030E (Exhibit 70) with a base case of +$200bn. Policy is, in our view, more likely a put than an impediment, and the safety net has been evidenced already (e.g., INTC). AI goes beyond commerce, it's war. (Also, most data centers are in red states.)

Catalysts for selloff? Hyperscalers WACC just doubled

The WACC for hyperscalers is now 10%, up from 4% in 2023. Economics 101 tells us that investing makes sense until returns on incremental invested capital (ROIIC) fall below the weighted avg cost of capital (WACC). Inflation, real yields, credit events, increased regulations, equity supply outpacing demand are risks from here. Capital is still sloshing around: US HH net worth hit a record $196tn, more than AI spend estimates thru 2030. Other drivers of risk include slow monetization, disinflation, credit risk. Capacity overbuild is less of a risk, in our view, because bottlenecks act as governors on the speed of capacity expansion, unless the late 90s Telecom bubble.

What's the long term impact of AI on stocks? Productivity!

AI is fuel for our long-standing efficiency bull case: processes are scalable, improve visibility and lower equity risk premia (ERP). Our labor efficiency factor has consistently led. Health Care has seen recent improvements and is rife with AI use cases. Fins are in the sweet spot (deregulation + GenAI use cases) but have yet to exhibit improvement.

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.
BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.
Refer to important disclosures on page 27 to 29. 13029148
Timestamp: 16 October 2026 05:31AM EDT

16 October 2026

Equity and Quant Strategy
United States

Savita Subramanian
Equity & Quant Strategist
BofAS
+1 646 855 3878
savita.subramanian@bofa.com

Neha Khoda
Credit Strategist
BofAS
+1 646 855 9656
neha.khoda@bofa.com

Chris Flanagan
FI/MBS/CLO Strategist
BofAS
+1 646 855 6119
christopher.flanagan@bofa.com

John Chapman
Equity & Quant Strategist
BofAS
john.chapman3@bofa.com

Jill Carey Hall, CFA
Equity & Quant Strategist
BofAS
jill.carey@bofa.com

Victoria Roloff
Equity & Quant Strategist
BofAS
victoria.roloff@bofa.com

Alex Makedon
Equity & Quant Strategist
BofAS
alex.makedon@bofa.com

Nicholas Samoyedny, CFA
Equity & Quant Strategist
BofAS
nicholas.samoyedny@bofa.com

Trey Brown
Equity & Quant Strategist
BofAS
harold.brown2@bofa.com

Also see report:

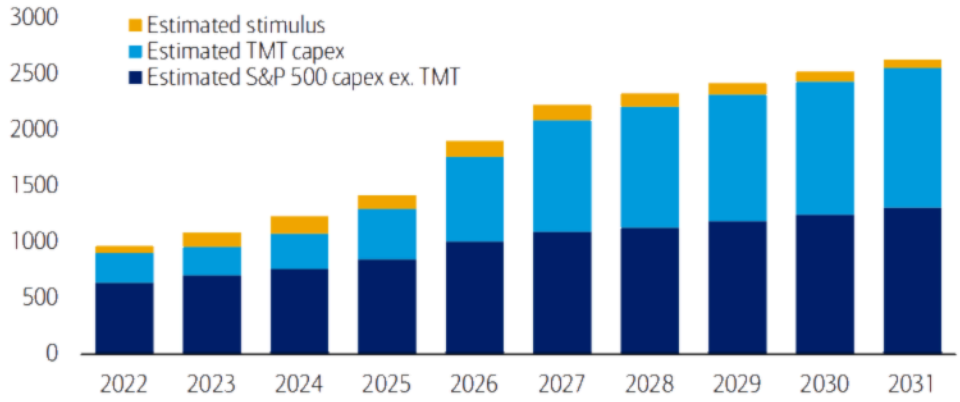
High Yield & Loan Strategy: Funding the Future #5: What can upset the Hyperscaler apple cart? 06 October 2026

Who: spenders, takers, exchanges, cyber....

For equity investors, the cast of characters includes the spenders, primarily the Hyperscalers (MSFT, ORCL, AMZN, META and GOOGL) plus neoclouds. Capex beneficiaries include global semiconductors/hardware, commodities (metals, energy, utilities, etc.), industrial equipment, and other businesses that generally benefit from industrial production. The end market can be thought of as enterprise, consumer and government. Beyond direct participants, other offshoots include the nascent compute exchange industry serves as the arbiter of compute pricing, and cybersecurity represent the AI watchdogs.

Spenders: started with government, now hyperscalers

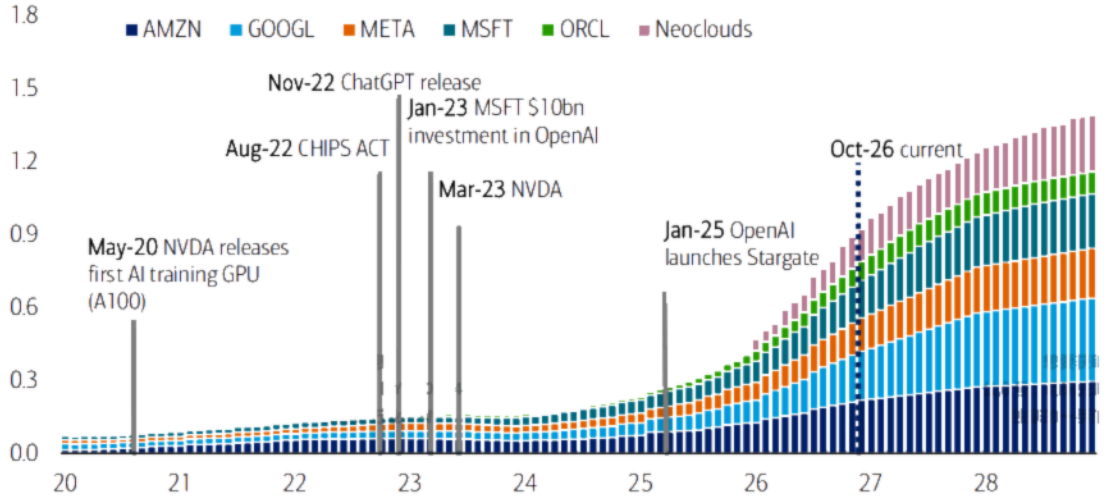
Exhibit 1: Capex accelerating outside of fiscal stimulus
Est. S&P 500 capex vs. stimulus from CHIPS, ESSER, IIJA, IRA, etc. ($bn, as of 9/30/26)



Source: BofA Global Research, FactSet. S&P 500 capex uses consensus values for 2026-2028 (as of 10/9/2026) and assumes 5% thereafter for both TMT and ex-TMT

BofA GLOBAL RESEARCH

Exhibit 2: Spenders: how AI milestones compounded into a spending wave
Hyperscaler (+ SpaceX) LTM capex with key events leading up to and during the buildout (1/1/2020-12/31/2028, $tn)



Source: BofA US Equity & Quant Strategy, FactSet
Note: see Appendix for neocloud breakdown (publicly listed neoclouds include xAI/SPCX, CRWV, NBIS)

BofA GLOBAL RESEARCH

Capex takers / beneficiaries

From a Credit Strategy Perspective (See 'Q2 earnings: AI Winners Extend Their Lead,' August 20), AI's beneficiaries are broadening beyond compute providers to include the downstream sectors that monetize, secure, power, and operationalize AI adoption across the economy.

Exhibit 3: LevFin subsectors exposed to high AI-risk and AI-tailwind
High AI-exposed subsectors span across Healthcare, Tech, Travel, Financials; AI-tailwind subsectors span across Capital Goods, Energy, Metals, Services and Utilities

Sector	High AI-risk subsectors	Sector	AI-tailwind subsectors
Healthcare	Healthcare Technology	Capital Goods	Industrial Machinery
Technology	Education Software Enterprise Software Technology Services	Energy	Midstream E&P
Travel	Travel Services	Metals	
Financials	BDCs	Services	Security Services
		Utilities	Electric Utilities Power Utilities

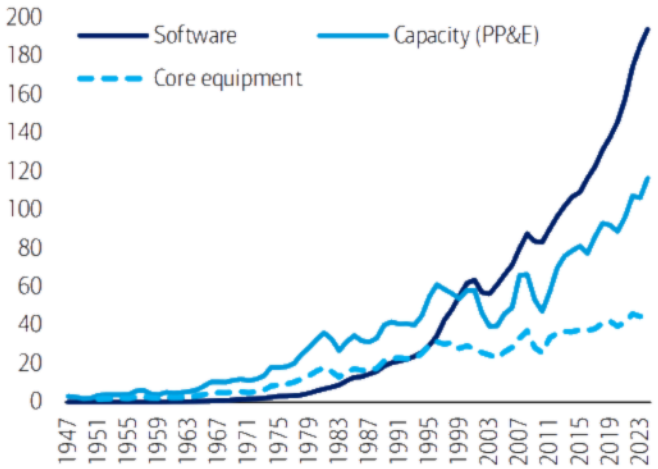
Source: BofA Global Research

BofA GLOBAL RESEARCH

Big shift: From everyone spending on Tech to Tech spending on everything

After more than a decade of underinvestments in US manufacturing, and exclusive business spend on tech, we now see Tech companies shifting to spend on Tech, but also PP&E and industrial equipment.

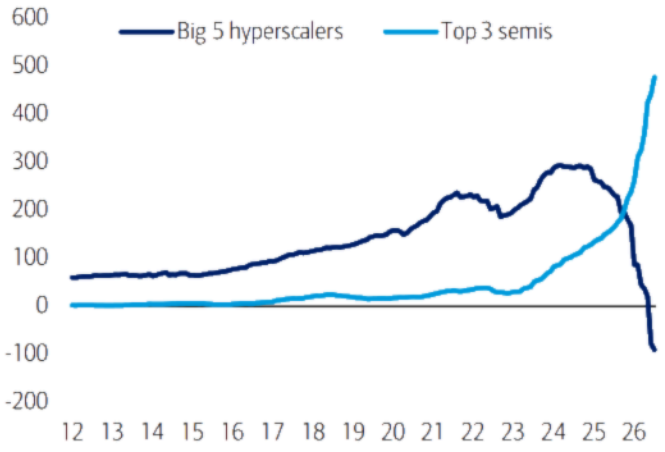
Exhibit 4: From everyone spending on Tech to Tech spending on everything
US Manufacturing Capex: software vs. "core" industrial eqp. (1990-2025)



Source: Bureau of Economic Analysis

BofA GLOBAL RESEARCH

Exhibit 5: Semiconductors: massive transference of capital
NTM FCF of top 5 US hyperscalers and top 3 semis (NVDA, MU, AVGO), $bn, as of 9/30/2026



Source: BofA US Equity & Quant Strategy, FactSet *Big 5 hyperscalers = MSFT, META, GOOGL, AMZN, ORCL; *Top 3 semis = NVDA, MU, AVGO

BofA GLOBAL RESEARCH

Second-derivative winners: from chips to the physical economy

Semis captured the first wave – the top three semiconductors' next twelve months free cash flow has surged while hyperscaler free cash went negative (Exhibit 5). The next wave is physical: ~40% of the cost of each GW of AI capacity goes to networking, power, cooling and construction rather than servers/GPUs (Exhibit 6). Electrification alone could deliver as much copper demand growth as all sectors did in the past decade (Exhibit 9). This is how the productivity boom could unfold: the technology first lets the economy make more stuff – grid, power plants, data centers, factories – and these suppliers get paid regardless of which AI model or application wins.

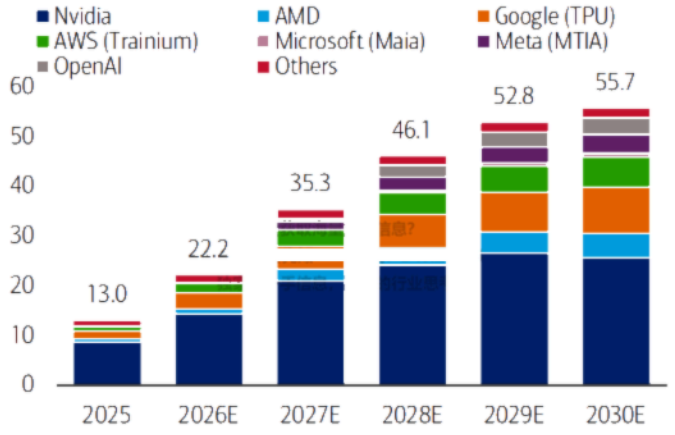
Exhibit 6: BofA Global Research estimates it costs $25bn to $45bn to build 1GW of AI data center capacity, with ~60% of the total spend going to AI servers/GPUs
Cost Build-up of 1GW Capacity Data center ($ bn)

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
Total	100%	$25	$45	1GW AI data center

Source: BofA Global Research Estimates, Epoch AI, JLL

BofA GLOBAL RESEARCH

Exhibit 7: Bottom-up GW analysis: ~212GW incremental capacity from 2026 to 2030
Estimated annual GW data center deployment based on bottom-up XPU vendor sales

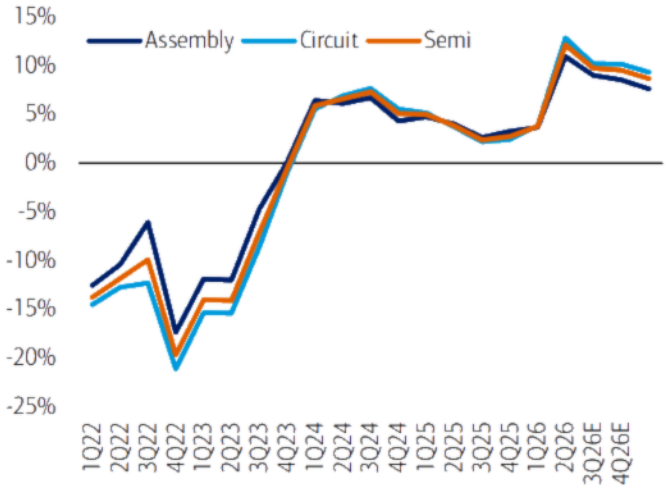


Source: BofA Global Research estimates, company data

BofA GLOBAL RESEARCH

Picks and shovels beneficiaries

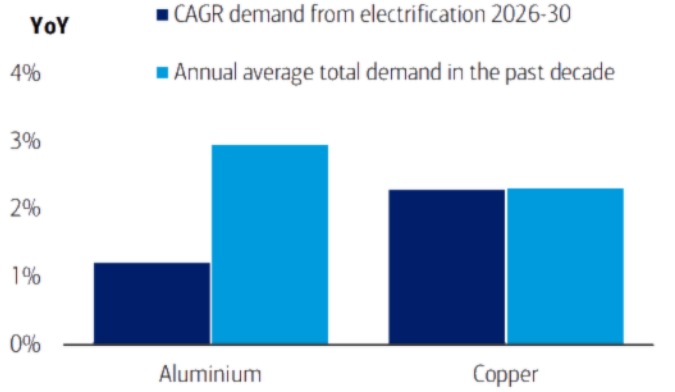
Exhibit 8: Areas of Materials have seen strong growth reacceleration
Materials Electronics sub-sector organic growth (1Q22-4Q26E)



Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 9: The electrification sectors will deliver as much copper demand growth on their own than all sectors did in the past decade
Total demand growth and demand growth from electrification sectors (Grid, data centres/ AI and EVs)



Source: IEA, S&P, BNEF, Woodmac, CRU, BofA Global Research

BofA GLOBAL RESEARCH

Also see:

Semis reports (Vivek Arya)

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Semiconductors: Accelerating the Frontier: Agentic race expands AI TAM to $2.2 In	Vivek Arya	29 September 2026
US Semiconductors: AI 2030: Stronger for longer for compute, memory, networking	Vivek Arya	13 May 2026
US Semiconductors: Q3 Cloud Capex Preview: Superintelligence drives Superinvestment	Vivek Arya	09 October 2026
Global Semiconductors: Watts to Tokens: AI Power Semis and the Transition to 800V Data Centers	Vivek Arya	25 May 2026
US Semiconductors: State of the Union: raising estimates as AI extends visibility into 2028	Vivek Arya	23 June 2026
US Semiconductors: The AI Golden Goose: Competition keeps AI capex going, regulation a sideshow	Vivek Arya	14 September 2026

Internet reports (Justin Post)

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Internet/e-Commerce: BofA Frontier AI Data Tracker: Model rankings, usage data, and token/GPU costs	Justin Post	15 September 2026
Internet/e-Commerce: Raising Internet capex ests: A look into Internet capex, capacity and monetization	Justin Post	07 July 2026
Internet/e-Commerce: AI safety concerns back in the headlines	Justin Post	14 September 2026
Internet/e-Commerce: Hyperscaler capex: A look at potential AI revenues and expected returns	Justin Post	15 December 2025

Software reports (Tal Liani)

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Software Trends: AI 3.0, the rising value of the interface layer	Tal Liani	12 October 2026
Software Trends: Agentic AI makes another step toward enterprise adoption	Tal Liani	01 October 2026
Salesforce Inc: Upgrading to Buy; a sound strategy that addresses the AI risks and opportunities	Tal Liani	12 October 2026
Microsoft Corporation: AI strategy and execution support higher valuation; raise PO to $600	Tal Liani	01 September 2026
Nebius Group N.V.: Not all megawatts are created equal: Revenue model supports material upside	Tal Liani	24 September 2026
Shopify, Inc.: Positioned at the core of commerce's next phase; Reinstate Buy and $150 PO	Tal Liani	07 July 2026
Monday.com: July SEO-driven traffic down 25% Y/Y – downgrade to Neutral on self-serve risks	Matt Bullock	21 August 2025

Power/Data Center reports (Andrew Obin/David Ridley-Lane/Ross Fowler)

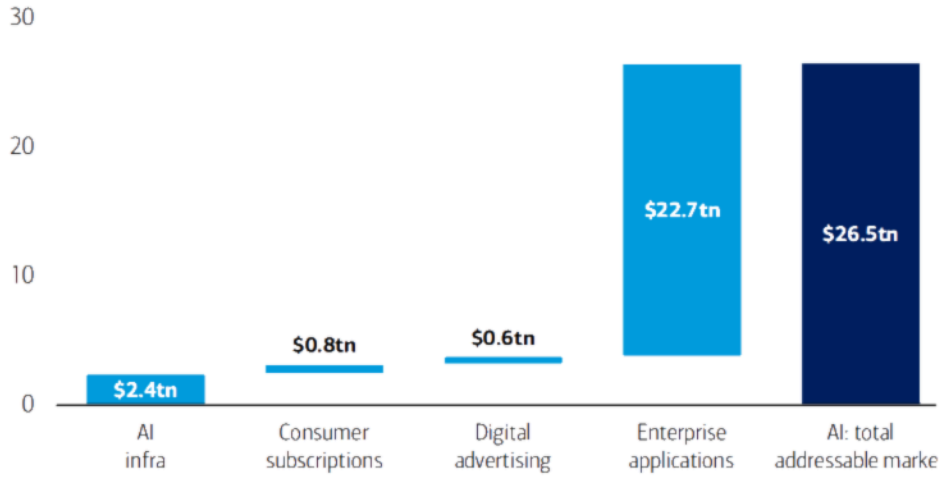
BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Industrials/Multi-Industry: Who Makes the Data Center 2025	Andrew Obin	15 September 2025
Industrials/Multi-Industry: Power gap: a deep dive on US electricity supply & demand	Andrew Obin	08 July 2026
Industrials/Multi-Industry: Extreme codesign: what Nvidia's approach means for data center equipment vendors	Andrew Obin	02 April 2026
Industrials/Multi-Industry: Data center infrastructure: what higher voltage direct current means for stocks 11 March 2026	Andrew Obin	11 March 2026
Global Capital Goods: Who powers the data center	Benjamin Heelan	05 December 2025
US Power & Utilities: The Grid Sets the Limit: Forecasts Meet Reality – Updated 2026 S&D Model	Ross Fowler, CFA	04 June 2026

End markets: enterprise, consumer, government

Enterprise

Exhibit 10: ~80% of the potential AI value sits in the enterprise layer
AI total addressable market, per SpaceX S-1 filing



Source: SpaceX S-1

BofA GLOBAL RESEARCH

Exhibit 11: Estimating enterprise AI spend based on jobs/wages that can be replaced by AI
Framework for translating AI-driven productivity gains into economic value and revenue capture of the total 2026E US wages paid of $13tn

Question answered	Bear	Base	Bull	Assumption basis
What proportion of total US wages are currently in professional services jobs that AI could affect?	55%	65%	75%	BLS wage data: management, business & financial, computer & math, architecture & engineering, legal, and office/admin jobs make up roughly 65%-70% of wages. Bull/bear cases +/- 10%.
What's the AI value capture of professional services wages: of those wages, how much will AI actually turn into savings or extra output?	30%	43%	56%	Two steps multiplied together: (1) the share of these workers' tasks AI can do or meaningfully speed up (60%-80%) and (2) the share of that potential that turns into real money once slow adoption, human review and workflow changes are factored in (50%-70%) = 30%-56%, base case is the midpoint.
What's the revenue/profits impact: of the savings AI creates, how much do customers pay to software vendors and AI labs?	25%	40%	60%	Software vendors typically capture 10%-50% of the value their products create (per IPRoyal). Our 40% base case is toward the top of that range because AI's labor savings are easy to measure and price. Bear and bull cases are ±20pp.
Annual capture of total wages ($13tn)	**4.1%**	**11.2%**	**25.2%**	
Annual subscription TAM ($tn)	**$0.5**	**$1.5**	**$3.3**	

Source: BLS, OpenAI, Bain, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Consumer

Cable to streaming case study: The average US household spends about $70/mo on streaming services vs. about $24/mo on cable in 1995. On an inflation adjusted basis, US consumers spend **~50% more on streaming than they did on cable in 1995.**

Government

Governments are emerging as a third major AI end market alongside consumers and enterprises. Public-sector AI procurement is accelerating as governments deploy AI for defense, intelligence, public services, healthcare,

education, and digital administration. U.S. federal AI contract obligations reached $**1.16bn in FY2025**, more than tripling since 2019, while the broader AI-in-government market is projected to grow from roughly **$26bn in 2025 to $160bn by 2036** (source: Center for Strategic and International Studies).

Watchdogs: cybersecurity

According to Tal Liani, security implications of agentic AI create a meaningful and lasting catalyst for cybersecurity stocks that should support higher valuations (see Cybersecurity AI safety concerns and AI threat landscape notes). According to the team, "new attack surfaces, new identifies, and new governance needs" create demand for additional security investment. They believe platform security leaders remain the key beneficiaries.

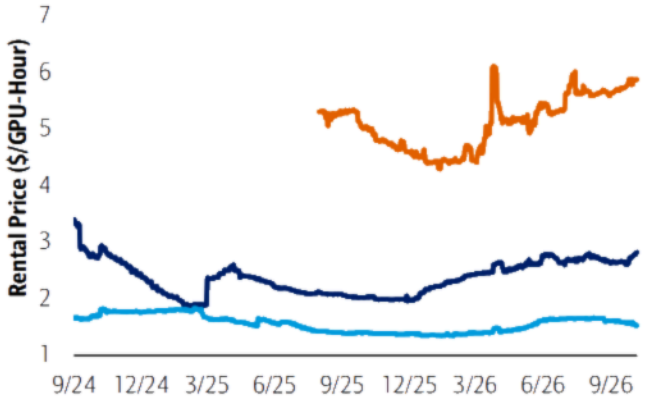
Arbiters: compute exchanges

The cost of compute is difficult to hedge against by hyperscalers and neoclouds, and as of now, buyers can't reserve future capacity in nimble ways nor can sellers monetize idle inventory. Capital is already organizing itself around this theme (e.g., NVDA/Blackstone/Apollo).

Compute exchanges could launch as soon as Nov. 9 on CME's NYMEX, and Craig Siegenthaler sees potential for a compute derivatives market exceeding $1tn annually within five years (see Private Profile: Silicon Data & Compute Exchange).

Exhibit 12: A new asset class is being created and financialization requires pricing and indexation

NVIDIA GPU Rental Price Indices (Silicon Data), 9/1/24 to 10/6/26



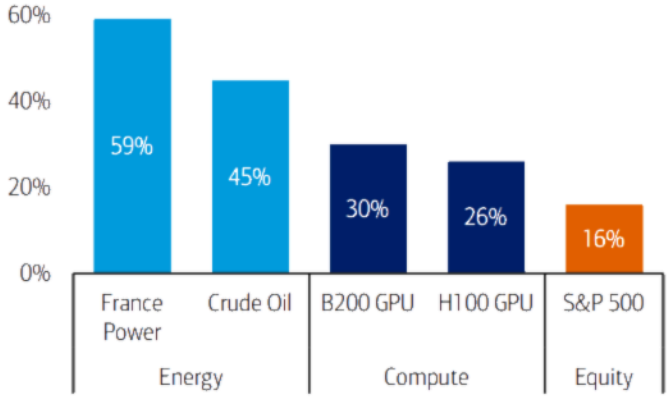
Source: Company website, BofA Global Research

SDH100RT = Silicon Data NVIDIA Hooper H100 Rental Price Index, SDA100RT = Silicon Data NVIDIA Ampere A100 Rental Price Index, SDB200 = Silicon Data NVIDIA Blackwell B200 Rental Price Index

BofA GLOBAL RESEARCH

Exhibit 13: GPU rental rate volatility is lower than crude oil but higher than US large cap equities

Realized volatility

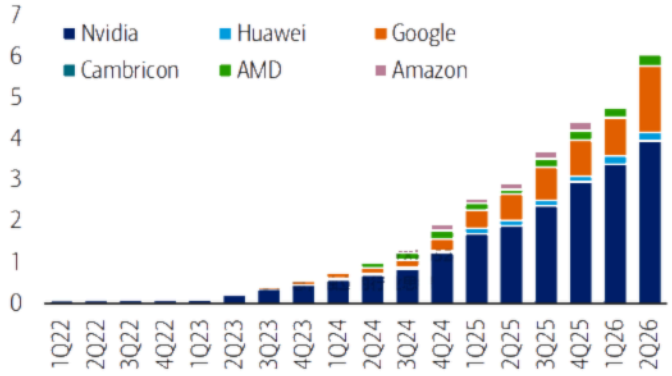


Source: Company website, Bloomberg, BofA Global Research

Full-history realized volatility, arithmetic daily returns, annualized

BofA GLOBAL RESEARCH

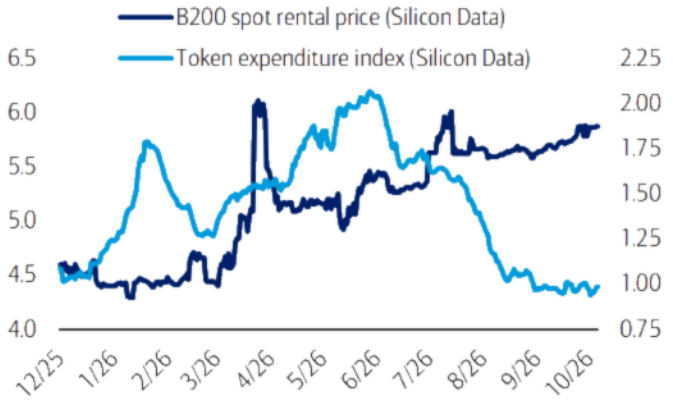
Exhibit 14: Estimated AI compute capacity has increased nearly 100x since 2022
Aggregate deployed AI compute capacity measured in H100-equivalent units, by chip vendor



Source: Epoch AI

BofA GLOBAL RESEARCH

Exhibit 15: Compute prices rising vs. token costs falling
Silicon Data NVIDIA B200 spot rental price ($/GPU-hour, LHS) vs. Silicon Data token expenditure index (RHS), 12/2025–10/13/2026

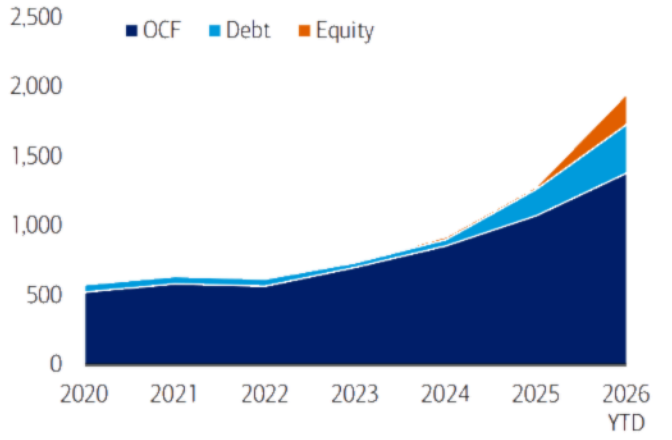


Source: Bloomberg, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

The funding sources:

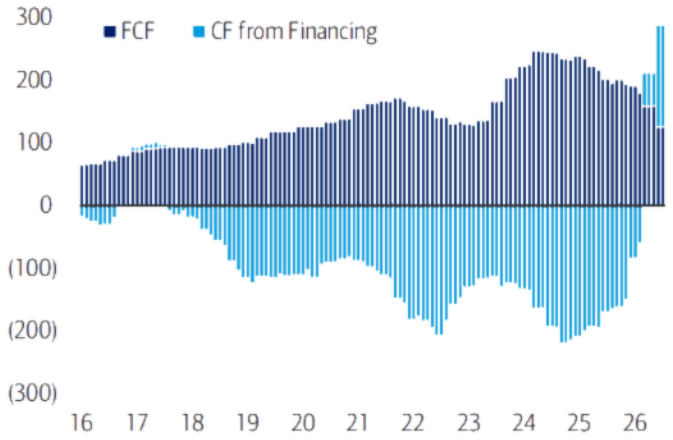
Exhibit 16: Biggest AI spenders have primarily funded the build out via operating cash flow
Total operating cash flow, total debt raised, and total equity raised by 101 companies across the AI landscape (2020-2026 YTD as of 10/13/26, $bn)



Source: BofA US Equity & Quant Strategy, Bloomberg

BofA GLOBAL RESEARCH

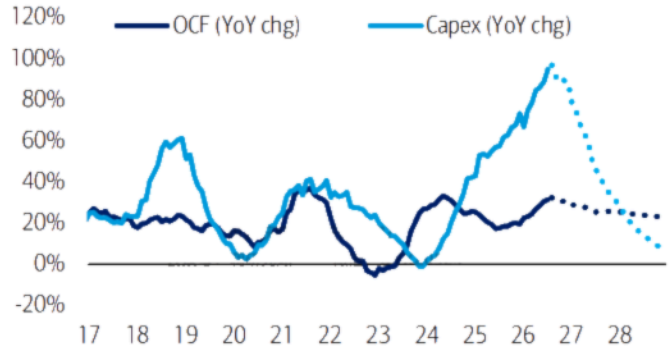
Exhibit 17: Capital markets (primarily debt) is the bridge as capex began to cut into cash flow
Hyperscalers LTM free cash flow (OCF less capex) and cash flows from the financing section of the cash flow statement (1/1/2016-9/30/2026)



Source: BofA US Equity & Quant Strategy, FactSet

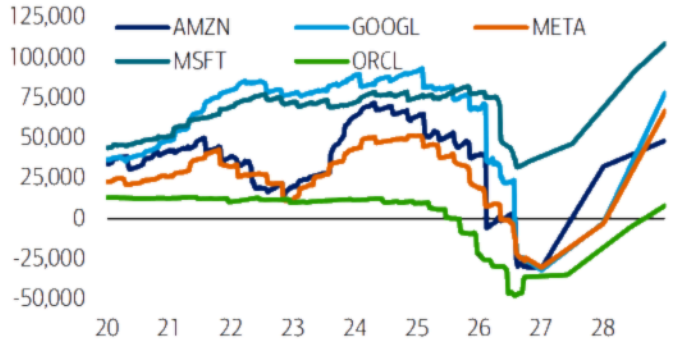
BofA GLOBAL RESEARCH

Exhibit 18: Capex is forecast to peak soon, whereas operating cash flow growth is expected to remain steady and strong, >20% YoY
YoY change in combined operating cash flow and capex for the Hyperscalers (AMZN, GOOGL, META, MSFT, ORCL) from 1/1/2017 to 12/31/2028



Source: BofA US Equity & Quant Strategy, FactSet

Exhibit 19: Microsoft is the only hyperscaler not forecast to dip into negative free cash territory over the next twelve months
Hyperscalers' NTM free cash flow estimates (by company), from 1/1/2020 to 12/31/2028 (as of 10/7/26)



Source: BofA US Equity & Quant Strategy, FactSet

Financials: capital raisers

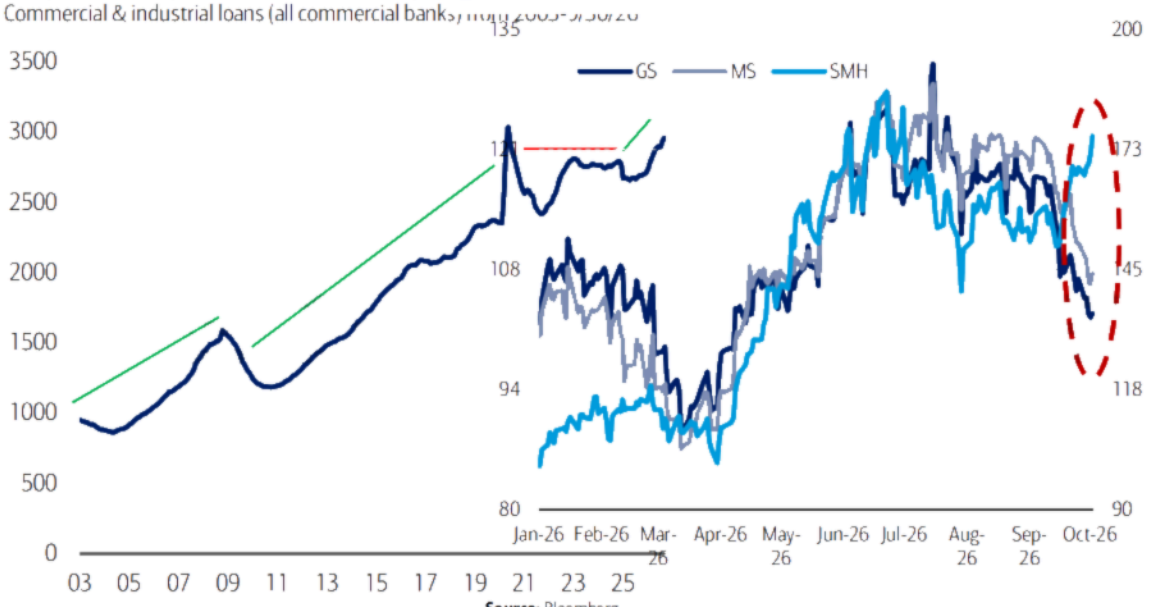
Who's not a prominent lender in the AI build ecosystem so far? Banks – investment banks have benefited from issuance of debt and equity but have not been the biggest players in the AI financing ecosystem; whereas debt financing has surged, IPO issuance disappointed this year relative to expectations at the beginning of the year.

"For much of 2026, Goldman Sachs (GS) and Morgan Stanley (MS) traded as a leveraged play of the AI trade. As AI infrastructure spending accelerated, semis, capital markets and investment banks largely moved in lockstep. That relationship has broken down (See Exhibits 1 and 2). While the Semiconductor ETF (SMH) has rebounded sharply from July lows, GS and MS have continued to lag, with correlations recently turning negative. Investors appear comfortable underwriting the AI buildout, but increasingly skeptical on the timing of the financing and liquidity events that should follow."

-BofA US Banks team: AI buildout vs. AI Buildout vs. AI Financing

Exhibit 20: Commercial loans have recently started to pick up, but still less growth during the 2024-25 AI financing boom

Commercial & industrial loans (all commercial banks), mom, 2003-9/30/26



Source: Federal Reserve, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 21: AI Builders vs. AI Financiers (Indexed to 100 at 12/31/25)

Semiconductor ETF, GS, and MS price performance

Source: Bloomberg

BofA GLOBAL RESEARCH

How long, how much?

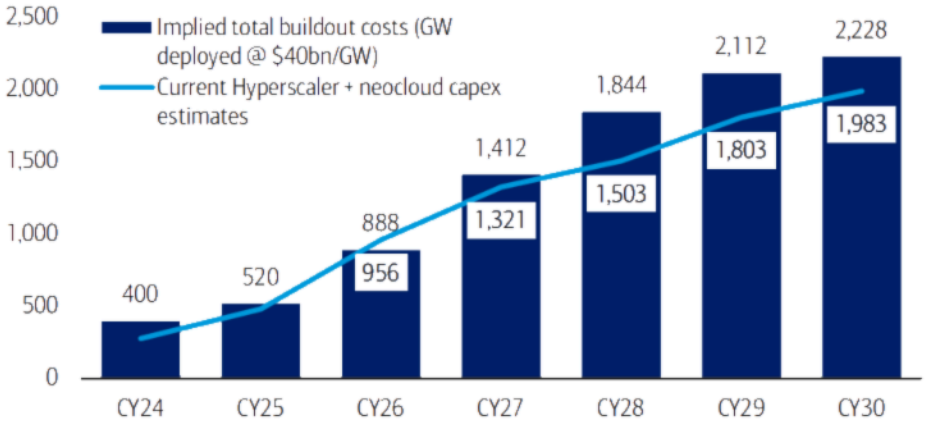
Physical buildouts usually take longer and cost more than anticipated. Will the AI buildout be different?

Estimates for demand through 2030 suggest capital needs

BofA's global semiconductor team bottom-up analysis of accelerator and rack demand for both merchant Graphic Processing Units (GPUs) and custom Application-Specific Integrated Circuit (ASICs) suggests that a cumulative 212 gigawatts (GW) need to be added between 2026-30. We multiply this against BofA Global Research estimates for cost/GW (conservatively assuming $40bn/GW, see Exhibit 6).

Exhibit 21: Gigawatt demand through 2030 implies $9.5tn of potential spend from 2026-2030 (~$2.1tn above current hyperscalers and neocloud capex forecasts of $7.4tn)

Capex spend potential: GW demand forecasts (Exhibit 7) x $GW buildout, assuming $40bn/GW (Exhibit 6) and current hyperscaler and neocloud capex estimates ($bn)

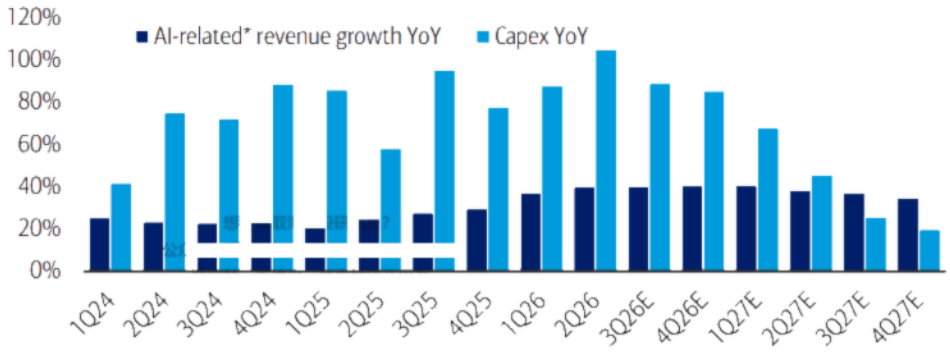


Source: BofA Global Research estimates, BofA Global Research Estimates, Epoch AI, JLL

BofA GLOBAL RESEARCH

Exhibit 22: Hyperscalers' AI-related revenue growth is forecast to outpace capex growth in 2H27, but the risk is that capex continues to be revised higher

MSFT, AMZN, GOOGL, META, ORCL – quarterly AI-related revenue* growth YoY vs. capex growth YoY (1Q24-4Q27E), as of 9/4/2026



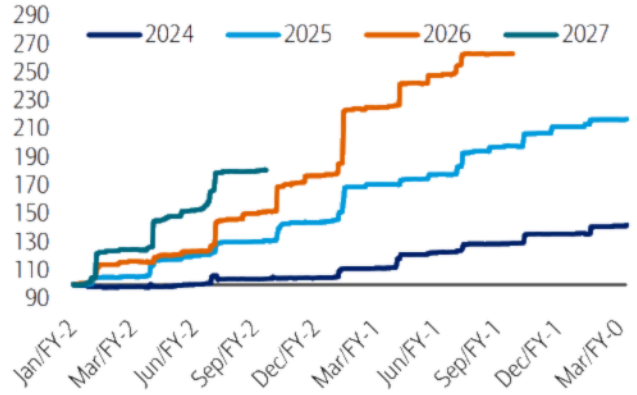
Source: Visible Alpha, BofA US Equity & Quant Strategy. *Includes the following revenue segments. AMZN – AWS, GOOGL – Google Cloud, MSFT – Azure & Other Cloud Svcs., META – Advertising, ORCL – Cloud Svcs.

BofA GLOBAL RESEARCH

What will surprise more, capex or revenue?

Exhibit 23: Sequentially larger capex surprises have been the norm since 2024 (2027E +81% since Dec. 31)

Top 5 Hyperscalers (MSFT, AMZN, GOOGL, META, ORCL) consensus capex revisions in the two years prior to reporting results (2026-2027 as of 10/14/2026)

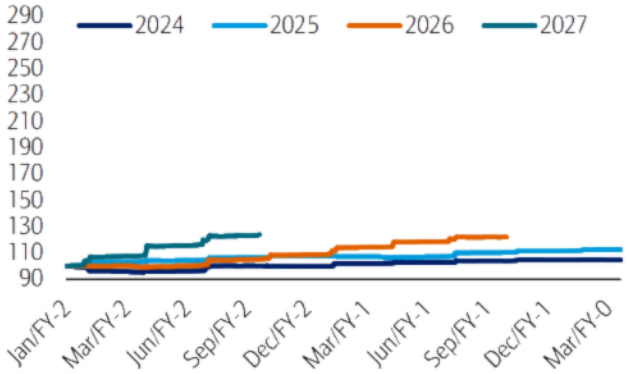


Source: BofA US Equity & Quant Strategy, FactSet. Indexed to 100 on Jan. 1, two years prior to reporting results.

BofA GLOBAL RESEARCH

Exhibit 24: AI-related revenue has also surprised to the upside, but to a much smaller extent (2027E +24% since Dec. 31)

Top 5 Hyperscalers (MSFT, AMZN, GOOGL, META, ORCL) consensus AI-related revenue revisions in the two years prior to reporting results (2026-2027 as of 10/14/2026)



Source: BofA US Equity & Quant Strategy, Visible Alpha. Indexed to 100 on Jan. 1, two years prior to reporting results. *Includes the following revenue segments: AMZN – AWS, GOOGL – Google Cloud, MSFT – Azure & Other Cloud Svcs., META –Advertising, ORCL – Cloud Svcs.

BofA GLOBAL RESEARCH

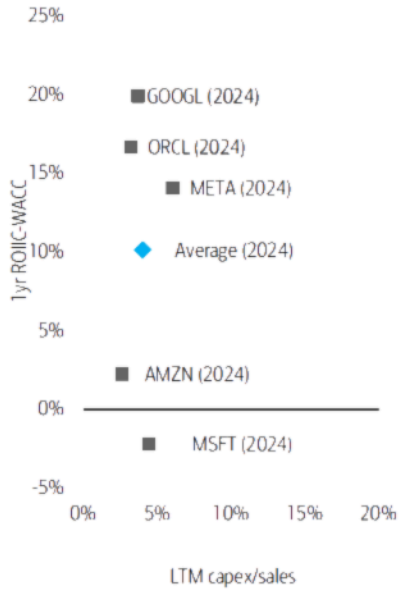
Is more spend a problem? Finance 101 tells us that a business should invest in a project until its returns on incremental invested capital (ROIIC) fall short of its hurdle rate which is the weighted average cost of capital (WACC).

The progression of hyperscalers from 50% capex to operating cash flow in 2023 to 95% today indicates the need to raise capital unless revenues significantly surprise. More capital raised usually means a higher cost of capital.

The progression of companies from a strong positive spread in returns on incremental investments pre-AI build (2023) to returns that in some cases fail to clear the cost of capital indicates that fruits of AI spend have yet to be harvested.

We construct a base, bull and bear case around the various inputs (see Appendix Exhibit 66 for assumptions) to tether numbers to this exercise, acknowledging that the inputs are uncertain.

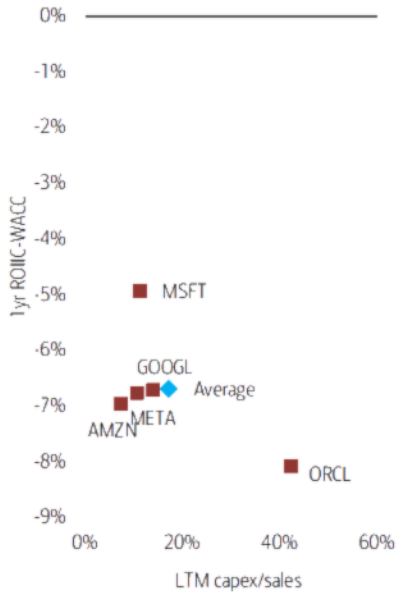
Exhibit 25: Before the buildout: low capex requirements, strong returns on capital
LTM capex/sales and 1yr ROIIC-WACC (measured on 12/31/23)



Source: BofA US Equity & Quant Strategy, Bloomberg
Note: ROIIC=return on incremental invested capital

BofA GLOBAL RESEARCH

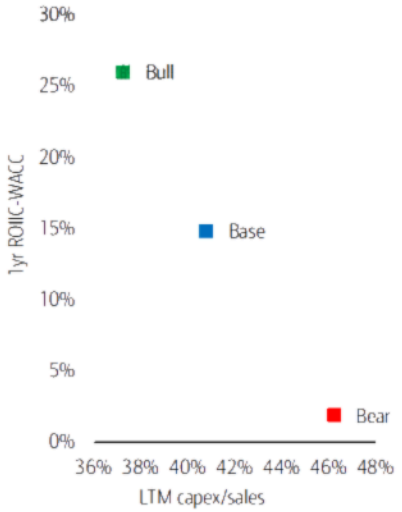
Exhibit 26: Now: lower ROIIC as higher invested capital awaits the fruits of AI
LTM capex/sales and 1yr ROIIC-WACC (as of 9/30/26)



Source: BofA US Equity & Quant Strategy, Bloomberg
Note: ROIIC=return on incremental invested capital

BofA GLOBAL RESEARCH

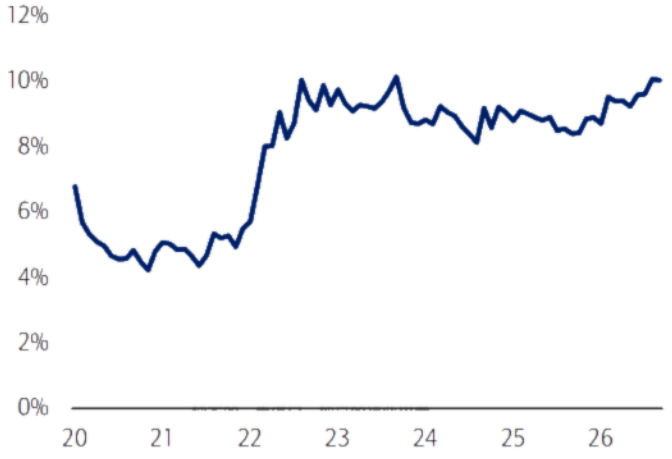
Exhibit 27: Our bear case assumes nearly breakeven ROIIC-WACC, base and bull represent very healthy returns
Cumulative capex/sales and cumulative ROIIC/WACC over 2026E-2030E based on our scenario analysis (see Appendix Exhibit 66 for Bull/Bear/Base case scenarios)



Source: BofA US Equity & Quant Strategy, Bloomberg
Note: ROIIC=return on incremental invested capital

BofA GLOBAL RESEARCH

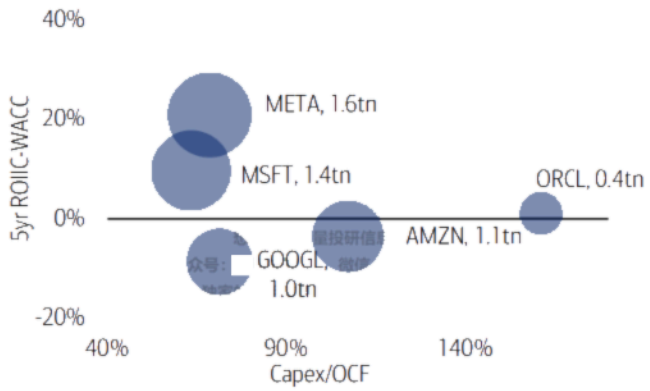
Exhibit 28: Hyperscalers' cost of capital has risen to nearly 10%
Average Hyperscaler weighted average cost of capital (2020-10/9/26)



Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Exhibit 29: ROIIC-WACC analyses are limited as they are snapshot, backward looking metrics. But they highlight where future capex carries the greatest burden of proof
Capex to operating cash flow ratio vs. 5yr return on incremental invested capital vs. weighted average cost of capital. Bubble size indicates projected capex spend from CY2026-CY2030, also labeled, as of 9/30/26.



Source: FactSet, BofA US Equity & Quant Strategy

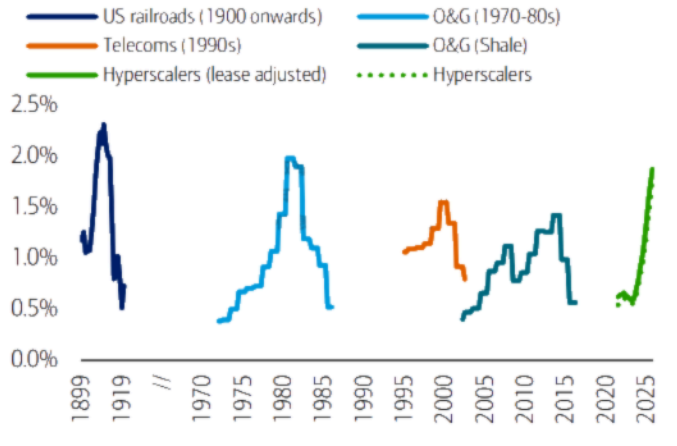
BofA GLOBAL RESEARCH

Mid-cycle, room to run

Our credit strategists note that hyperscaler capex appears to be late cycle when scaled as a % of GDP, but remains in mid-cycle when analyzed through the lens of spenders' profitability (e.g., capex as a % of EBITDA), suggesting there is likely more room for the

cycle to progress. See *High Yield & Loan Strategy: Funding the Future #2, 16 July 2026* for more.

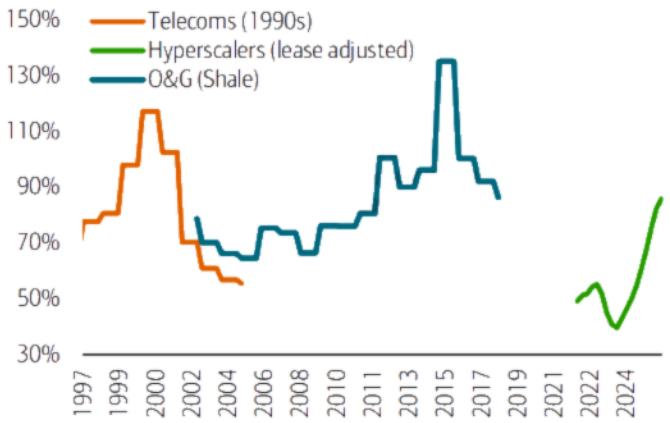
Exhibit 30: As a % of GDP, hyperscaler capex appears late cycle…
Sector capex as % of US GDP through each cycle's speculative build phase (as of 2Q26)



Source: BofA Global Research, NBER, BEA

BofA GLOBAL RESEARCH

Exhibit 31: … but when adjusted for profitability, the capex cycle seems to have more room to run
Capex as a % of EBITDA through each cycle's speculative build phase (as of 2Q26)



Source: BofA Global Research, NBER, BEA

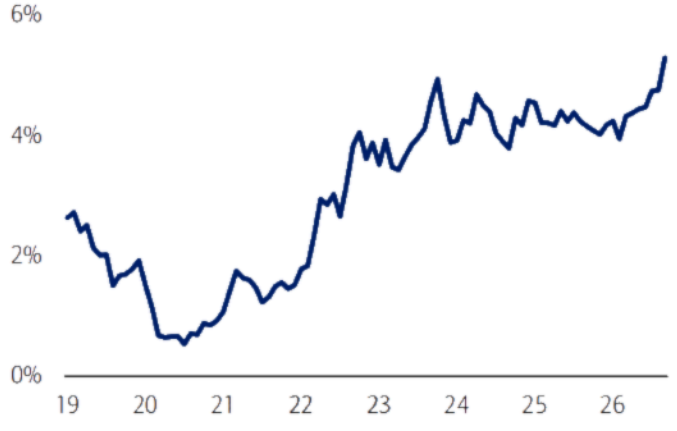
BofA GLOBAL RESEARCH

What could kill the story in the short term? Higher WACC

Three components: risk free rate…

The 10-year Treasury yield is more than 4ppt above its COVID-era low (Exhibit 32), lifting both the cost of debt and the cost of equity.

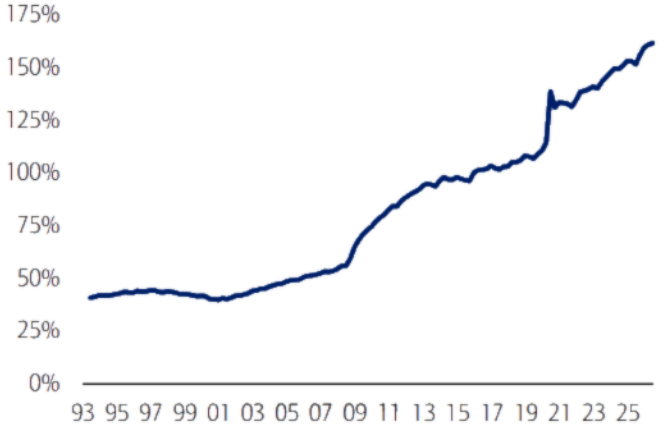
Exhibit 32: The risk-free rate is more than 4ppt above its COVID-era low
10-year Treasury rate (risk free rate) from 2019-9/30/26



Source: Bloomberg

BofA GLOBAL RESEARCH

Exhibit 33: Rising capital costs may reflect both debt burdens and economic dynamism
US public debt/US real GDP (chained dollars SAAR), 1993-2Q26



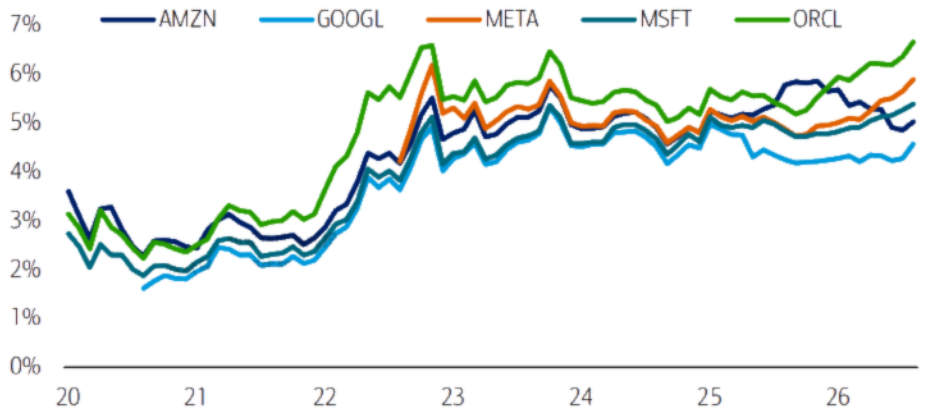
Source: Bloomberg

BofA GLOBAL RESEARCH

Not all of the rise in the cost of capital is bad news. Part reflects a heavier government debt load – US public debt/real GDP has roughly quadrupled since the early 2000s (Exhibit 34) – but part reflects good reasons for a higher cost of capital: faster productivity growth, deregulation and stronger nominal growth raise the return on capital across the economy, and investors demand more for capital that has better uses. A higher hurdle rate is the price of a more dynamic economy.

...Cost of debt...

Exhibit 34: Hyperscalers' YTM have trended upward
Debt-weighted average YTM (mid yield) for the Hyperscalers (in ppt, 2020-9/30/26)

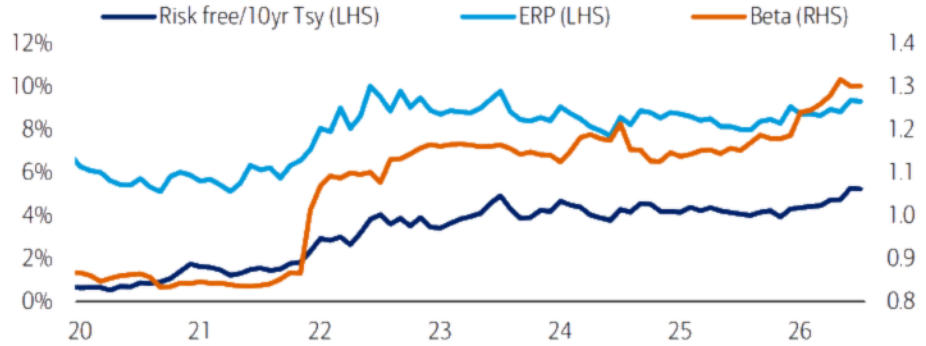


Source: BofA US Equity & Quant Strategy, Bloomberg

BofA GLOBAL RESEARCH

...and cost of equity

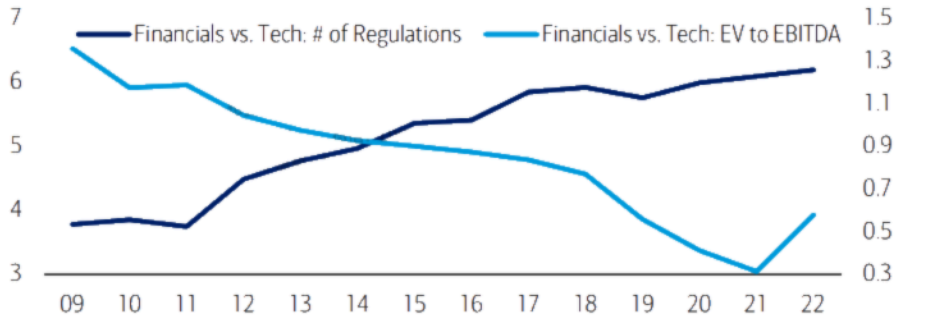
Exhibit 35: Key WACC drivers show Hyperscaler betas increasing their costs of capital, alongside higher risk-free and ERP
10-year Treasury, equity risk premium and average Hyperscaler Beta (2020-10/9/26)



Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Exhibit 36: Financials & Tech: Fins regulations drove de-rating and vice versa for Tech
Ratio of S&P 500 Financials and S&P 500 Information Technology regulations and EV/EBITDA

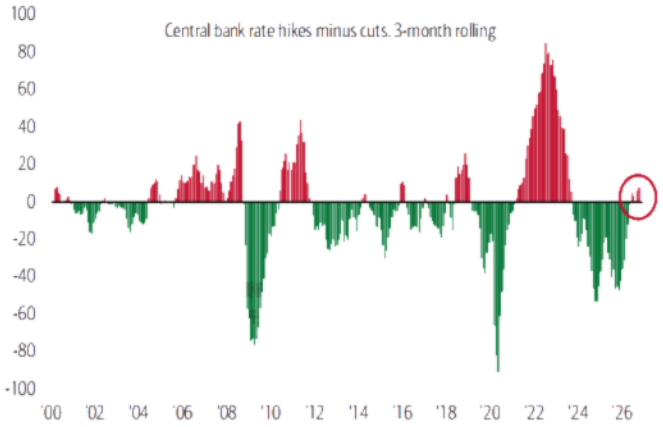


Source: BofA US Equity & Quant Strategy, FactSet, QuantGov. QuantGov data includes regulations that are considered to be in force each year. NAICS industries used by QuantGov com have been mapped to GICS based on interpretations of NAICS & GICs industries. One-to-many assignments can occur when NAICS maps to GICs industries across sectors.

BofA GLOBAL RESEARCH

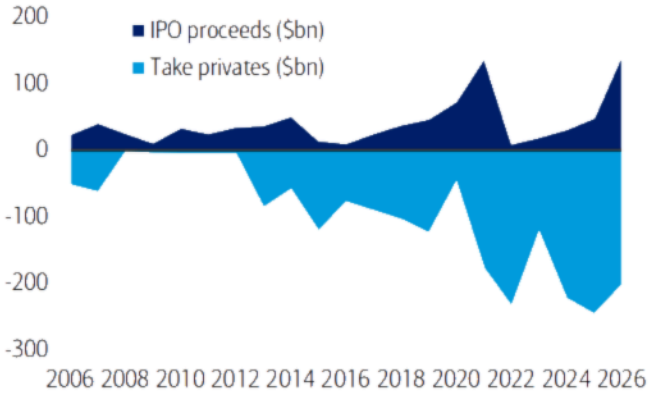
Equity supply/demand dynamics (liquidity vs. available equity) can change dynamics.

Exhibit 9i: Central banks shifting from cuts to hikes
Global central bank rate hikes minus rate cuts, 3mo rolling, as of 8/28/26



Source: BofA Global Research, BofA Global Investment Strategy

Exhibit 37: From surge in "take-privates" and no IPOs
IPO proceeds ($bn) vs. take-privates base equity value across major US exchanges ($bn) as of 9/30/26

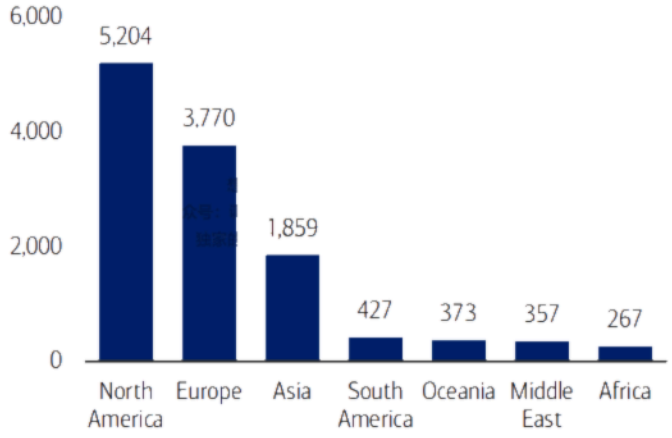


Source: BofA US Equity & Quant Strategy, FactSet, Bloomberg

人在草木间

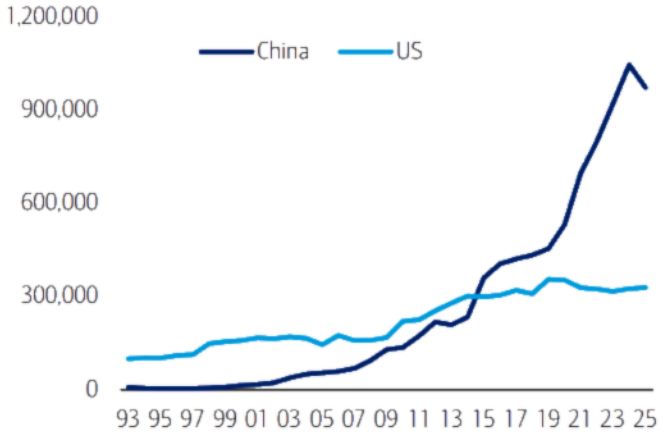
US vs ROW, states vs. federal

Exhibit 38: North America (USA) has nearly 42% of global data centers
Number of data centers by region



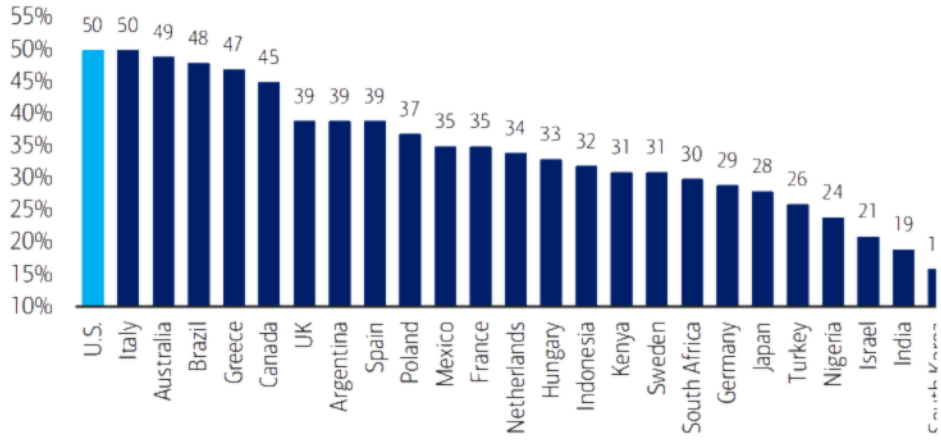
Source: Data Center Map

Exhibit 39: Hyperscaler capex harder to cut given AI arms race
Total patents granted in the US vs China (1993-2025)



Source: WIPO statistics database, BofA US Equity & Quant Strategy

Exhibit 40: While the most developed in terms of AI, public opinion is negative
Respondents who are "more concerned than excited" regarding the increased use of artificial intelligence in daily life (%)



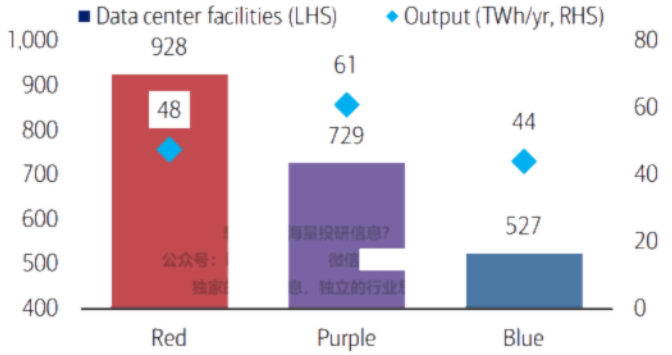
Source: Pew Research

Midterm elections and data centers key takeaway: buildout largely rests on state-level dynamics

One narrative that has emerged is that a Democratic sweep would pose risk to AI capex/the data center buildout. But we think election risk appears manageable for data center development.

Federal support remains strong given the strategic importance of US AI leadership, and the AI buildout is more driven by state governments, where the majority of the large data centers are in red/purple states. And state policymakers have generally responded via targeted legislation to public concerns versus outright bans.

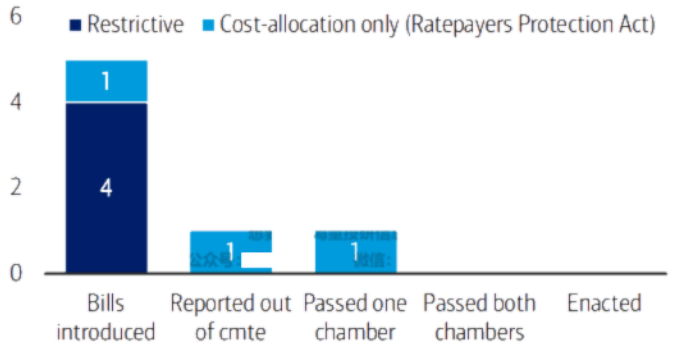
Exhibit 41: Midterm AI buildout concerns may be overblown: the majority of data centers are In red/purple states (76%)
Data center facilities and output/consumption (in terawatt-hours per year) by state political leaning, as of 9/21/26



Source: Electric Choice
Note: Note: output is high for purple due to Virginia which has "data center alley" in Loudon County (Northern VA) with the densest cluster of data centers on earth

BofA GLOBAL RESEARCH

Exhibit 42: At the Federal level, meaningful AI data center restriction appears less likely
Status of data center bills introduced to the 119th session of Congress (started 1/2/2025)



Source: Congress.gov, BofA US Equity & Quant Strategy

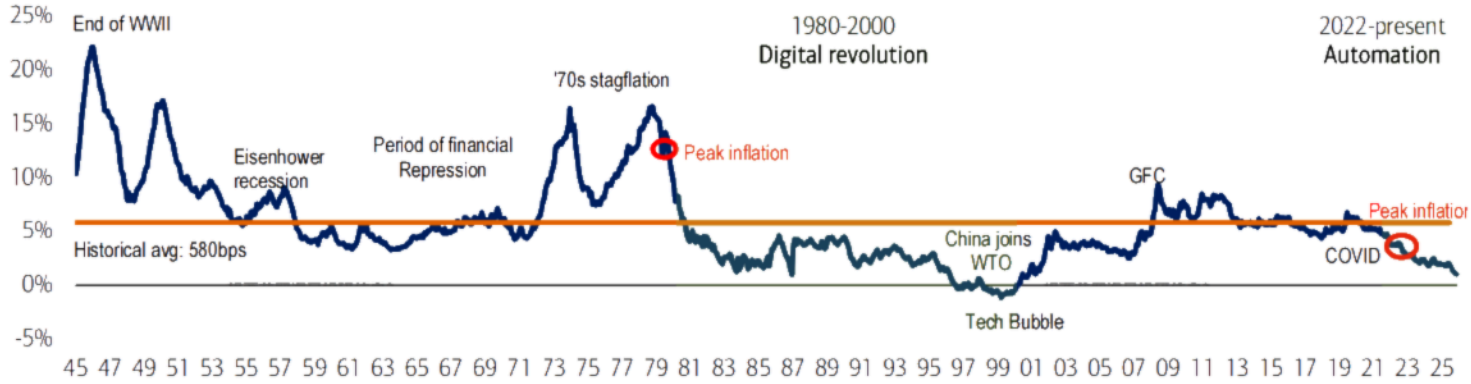
BofA GLOBAL RESEARCH

Why: productivity

Financials and Health Care combine large, labor-intensive cost bases and a clear path to deploying AI against them. Financials' real revenue per employee has lagged since the post-GFC regulatory build-up (Exhibit 51-Exhibit 52), leaving the most room for AI plus deregulation to close the gap. In Health Care, the majority of clinical trial costs sit in categories where we see >20% potential AI impact (Exhibit 55), and real revenue per worker is already turning higher (Exhibit 56).

Productivity is the bull case for equities, which AI can help drive. Productivity is picking up, and productivity cycles have historically been accompanied by a declining equity risk premium. And efficiency drives shareholder value based on our quant factor work – efficient stocks have outperformed inefficient peers.

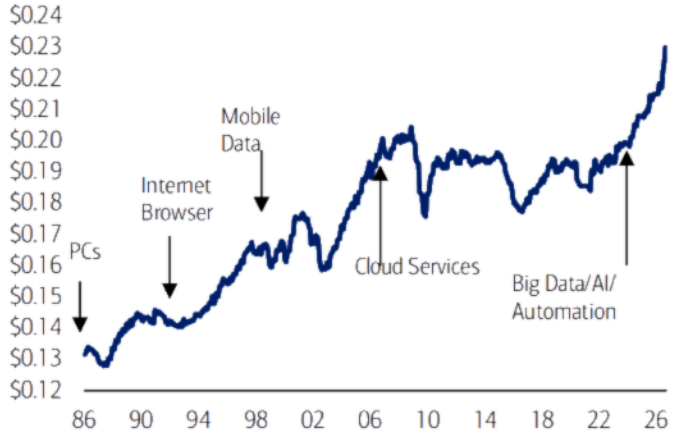
Exhibit 43: Productivity booms in the 80s, 90s and 2020-now has been accompanied by declining ERP
S&P 500 normalized ERP (1950-9/30/2026), with periods of productivity gains shaded in green



Source: Bloomberg, FactSet, Haver Analytics, BofA US Equity & US Quant Strategy. Normalized ERP is calculated as the spread between the normalized earnings yield and real risk-free rate, where normalized EPS is based on a log linear regression of a blend of S&P 500 pro-forma EPS and operating EPS. The real rate is the difference between 1) 10-year Treasury yield and 2) 10-year breakeven, where prior to 1998, fwd 1-year CPI was used as a proxy, which showed the strongest correlation to the 10-year breakeven.

BofA GLOBAL RESEARCH

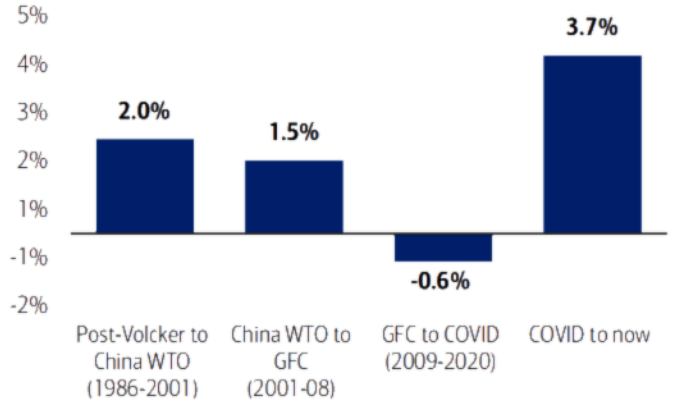
Exhibit 44: Companies now doing the hard work: productivity by "$ to worker" is back
S&P 500 companies' revenue per worker ($M 1986 dollar; 1986-9/30/26)



Source: BofA US Equity & Quant Strategy, FactSet, Bloomberg

BofA GLOBAL RESEARCH

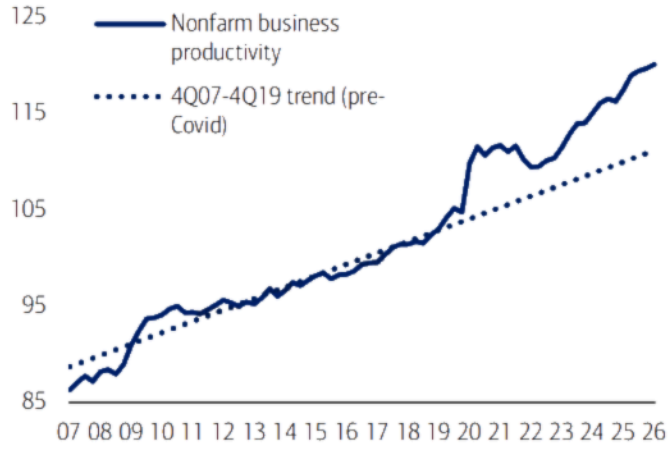
Exhibit 45: Real revenue per worker has increased 3% per year since COVID
S&P 500 real sales/employee CAGR in different regimes as of 9/30/26



Source: BofA US Equity & Quant Strategy, FactSet, Bloomberg

BofA GLOBAL RESEARCH

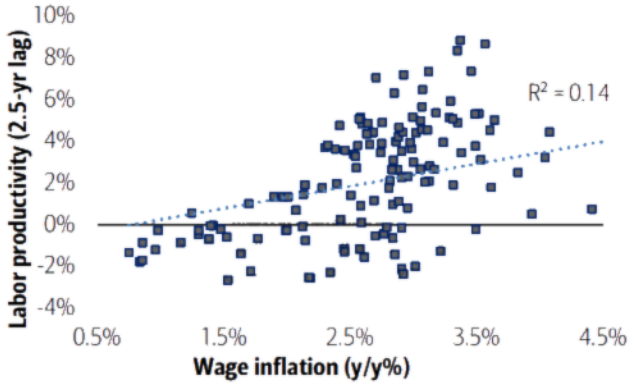
Exhibit 46: Economic productivity has been running above its pre-COVID trend
Nonfarm business productivity (2017 = 100), 2007-2Q26



Source: Bureau of Labor Statistics, Haver Analytics

BofA GLOBAL RESEARCH

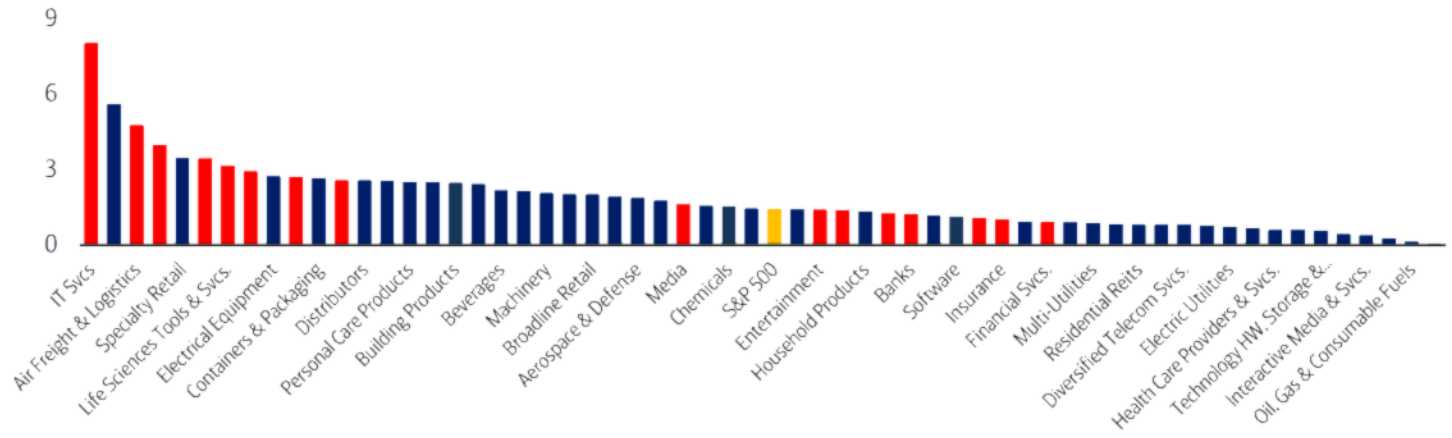
Exhibit 47: Wage inflation has driven some labor productivity growth on a lagged basis
US Manufacturing wage inflation and labor productivity (y/y % changes), 1987-8/2026



Source: BLS, BofA US Equity & Quant Strategy. Note: Quarterly data of US manufacturing labor productivity vs. average hourly earnings of production & nonsupervisory employees

BofA GLOBAL RESEARCH

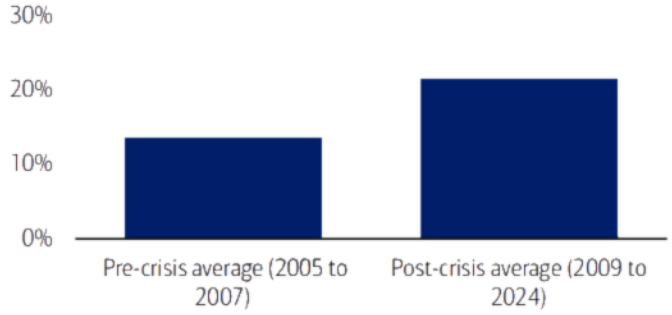
Exhibit 48: AI likely to replace people in most labor-intensive S&P industries
Employee/sales ($mn) by S&P 500 industry group (red indicates clear use case, in our view, from AI) as of 9/8/26



Source: BofA US Equity & Quant Strategy, FactSet

BofA GLOBAL RESEARCH

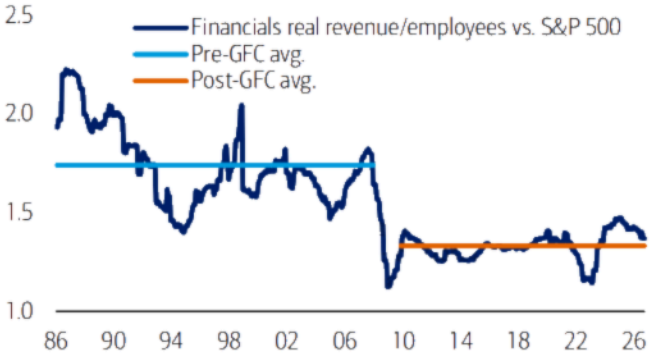
Exhibit 49: Financials: Increasing regulatory burden post-GFC…
New regulations for Financial Services as a % of Total New Private Sector Regulations pre- and post-GFC



Source: Regulation Rodeo, BofA US Equity & Quant Strategy. New Private Sector Regulations approximated using the following industry groups from Regulation Rodeo: Agriculture, Commerce, Commercial Practices, Defense, Energy & Environment, Financial Services, Telecomm, Trade, Transportation. Only includes finalized regulations.

BofA GLOBAL RESEARCH

Exhibit 50: …drove structural inefficiency; potential today for efficiency gains from AI + deregulation
Real revenue to employees ratio ($M 1986 dollar) for S&P 500 Financials, 1986-present

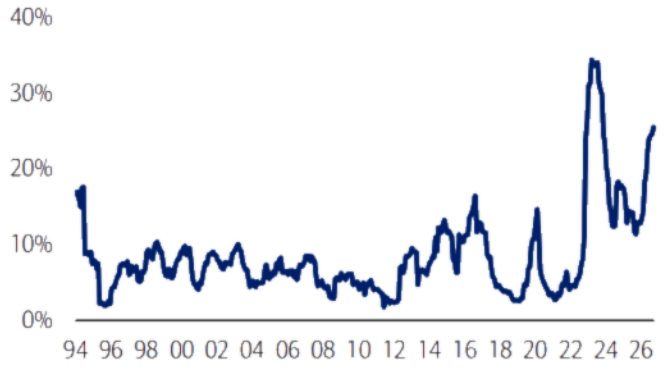


Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Two sectors with tangible results: Tech and Health Care

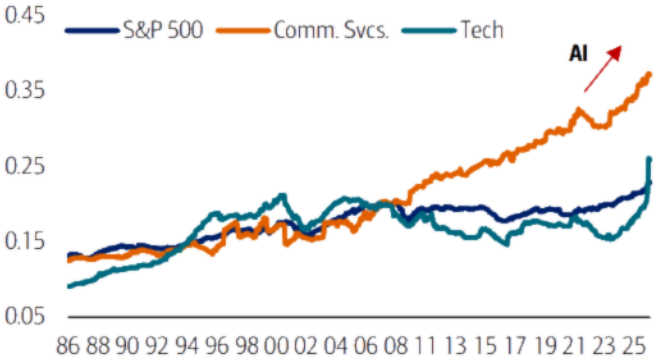
Exhibit 51: Tech is reducing workers: a quarter of Sept. layoffs were in Tech, where layoffs (as a % of total) have been steadily rising for a year
Percentage of announced layoffs in Tech industry vs Total job cuts (rolling 12 mth sum) 1993 to 9/30/2026



Source: Challenger, Haver, BofA US Equity & Quant Strategy.

BofA GLOBAL RESEARCH

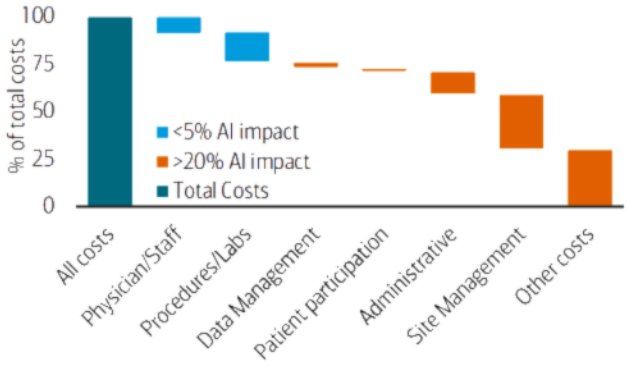
Exhibit 52: Productivity gains have picked up with both Tech and Communication Services outpacing overall index efficiency measures
Real revenue/worker for S&P 500 Tech & Comm. Services, 1986-9/2026



Source: FactSet, BofA US Equity & Quant Strategy

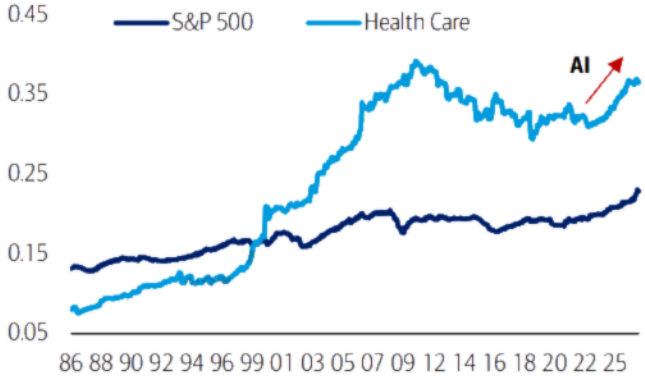
BofA GLOBAL RESEARCH

Exhibit 53: Health Care use cases are manifold, with potential outsized impact on cost structure
Breakdown of clinical trials costs and potential for AI improvement



Source: BofA Global Research, *US Department of Health and Human Services* (2014)
See our US Biopharma team's report: US Biopharmaceuticals: AI Basics: Clinical Trials

Exhibit 54: Evidence of efficiency gains picking up in Health Care post-AI
Real revenue/worker for S&P 500 Health Care, 1986-9/2026

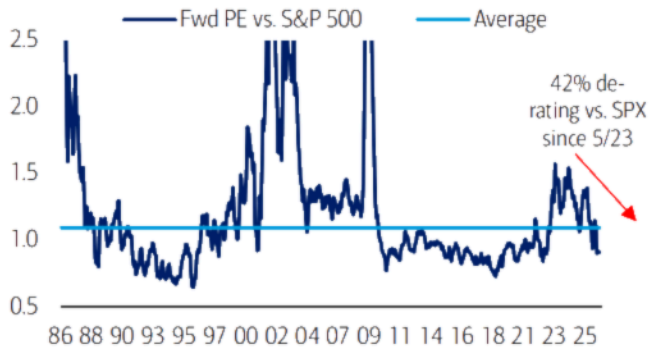


Source: FactSet, BofA US Equity & Quant Strategy

How to make money

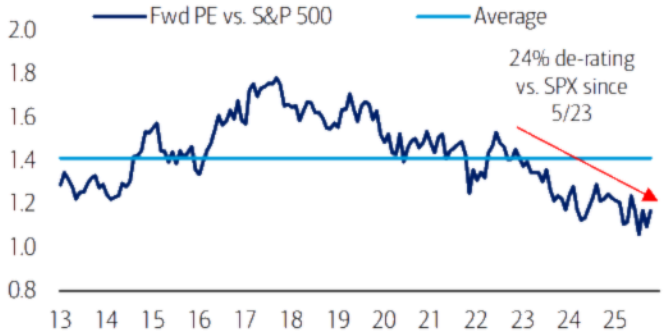
What's priced in? key themes: areas of markets that sold of on macro risks but have stronger fundamentals because of AI: real estate, utilities. Areas of likely adoption: Health Care, Financials. Areas with less disruption risk than what is priced in: business services, etc. TMT de-rated neutral, underweight consumer goods (but could be a spring if new jobs are created by AI).

Exhibit 55: Semis trade at a lower forward multiple than the index
Fwd PE of Semiconductors & Semiconductor Equipment industry vs. the S&P 500 (as of 9/30/2026)



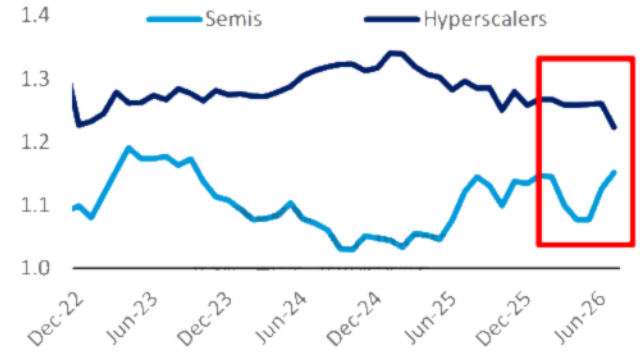
Source: FactSet, BofA US Equity & Quant Strategy

Exhibit 56: Hyperscalers still trade at a slight premium vs. the market, but relative valuation is just off decade lows
Fwd PE of top 5 Hyperscalers (AMZN, GOOGL, META, MSFT, ORCL) vs. the S&P 500 (as of 9/30/2026)



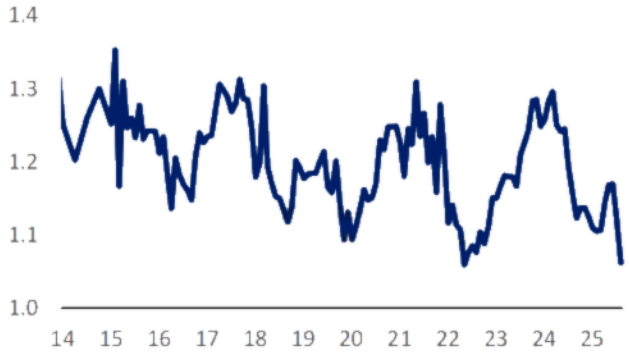
Source: FactSet, BofA US Equity & Quant Strategy

Exhibit 57: LO managers have reduced their O/W in Hyperscalers YTD while Semis exposure is back to where it started the year
Funds' relative weight in Hyperscalers and Semiconductors vs. S&P 500 index over time (priced as of 9/21/2026)



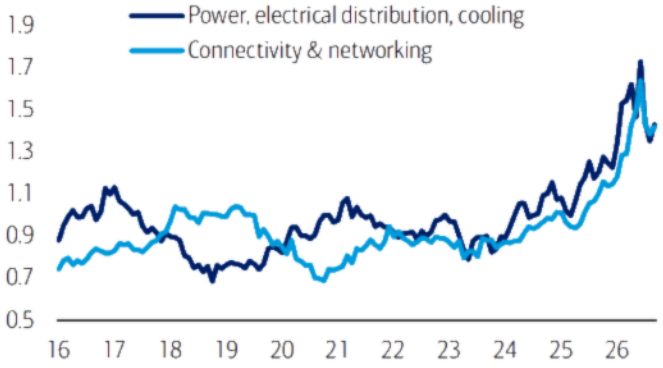
Source: FactSet, BofA US Equity & Quant Strategy
Note: Hyperscalers group includes AMZN, META, MSFT, GOOG, GOOGL, ORCL

Exhibit 58: LOs' O/W in Hyperscalers relative to O/W in Semis is at lowest level since 2023
Ratio of funds' relative weight in Hyperscalers to relative weight in Semiconductors vs. S&P 500 index over time (priced as of 9/21/2026)



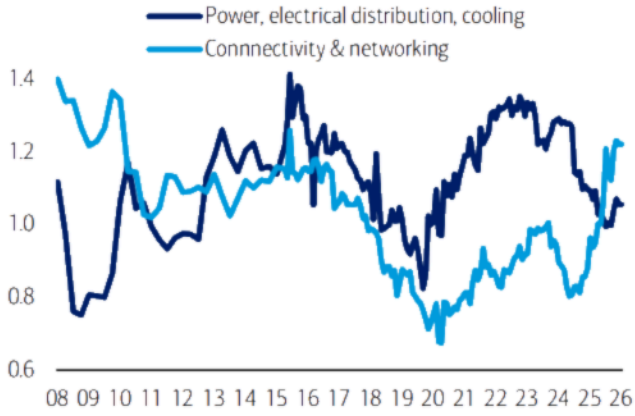
Source: FactSet, BofA US Equity & Quant Strategy
Note: Hyperscalers group includes AMZN, META, MSFT, GOOG, GOOGL, ORCL

Exhibit 59: AI infrastructure enablers (ex. Semis/Hyperscalers) have become more expensive but are off their highs
Fwd PE of AI infrastructure enablers* vs. the S&P 500 (as of 9/30/2026)



Source: FactSet, BofA US Equity & Quant Strategy; Power, electrical distribution and cooling stocks: ETN, HUBB, VRT, CARR, JCI, TT, BE, CAT, CMI, GEV, GNRC. Connectivity and networking stocks: CSCO, ANET, APH, TEL, COHR, GLW, LITE, CIEN.

Exhibit 60: Long-only funds have rotated into connectivity & networking stocks while trimming their overweight in power
LO funds' rel. weight vs. S&P 500 index (priced as of 9/21/2026)



Source: FactSet, BofA US Equity & Quant Strategy; Power, electrical distribution and cooling stocks: ETN, HUBB, VRT, CARR, JCI, TT, CAT, CMI, GEV, GNRC. Connectivity and networking stocks: CSCO, ANET, APH, TEL, COHR, GLW, LITE, CIEN.

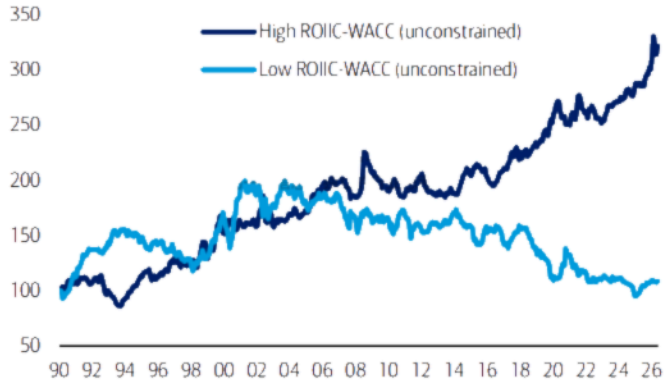
Tracking and investing in efficiency: two factors to use

ROIIC vs WACC factor: Companies that generate high returns on incremental invested capital relative to their cost of capital (ROIIC–WACC) (top sector-neutral decile) have outperformed low-spread peers (bottom decile) by ~1.6ppt annually since 1990 (Exhibit 63).

Labor intensity factor: companies with the lowest labor intensity (number of employees per real dollars of sales) have outperformed the most labor-intensive companies by ~3.6ppt annually over the past four decades, with the gap widening as Tech/automation and now AI have rewarded businesses that scale revenue without scaling headcount (Exhibit 64). Ultimately, businesses that produce more output per dollar of capital and per employee create value structurally. See Appendix (Exhibit 70-Exhibit 71) for screens of the highest and lowest ROIIC-WACC companies and the highest and lowest labor intensive companies in the S&P 500 (former screen is ex Financials).

Exhibit 61: Companies with high ROIIC-WACC spread outperformed those with low spread by 3.3ppt per year

Highest and lowest S&P 500 (ex Financials) unconstrained deciles by Return in Incremental Invested Capital (ROIIC)-WACC (weighted average cost of capital) spread: cumulative relative performance vs equal-wtd S&P 500 (5/31/90 – 9/30/26)



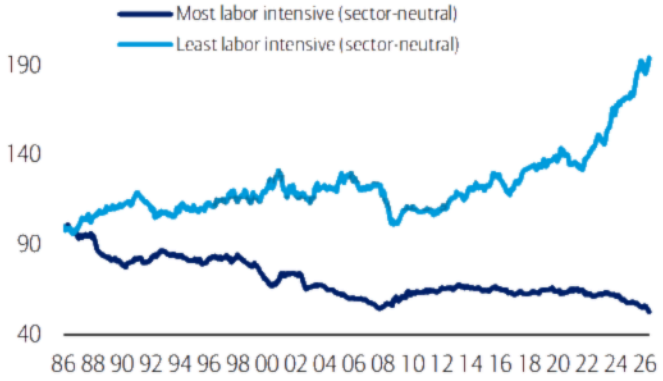
Source: BofA US Equity & Quant Strategy, FactSet. ROIIC is defined as 5y NOPAT change /5-yr Invested Capital change. WACC is the weighted average cost of company debt and equity, where cost of debt=Investment Grade bond yield * (1-company tax rate), and cost of equity=Normalized ERP*company beta + 10-yr Treasury yield.

This performance is back-tested and does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a particular strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herin. The performance does not reflect transaction costs or tax withholdings or any applicable advisory fees. Had these costs been reflected, the performance would have been lower. Performance is calculated on the basis of price return for all factors except Dividend Yield and Dividend Growth for which total return is used. Total return performance calculations assume that dividends paid on securities in a portfolio are deposited in a cash account on the ex-dividend date, and are not reinvested.

BofA GLOBAL RESEARCH

Exhibit 62: Least labor intensive companies outperformed most labor intensive companies by 3.6ppt per year

Most and least labor intensive S&P 500 sector-neutral deciles (#Employees / Sales): cumulative relative performance vs equal-wtd. S&P 500 index (1/31/86 – 9/30/26)



Source: BofA US Equity & Quant Strategy, FactSet

This performance is back-tested and does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a particular strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herin. The performance does not reflect transaction costs or tax withholdings or any applicable advisory fees. Had these costs been reflected, the performance would have been lower. Performance is calculated on the basis of price return for all factors except Dividend Yield and Dividend Growth for which total return is used. Total return performance calculations assume that dividends paid on securities in a portfolio are deposited in a cash account on the ex-dividend date, and are not reinvested.

BofA GLOBAL RESEARCH

Appendix

Capex estimates for the Hyperscalers and neoclouds

Exhibit 65: Consensus/BofA aggregate capex projections suggest growth of +100%/+38% YoY in CY26/27E
Summary of Cloud Capex Outlook (incl. leases) – see our Semis anaysts' **Cloud Capex Preview**

CapEx ($mn)	C1Q26	C2Q26	C3Q26E	C4Q26E	C1Q27E	C2Q27E	C3Q27E	C4Q27E	2024	2025	2026E	2027E	2028E
Top US	**169,119**	**217,554**	**276,646**	**293,102**	**293,231**	**320,013**	**341,343**	**366,097**	**273,785**	**478,627**	**956,421**	**1,320,684**	**1,502,621**
Google	35,674	44,924	55,645	65,311	68,031	74,824	81,447	88,507	52,535	91,447	201,554	312,809	360,697
Microsoft (incl. leases)	31,900	41,000	51,568	52,703	54,975	58,526	60,729	61,622	75,600	118,000	177,170	235,852	266,007
Amazon (incl. leases)	44,203	54,208	58,546	64,826	62,967	70,540	73,398	80,905	82,999	131,819	221,783	287,810	305,195
Meta (incl leases)	19,840	30,116	40,852	49,674	45,727	51,032	56,100	62,551	39,227	70,920	140,483	215,411	232,087
Oracle	18,635	16,493	28,499	20,241	21,342	22,783	25,501	25,130	10,745	35,477	83,868	94,756	104,943
Neoclouds	**18,867**	**30,813**	**41,536**	**40,348**	**40,188**	**42,308**	**44,169**	**47,382**	**12,679**	**30,964**	**131,563**	**174,047**	**233,692**
xAI (SpaceX AI)	6,503	15,803	15,803	16,791	16,750	17,750	18,250	19,250	NA	12,609	54,900	72,000	116,593
CoreWeave (ex-CIP)	6,800	5,600	12,501	8,308	9,879	10,718	11,135	12,110	8,702	9,700	33,209	43,842	44,750
Nebius	2,473	5,657	6,798	9,360	7,699	7,701	8,304	8,989	808	4,066	24,289	32,693	43,074
Other Neoclouds	3,091	3,752	6,433	5,889	5,860	6,139	6,480	7,033	3,170	4,589	19,166	25,512	29,275

Source: Company reports, BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Bear, base, bull cases

Our bear case assumes AI capacity runs ahead of demand: pricing and utilization metric weaken, running costs stay high, chips depreciate faster and the core business slows. In the base case, monetization steadily catches up with the buildout, and in the bull case strong demand and pricing power combine with greater operating efficiency. WACC and tax rates have been held constant so that results reflect operating outcomes rather than financing.

Exhibit 66: AI revenue per gigawatt is the key swing factor across our scenarios
Hyperscaler scenario assumptions

Driver	Units	Bear	Base	Bull
AI revenue per incremental GW in service (2026E)	$bn/GW/yr	$9.0	$12.0	$15.0
Annual change in AI revenue per GW (pricing × utilization)	% YoY	(3.0%)	+2.0%	+5.0%
Core (non-AI) revenue growth	% YoY	5.0%	7.0%	8.0%
Core opex ratio vs. 2025 (± pp)	pp	+1.0%	0.0%	(1.0%)
AI cash opex per incremental GW (power, ops, staff)	$bn/GW/yr	$3.0	$2.0	$1.0
Depreciable life of AI capex (blended servers + DC shell)	years	6.2 yrs	8.2 yrs	10.3 yrs
WACC	%	10.1%	10.1%	10.1%
Tax rate on operating profit	%	22.0%	22.0%	22.0%

Source: BofA Global Research (GW forecast); FactSet consensus (capex, revenue, OP); Nebius 2Q26 deck (AI rev/GW); Crusoe CEO via ampere.dev (AI opex/GW); company reports (depreciable life); Bloomberg (WACC).

BofA GLOBAL RESEARCH

Exhibit 67: Only the base and bull cases beat consensus revenue by 2030E; the bear case falls ~$565bn short
Hyperscaler scenario P&L outcomes vs. consensus

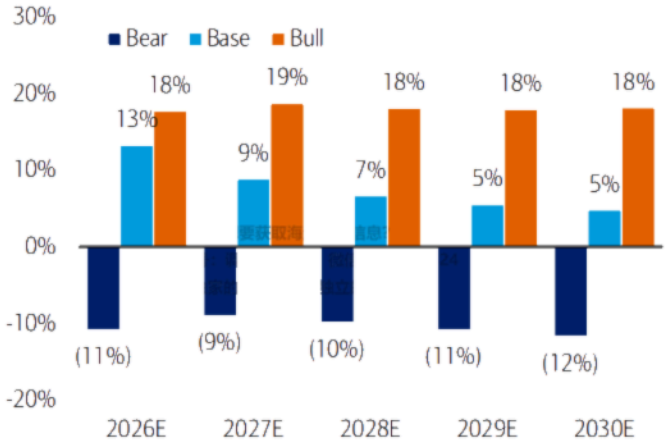
Metric	Units	2025	2026E	2027E	2028E	2029E	2030E
Bear case							
Total Revenue	$bn	$1,621.1	$1,811.9	$2,151.5	$2,530.9	$2,897.5	$3,239.1
Variance vs. consensus revenue	$bn	($60.3)	($211.0)	($260.8)	($340.7)	($394.1)	($565.1)
Operating margin	%	28.3%	26.6%	26.3%	24.8%	22.7%	20.2%
NOPAT	$bn	$358.2	$376.6	$441.9	$489.8	$512.4	$511.0
Base case							
Total Revenue	$bn	$1,621.1	$1,862.6	$2,302.9	$2,829.9	$3,382.5	$3,942.8
Variance vs. consensus revenue	$bn	($60.3)	($160.2)	($109.5)	($41.6)	$90.9	$138.7
Operating margin	%	28.3%	29.7%	33.2%	35.9%	37.6%	38.7%
NOPAT	$bn	$358.2	$430.8	$596.6	$791.5	$991.5	$1,190.6
Bull case							
Total Revenue	$bn	$1,621.1	$1,897.1	$2,416.6	$3,064.3	$3,773.3	$4,524.1
Variance vs. consensus revenue	$bn	($60.3)	($125.7)	$4.3	$192.7	$481.7	$719.9
Operating margin	%	28.3%	32.2%	38.6%	43.8%	47.6%	50.4%
NOPAT	$bn	$358.2	$477.2	$727.8	$1,047.5	$1,400.6	$1,777.2

Source: BofA US Equity & Quant Strategy, FactSet

BofA GLOBAL RESEARCH

Exhibit 66: AI revenue per gigawatt is the key swing factor across our scenarios

Cumulative ROIIC (calculated as NOPAT – 2025 NOPAT divided by cumulative invested capital) less WACC



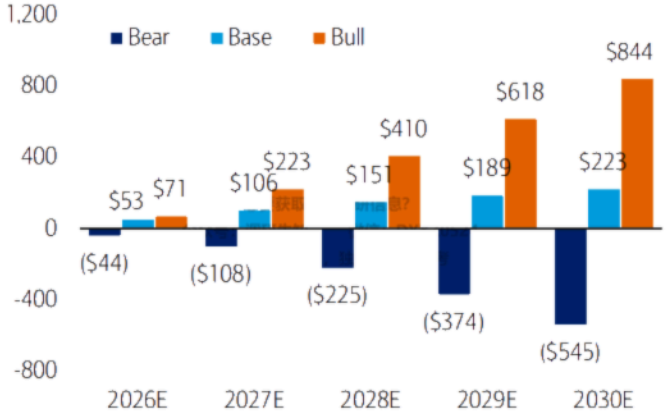
Source: BofA US Equity & Quant Strategy, FactSet

Note: Uses capital expenditure as invested capital proxy

BofA GLOBAL RESEARCH

Exhibit 67: Whether AI capex creates or destroys value depends on monetization

Cumulative Hyperscalers' economic value created (positive) / destroyed (negative), calculated as cumulative change in NOPAT – (WACC * cumulative capex spent)



Source: BofA US Equity & Quant Strategy, FactSet

Note: cumulative capex spent starts with CY2025 and ends with-prior year spend

BofA GLOBAL RESEARCH

How to make money (good and bad ROIIC-WACC screens)

Exhibit 70: Companies with the highest 5-yr ROIIC-WACC spread
Top S&P 500 (ex. Financials) decile by Return in Incremental Invested Capital (ROIIC)-WACC (weighted average cost of capital) spread (as of 9/30/26)

Ticker	Name	Sector	ROIIC-WACC
GDDY	GoDaddy, Inc.	Info. Tech.	12.11
ITW	Illinois Tool Works Inc.	Industrials	6.92
MPC	Marathon Petroleum Corporation	Energy	6.06
AAPL	Apple Inc.	Info. Tech.	4.63
MRVL	Marvell Technology, Inc.	Info. Tech.	4.29
VLO	Valero Energy Corporation	Energy	3.02
ADSK	Autodesk, Inc.	Info. Tech.	2.80
ADP	Automatic Data Processing, Inc.	Industrials	2.72
TMUS	T-Mobile US, Inc.	Comm. Svcs.	2.50
CF	CF Industries Holdings, Inc.	Materials	1.51
FIX	Comfort Systems USA, Inc.	Industrials	1.51
ZBH	Zimmer Biomet Holdings, Inc.	Health Care	1.45
BR	Broadridge Financial Solutions, Inc.	Industrials	1.25
OXY	Occidental Petroleum Corporation	Energy	1.17
UAL	United Airlines Holdings, Inc.	Industrials	1.16
TYL	Tyler Technologies, Inc.	Info. Tech.	1.16
LIN	Linde plc	Materials	1.15
DDOG	Datadog, Inc.	Info. Tech.	1.15
MU	Micron Technology, Inc.	Info. Tech.	1.08
RCL	Royal Caribbean Group	Discretionary	1.05
DECK	Deckers Outdoor Corporation	Discretionary	1.05
NVDA	NVIDIA Corporation	Info. Tech.	0.93
NEM	Newmont Corporation	Materials	0.92
IDXX	IDEXX Laboratories, Inc.	Health Care	0.87
COO	Cooper Companies, Inc.	Health Care	0.85
NCLH	Norwegian Cruise Line Holdings Ltd.	Discretionary	0.84
DXCM	DexCom, Inc.	Health Care	0.83
LUV	Southwest Airlines Co.	Industrials	0.80
FFIV	F5, Inc.	Info. Tech.	0.76
KLAC	KLA Corporation	Info. Tech.	0.73
DAL	Delta Air Lines, Inc.	Industrials	0.66

Source: BofA US Equity & Quant Strategy, FactSet
This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

BofA GLOBAL RESEARCH

Exhibit 71: Companies with the worst 5-yr ROIIC-WACC spread
Bottom S&P 500 (ex. Financials) decile by Return in Incremental Invested Capital (ROIIC)-WACC (weighted average cost of capital) spread (as of 9/30/26)

Ticker	Name	Sector	ROIIC-WACC
LEN	Lennar Corporation	Discretionary	-11.4
WY	Weyerhaeuser Company	Real Estate	-4.8
TSN	Tyson Foods, Inc.	Staples	-4.6
LH	Labcorp Holdings Inc.	Health Care	-3.2
DOW	Dow, Inc.	Materials	-1.7
NKE	NIKE, Inc.	Discretionary	-1.3
BBY	Best Buy Co., Inc.	Discretionary	-1.0
UPS	United Parcel Service, Inc.	Industrials	-0.6
ARE	Alexandria Real Estate Equities, Inc.	Real Estate	-0.5
SWKS	Skyworks Solutions, Inc.	Info. Tech.	-0.5
ALGN	Align Technology, Inc.	Health Care	-0.4
RVTY	Revvity, Inc.	Health Care	-0.4
BAX	Baxter International Inc.	Health Care	-0.3
TGT	Target Corporation	Staples	-0.3
LITE	Lumentum Holdings, Inc.	Info. Tech.	-0.3
DG	Dollar General Corporation	Staples	-0.3
KMI	Kinder Morgan Inc Class P	Energy	-0.3
DGX	Quest Diagnostics Incorporated	Health Care	-0.3
BA	Boeing Company	Industrials	-0.3
IP	International Paper Company	Materials	-0.3
GIS	General Mills, Inc.	Staples	-0.2
REGN	Regeneron Pharmaceuticals, Inc.	Health Care	-0.2
BIIB	Biogen Inc.	Health Care	-0.2
GM	General Motors Company	Discretionary	-0.2
ALB	Albemarle Corporation	Materials	-0.1
CLX	Clorox Company	Staples	-0.1
GNRC	Generac Holdings Inc.	Industrials	-0.1
NOC	Northrop Grumman Corp.	Industrials	-0.1
AES	AES Corporation	Utilities	-0.1
BALL	Ball Corporation	Materials	-0.1
INTC	Intel Corporation	Info. Tech.	-0.1

Source: BofA US Equity & Quant Strategy, FactSet
This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

BofA GLOBAL RESEARCH