Hardware & Networking

Cloud Capex Wrap-Up: GOOGL and MSFT Join META in Reinforcing DC Investments into CY27

IT Hardware/ Telecom & Networking Equipment

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Following Meta's 3Q26 earnings announcement last week (see our report here), Alphabet and Microsoft reported strong capex trends in the Sep-Q, with aggregate capex expanding by +12% quarter-over-quarter and +64% year-over-year to $97 bn. Importantly, despite ongoing supply-side capacity constraints, C4Q26 capex expectations across the CSPs remain robust, with Meta, Alphabet, and Microsoft collectively pointing to ~$174 bn of spending at the midpoint, representing ~$87 bn of incremental y/y investment and ~99% aggregate growth. While quantitative visibility into CY27 capex remains limited, commentary across the CSPs increasingly points to an extended period of elevated investment, with Google expecting capex to increase significantly again in 2027, Meta intending to continue investing aggressively, Microsoft expecting infrastructure spending to remain elevated through 2HFY27, and Oracle expecting capex to peak across FY27-FY28 before stepping down in FY29. Taken together, these outlooks suggest the AI infrastructure investment cycle should remain robust through CY27, reinforcing a favorable spending backdrop for our coverage.

- **Alphabet (*covered by Doug Anmuth*): Reiterated FY26 capex guide and highlighted robust capex growth outlook for 2027.** C3Q26 capex increased +14% q/q and +114% y/y to $51 bn, bringing YTD capex to $132 bn (*+107% y/y),* with the vast majority directed toward AI-related technical infrastructure, including ~65% toward servers & networking equipment and ~35% toward data centers. Looking ahead, Google maintained its FY26 capex guidance of $195-$205 bn, implying growth of +113%-124% y/y or a dollar increase of +$104-114 bn. The guide also suggests C4Q26 capex of $63-73 bn (*+23-42% q/q; +126-162% y/y*), which represents a steep sequential acceleration in capex growth into the end of the year. Finally, management reiterated that capex is expected to increase significantly again in 2027 as the company continues to bring capacity online to meet strong demand across Cloud, AI infrastructure, and its broader product portfolio.
- **Microsoft (*covered by Samik Chatterjee*): Capex remains on track to grow more than +40% y/y in CY26, despite third-party capacity delivery delays.** F1Q27 (Sep-end) capex increased +10% q/q and +30% y/y to $45.2 bn (including leases), bringing YTD capex to $118 bn (*+47% y/y)*, with roughly three-quarters of the spend directed toward short-lived assets, primarily CPUs and GPUs, alongside higher memory and storage costs, and the remainder toward long-lived assets. Capex came in somewhat below plan as certain third-party capacity deliveries were delayed, with Microsoft now expecting CY26 capex of $170 bn, implying growth of +44% y/y or a dollar increase of +$52 bn. The guide also suggests C4Q26 capex of $52 bn (*+16% q/q; +39% y/y*), representing a further step-up in spending into year-end. Looking beyond CY26, Microsoft expects infrastructure spending to remain elevated through 2HFY27, supported by additional capacity coming online and the fulfillment of delayed third-party capacity deliveries.
- **Meta (*covered by Doug Anmuth*): Raises full-year 2026 capex outlook at midpoint; signals continued aggressive investment in 2027.** C3Q26 capex rose +12% q/q and +80% y/y to $35 bn, bringing YTD capex to $86 bn (*+71% y/y),* and driven by servers, data centers, and network infrastructure. Looking ahead, Meta raised its 2026 capex guidance to $135-145 bn (*vs. $130-145 bn*

See page 3 for analyst certification and important disclosures.

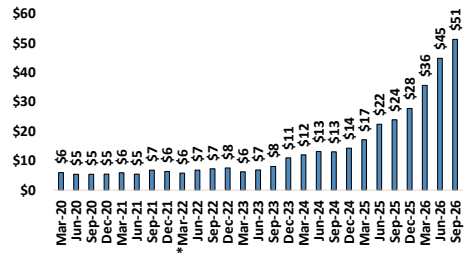
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in C2Q and $125-145 bn in C1Q), implying growth of +87-101% y/y or a dollar increase of +$63-73 bn. The guide also suggests C4Q26 capex of $49-59 bn (*+41-70% q/q; +122-167% y/y*), which represents a steep sequential acceleration in capex growth into the end of the year. Beyond CY26, Meta underscored its intention to "continue investing aggressively" next year.

Figure 1: Quarterly Google Capex

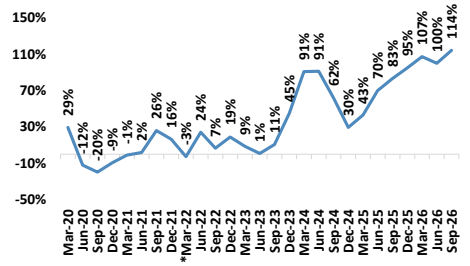
$ in Billions



Source: Company reports

Figure 2: Quarterly Google Capex

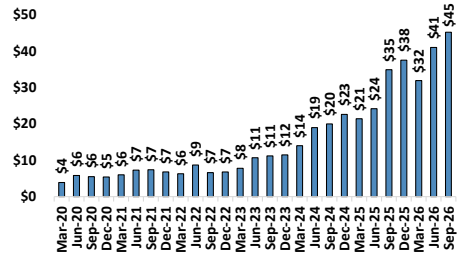
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Source: Company reports

Figure 3: Quarterly Microsoft Capex

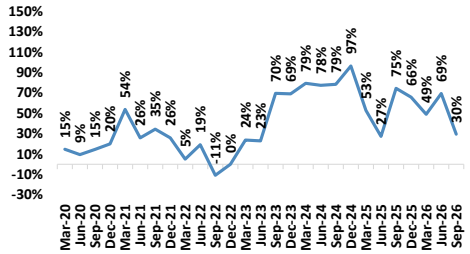
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Source: Company reports

Figure 4: Quarterly Microsoft Capex

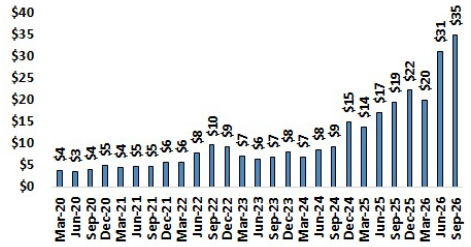
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Source: Company reports

Figure 5: Quarterly Meta Capex

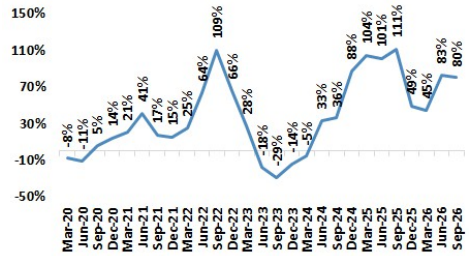
$ in Billions



Source: Company reports

Figure 6: Quarterly Meta Capex

Y/Y % Change



Source: Company reports

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