

Exclusive

The Creative Dealmaking Behind Meta's \$30 Billion Data Center Financing

The company satisfied regulators, accountants and investors in its quest to raise billions but keep its financials unscathed.



Art by Mike Sullivan



By Miles Kruppa

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It took a year and some financial acrobatics, but Meta Platforms and a small army of bankers and lawyers were able to secure funding for a \$27 billion data center project without doing any immediate damage to the company's finances. A private letter from the Securities and Exchange Commission helped seal the deal.

How Meta and Morgan Stanley pulled off the fundraising, and whether other companies racing for dominance in artificial intelligence will be able to match their feat, will potentially shape one of the biggest investment booms in history. Meta's deal is one of several expected in the coming months to raise tens of billions of dollars for giant data center projects.

The Takeaway

Meta secured \$30 billion for its Hyperion AI data center.

Special purpose vehicle keeps \$30 billion debt off Meta's balance sheet.

Complex financing structure gained approval from SEC and rating agencies.

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Investors this month snapped up the bonds used to fund Meta's massive Louisiana data center project, Hyperion, which is a big part of the company's AI ambitions. Bond giant Pimco and BlackRock, the world's largest asset manager, were among the buyers of the \$27.3 billion debt offering, issued by an entity called Beignet Investor. Investment firm Blue Owl is putting up \$2.5 billion in equity.

To make the deal work, Meta placed the Hyperion project into a special purpose vehicle. Blue Owl will own an 80% stake in the SPV and control its board, allowing Meta to keep the debt off its balance sheet. Meta further limited the financial impact by breaking up its leases into four-year chunks so rating agencies wouldn't consider them debt.

To get the deal done the way it wanted, Meta walked a tightrope through accounting rules, bond rating agencies and financial regulators. Its goal was to limit its long-term liabilities, a key measure of a company's financial health, said analysts and people with knowledge of the process. Meta obtained a letter from the SEC effectively approving its proposed accounting treatment for the project, the people said.

A Meta spokesperson declined to comment. The company previously said the deal “was designed to support the speed and flexibility required for Meta’s data center projects and long-term AI ambitions.” An SEC spokesperson said the agency was unable to respond to many press inquiries during the government shutdown.

Meta also reached out to credit rating agencies Moody’s and Standard and Poor’s to ensure the deal wouldn’t harm its strong investment grade rating, one of the people said. Both agencies said last week the transaction shouldn’t have any immediate impact on Meta’s credit rating, though both also highlighted risks with the deal.

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The result is that Meta will get to develop its biggest-ever data center project without taking on any debt, while also freeing up cash as CEO Mark Zuckerberg embarks on an expensive bid to become a major player in AI. Meta has dramatically ramped up its capital expenditures on data centers, spending as much as \$72 billion this year and about \$100 billion in 2026, according to analysts. It has historically funded the spending with cash but is now turning to outside investors while trying to maintain its strong balance sheet.

To give Meta further flexibility, the deal will give it the option to walk away from the project sooner than it would under similar data center leasing agreements, providing an exit route if it no longer needs the facilities.

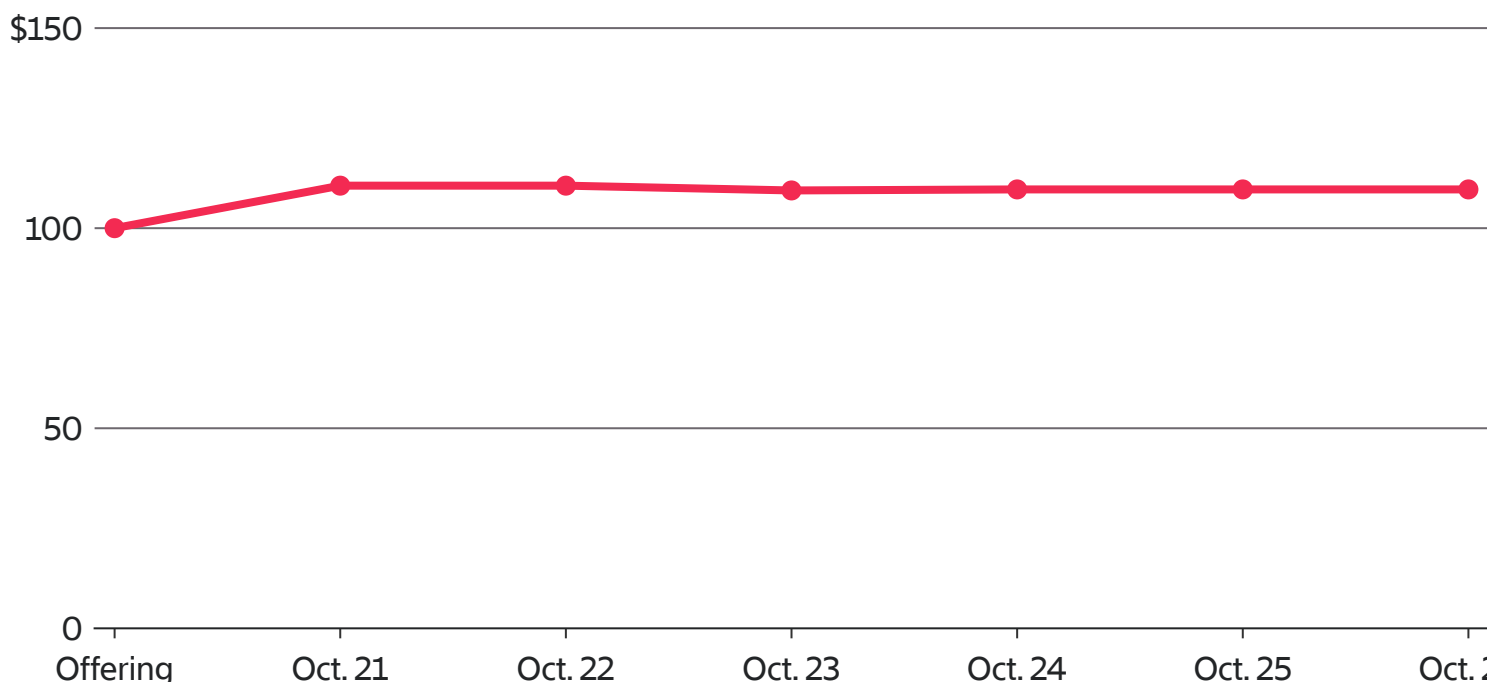
“As long as the capital markets are willing to do this, why not?” said Gil Luria, head of technology research at D.A. Davidson.

Bankers were closely watching the Meta deal as a test of whether traditional bond investors would embrace an unconventional structure for funding massive data centers. Elon Musk’s xAI is using a similar arrangement to fund the chips going into its Colossus 2 data center, through a deal arranged by investment firm Valor Equity Partners.

Beignet Bonds



Beignet Investor bonds are up almost 6% from their offering last week.



Source: S&P Capital IQ

Meta shareholders are expecting to learn more about the exact financial impact of the Hyperion deal when the company reports earnings Wednesday. It cut about 600 employees from its AI organization last week, a further sign it's trying to balance the costs of competing to build powerful AI.

Zuckerberg in July said Hyperion could eventually use up to 5 gigawatts of power after its completion four years from now, making it one of the largest data center projects on record. Meta expects the project to cost \$27 billion to construct.

Meta's partner in the project, Blue Owl, brought big debt investors on board by offering a rich yield for a relatively low-risk bond.

The bonds for the Hyperion data center priced with a coupon of almost 6.6%, roughly a percentage point higher than Meta's outstanding corporate bonds and in line with the average junk bond. That's a higher yield than investors would expect given that S&P rated the Hyperion bonds A+, safely within the investment-grade spectrum.

That made the bonds attractive to risk-averse investors such as insurance companies that usually stick to investment-grade bonds. Investors bid up the price of the bonds following the offering, pushing down their yield.

Pimco purchased about \$18 billion of the bonds, and BlackRock also made a multibillion-dollar purchase, said people familiar with the offering. Another large chunk went to funds managing money for insurers, said one person with knowledge of the deal.

Beignet Investor Bondholders



Exchange-traded funds snapped up debt for Meta's data center campus, making it a significant portion of their portfolios.

iShares High Yield Active ETF (BlackRock)	2.70%
PIMCO Multisector Bond Active ETF	1.08%
Janus Henderson Corporate Bond ETF	0.74%
Invesco Global Bond ETF	0.61%
Neuberger Berman Total Return Bond ETF	0.48%

Source: Company websites

The bonds come due in 2049, a relatively long maturity for corporate debt. That made them even more attractive to buyers such as insurance companies and pension funds that need to fund long-term liabilities.

Before it approached investors, Meta spent months working with Morgan Stanley bankers to devise a financial structure that would allow it to quickly build the massive campus without harming its financial strength. Meta hired Latham & Watkins to advise on issues ranging from corporate finance to energy regulation, tapping 14 partners in total, according to the law firm.

Though SPVs aren't a new invention, Meta is the first tech giant to use the financial structure to fund AI data centers for its own use. Companies including Google and Microsoft have turned to other methods for offloading the costs of the AI data center buildout, such as working with upstart cloud and data center providers and having them raise funding.

Meta also appeared to find a way around accounting rules that would normally treat its lease as a long-term liability, similar to debt. Instead of signing a 20-year lease for the data centers, Meta agreed to a series of renewable four-year leases at the 11 individual buildings. That could allow the company to treat them as operating leases instead of financial leases, which must be reported as long-term liabilities.

The company is promising a payout to investors, known as a residual value guarantee, if it decides to walk away from the campus before 2049. That potential payment won't immediately count against Meta's debt levels, according to S&P.

“At the end of the day, they were willing to pay up for the flexibility to walk away from this,” said Naveen Sarma, managing director at S&P.

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