

Sunday Insights

Google and Microsoft Face Less AI Spending Risk Than Meta, Amazon

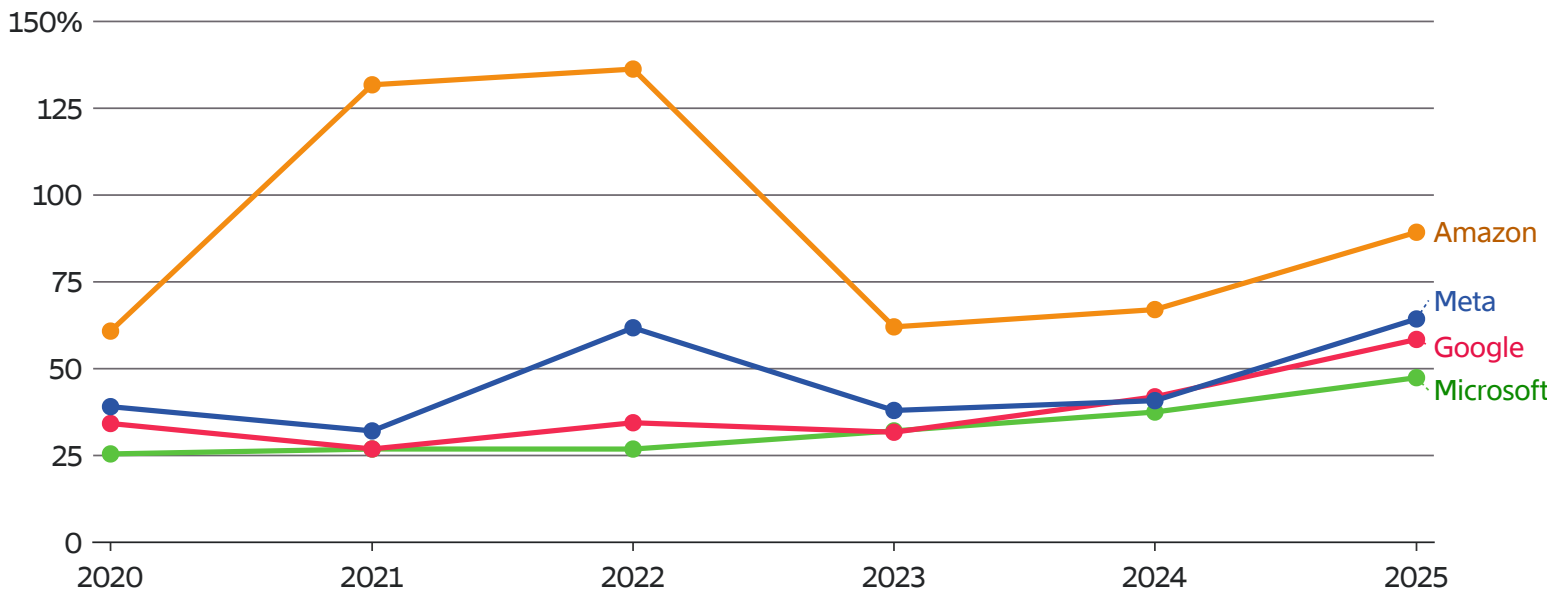


By Martin Peers

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Big Spending

Capital expenditures for AI and data center buildouts are taking up a larger share of operating cash flow at big tech companies compared with last year.



Source: Company disclosures, S&P Global Market Intelligence

Of all the big tech companies investing in AI, Google and Microsoft are the best positioned to handle the growing costs of the technology, judging from data disclosed this past week in September-quarter earnings.

Google and Microsoft generate more cash from their businesses than other big tech companies, including Apple. And they're devoting a smaller percentage of that cash to capital expenditures for new AI data center construction than other companies. Meta Platforms, on the other hand, is the worst positioned.

The Takeaway

Google and Microsoft lead in AI spending capacity with robust cash flow and cloud backlogs.

Meta faces significant AI investment risk due to lower cash and lack of cloud revenue.

Amazon's high capex is mitigated by its large AWS cloud and substantial contract backlog.

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Meta generates less cash than other big tech companies and is spending a bigger proportion of it on capital expenditures than either Google or Microsoft. And unlike Google, Microsoft and Amazon, Meta doesn't have a cloud business that is renting AI-powered servers. Its best hope of paying for its huge investment in AI is to make vast improvements in its advertising business and other possible new products.

Google, Microsoft and Amazon have all reported a growing backlog of contracts at their cloud businesses, flowing from demand for AI services. That backlog will help pay for the new data centers. That reduces the risk for those companies of their heavy AI investments.

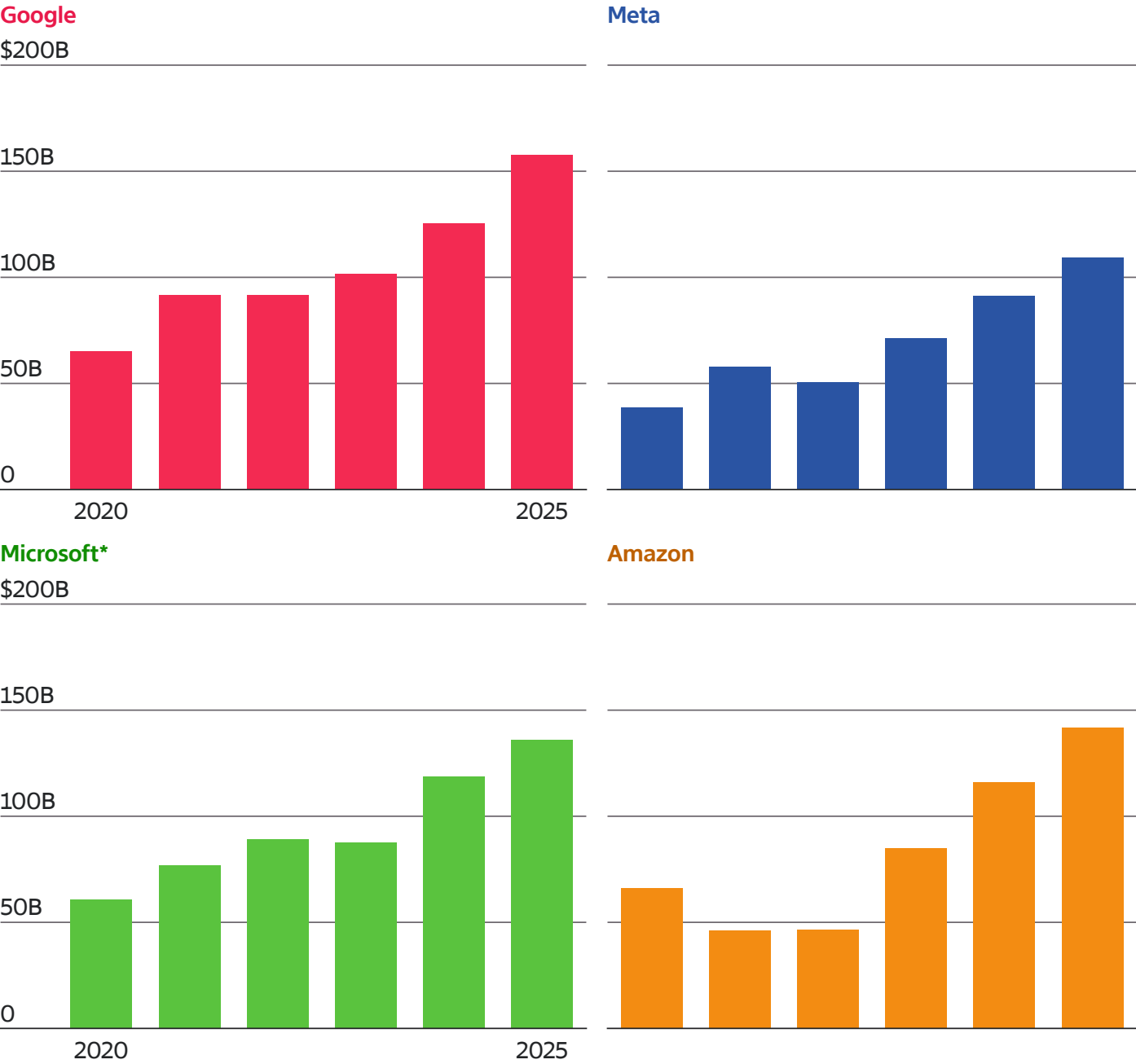
The three companies also have the benefit of hefty cash reserves. All three had around \$100 billion in cash and short-term investments as of Sept. 30, more than twice Meta's reserves.

This situation highlights the gamble Meta CEO Mark Zuckerberg is taking. He said this week he planned to significantly increase both capex and operating expenses in 2026 to try to front-load AI computing capacity, ensuring that Meta can develop leading AI models unconstrained by capacity shortages. Meta's robust ad business has comfortably underwritten these investments so far, but the company's spending means it can ill afford a slowdown in the digital ad market.

As the accompanying chart demonstrates, each of the big tech companies has reported rapid growth in the cash it generates in the past five years. All big companies use that cash for capex, as well as to buy back shares and pay dividends to shareholders. But for Microsoft, Amazon, Meta and Google, a rapidly growing portion has gone to capex to build new data centers and other equipment in the past two years.

Cash Gusher

Growth in operating cash flow of major tech companies since 2020



Note: 2025 figures are based on analyst estimates. * Microsoft is based on a June 30 fiscal year.
Source: Company filings, S&P Global Market Intelligence

Google has been the most aggressive in ramping up its capex, lifting it 187% from \$32 billion in 2023 to the company’s projection this week of between \$91 billion and \$93 billion this year. But Google can easily afford it: the company’s cash production was up 30% for the first three quarters of the year to \$112 billion. Wall Street analysts estimate the full year cash production figure will hit \$157.5 billion, according to S&P Global Market Intelligence.

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Microsoft is in a similarly strong position. In its fiscal 2025 year, ending in June, it generated \$136 billion in cash and spent \$64 billion on capex. When we recalculate its quarterly reports on a calendar 2025 basis—to compare it to the other companies—Microsoft is expected to generate about \$155 billion in cash from operations this year and to spend about \$77 billion in cash on capex, or about 49%. (Microsoft is committing more to capex than that number suggests, however, because it is paying for some equipment through finance leases.)

In contrast, Meta this year will spend 65% of the \$109 billion it's expected to generate from operations on capex. Amazon will spend even more—as much as 88% this year, we calculate, using analyst estimates for Amazon's full-year cash from operations.

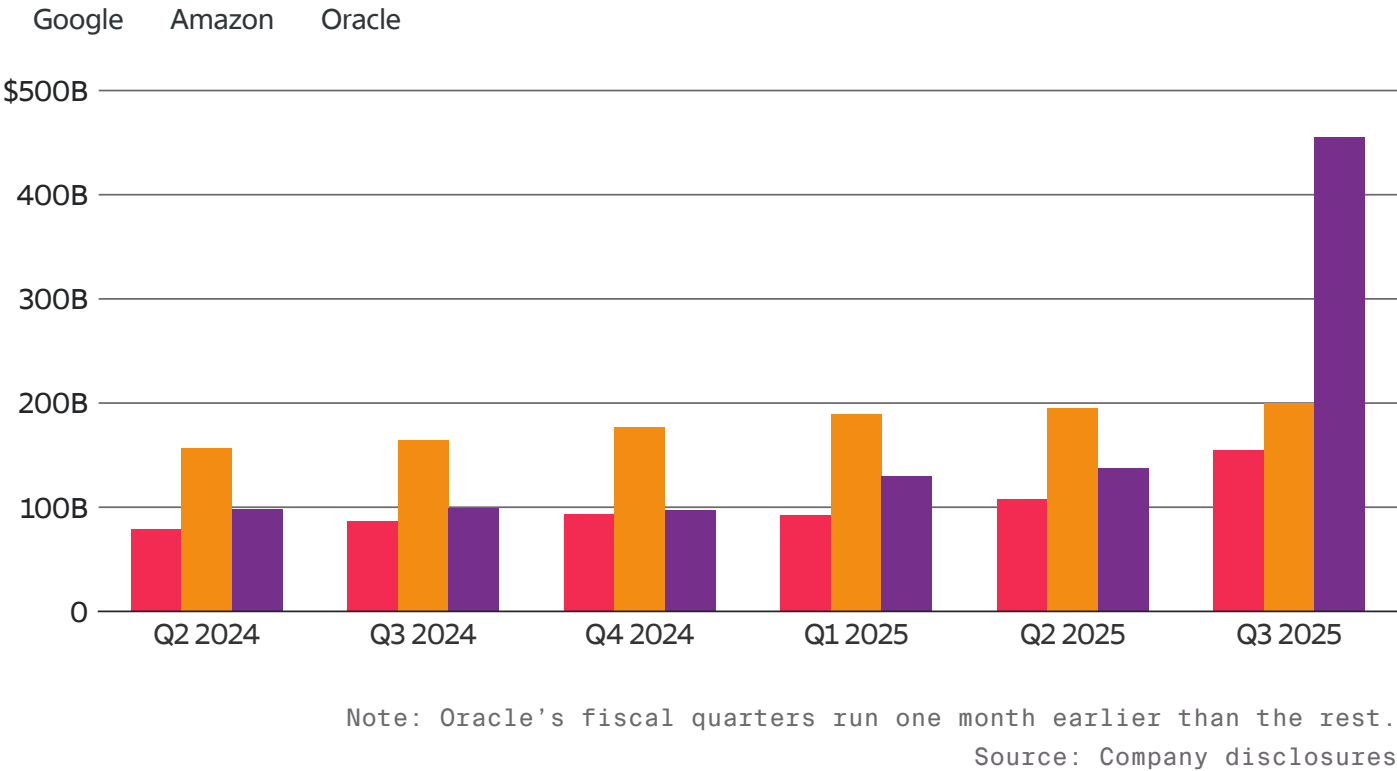
Amazon is in a different position than Meta, however. Firstly, its capex has historically been much higher than that of other tech companies, as the chart shows, because of its need to invest in warehouses and other facilities for its e-commerce business.

And Amazon is better able than Meta to afford its capex because of its giant cloud business, Amazon Web Services. Thanks to AWS, Amazon has a committed backlog of business that it knows will turn into revenue in the next few years. That backlog has risen 28% since the middle of last year to \$200 billion as of Sept. 30. CEO Andy Jassy told analysts that figure didn't include several new deals struck in October that haven't yet been announced.

Google and Microsoft have also reported significant growth in their backlog. The accompanying chart compares the backlog between Google, Amazon and Oracle. The smaller cloud firm disclosed in early September that its backlog had skyrocketed to \$455 billion as of Aug. 31, about three times what it was three months earlier.

Revenue on the Horizon

How backlog of contracts has grown at big tech



That increase reflected a number of AI-related cloud deals it has struck in recent months, most prominently with OpenAI. These deals, which stretch over the next few years, are forcing Oracle to also invest heavily in new data centers. (Microsoft's backlog number includes deals unrelated to Azure, which is why we left the company off our chart.)

Martin Peers is a columnist and co-executive editor of The Information, where he has worked since 2014. He was managing editor from 2015 through 2021. He previously worked for The Wall Street Journal and Daily Variety, among other publications. He is based in New York and is on Twitter @mvpeers.