Texas Capital Securities

Market Insights:
AI and the Markets After the Anthropic IPO

November 23, 2026

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Anthropic, PBC ("ANT") is referenced in this presentation solely because its November 19, 2026 initial public offering represents the largest technology listing in history and provides a timely, publicly available data set through which to examine the broader question of whether large-scale AI infrastructure commitments can earn adequate returns before being technologically superseded. ANT was not selected on the basis of any performance expectation, investment thesis, or rating by Texas Capital Securities. Any company facing a comparable commitment-to-revenue dynamic — including hyperscalers, neocloud operators, and semiconductor suppliers discussed herein — could serve as the case study. ANT's IPO prospectus (Form 424B4) is used because it is the most comprehensive single public disclosure of AI infrastructure economics available as of the date of this publication.

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Executive Summary

Anthropic (ANT) completed the largest listing ever on November 19, 2026. Its valuation will now move on evidence that roughly $900.9B of compute commitments convert into durable, high-return revenue.

History never repeats, but it often rhymes.

The Setup	**ANT's IPO:** 980MM shares at $83; closed at $97.17 (+17%) on day one. ~$81B run-rate revenue against ~$900.9B of compute and infrastructure commitments, ~$451.6B of them through 2030. **The question for ANT, hyperscalers and AI broadly** is whether committed capacity earns a return before it is technologically superseded (pages 4–6).
The Context	**This time is never different:** today's claims (demand exceeds supply, parabolic usage, 'this cycle is different') echo telecom in 1999–2000 and shale in 2011–14 almost word for word (page 7). **Each factor has its own best analogy:** telecom for capex, bottlenecks, technology and value capture; shale for expense discipline; railways for returns and crowding out; electrification for productivity (pages 8–11).
The Decline Curve	**Moore's Law works like a shale decline curve:** a shale oil well typically loses ~50–80% of output in year one; GPU rents fall ~21% per year of age as new chips arrive annually. Both force reinvestment just to stand still. **The steeper curve may be the model itself;** neoclouds run the treadmill with the least cushion, and credit markets are already pricing it (pages 12–15).
Commitment Cycle	**Shale's sequence:** selective exits, then paid exits, then project-credit losses, then aggregate retrenchment; equity losses came first. **AI today:** Oracle's reported Project Jupiter payment deferral resembles the middle stage, at one project; the bottleneck is shifting from chips to sites, power and retrofits (pages 16–18).
Signals and Strategy	**Bubble vs. bottom:** watch the breadth of capacity cuts, compute rents and utilization, and credit; a bottom needs liabilities reset and stable economics, not just a rebound (pages 19–21). **Strategy:** executives should fund AI on payback and stay flexible; investors should separate model developers, hyperscalers and suppliers, and manage concentration.

'This publication uses Anthropic's IPO as a case study because it is the largest and most data-rich public disclosure of AI infrastructure economics to date — not because of any performance expectation or investment view held by Texas Capital Securities. Any mention of a specific security is not a direct or implied recommendation to invest in that security. Past performance is no guarantee of future results..'

Anthropic, PBC prospectus (424B4), Nov. 19, 2026; Oracle 10-Q; MT Newswires; S&P Capital IQ; a16z (2026); Federal Reserve Bank research; academic studies cited on following pages.

Anthropic Revenue Is Scaling; Commitments Run Ahead

What the price implies

At ~$1.27T, investors are capitalizing the run-rate rather than the history: 9M 2026 revenue rose ~13x year over year.

- Revenue is consumption-based and largely uncontracted; compute commitments are multi-year and often take-or-pay.
- Compute is procured 12 to 18 months ahead of availability, so costs step up before the revenue they are meant to serve.
- Q2 2026 produced the first operating profit ($974MM); Q3 returned to a $(567)MM loss as new capacity arrived.
- The prospectus discloses the decline-curve risk directly: compute secured today may become less efficient or economically attractive relative to future alternatives.

ANT at IPO

METRIC	VALUE
IPO price / first-day close	$83.00 / $97.17
Shares offered	980MM
Net proceeds (incl. concurrent placement)	~$104.8B
Market capitalization (intraday, basic)	~$1.27T
Run-rate revenue (Oct. 31, 2026)	~$81B
Revenue, 9M 2026 vs. 9M 2025	$33.2B vs. $2.5B
Operating income (loss), 9M 2026	$(1.3)B
Operating cash flow, 9M 2026	$6.6B
Customers with >$100K TTM revenue	11,900+
Compute and infrastructure commitments	~$900.9B
Due in next 12 months	~$70.7B
Incurred before 2031	~$451.6B
Subject to termination rights / contingencies	~$186.2B

Note: Market capitalization as reported intraday on Nov. 19, 2026; higher on a fully diluted basis. Commitment figures as of and subsequent to Sept. 30, 2026.
Source: Anthropic, PBC final prospectus (424B4), Nov. 19, 2026; MT Newswires, Nov. 19, 2026.

Compute Discipline Improved, but Stalled in Q3 2026

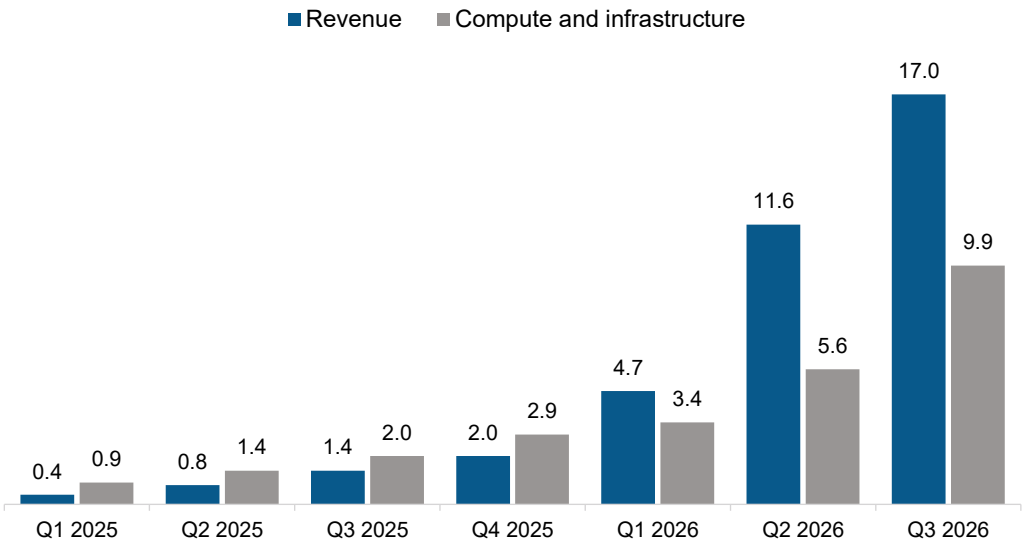
Compute efficiency

Compute and infrastructure cost is ANT's largest expense and the cleanest read on 'the end of token maxing.'

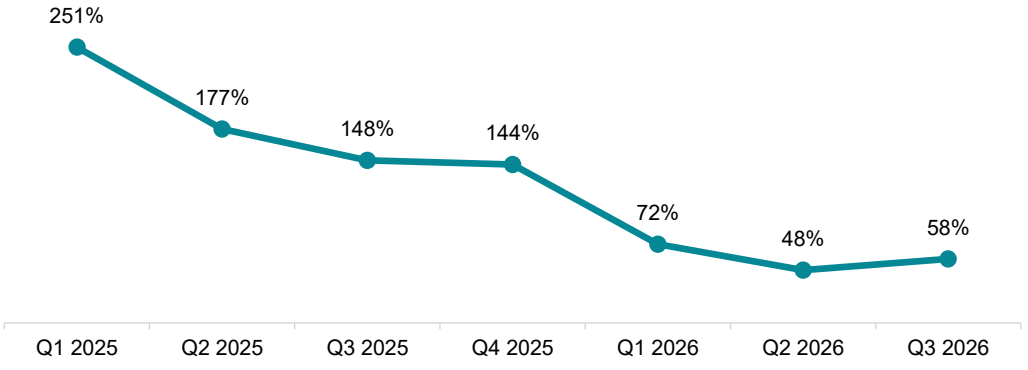
- Cost fell from 251% of revenue (Q1 2025) to 48% (Q2 2026) as revenue outgrew the committed cost base.
- Q3 2026 rose to 58%, reflecting delivery of new capacity, including $5.0B of short-term compute that costs significantly more than multi-year capacity.
- Q3 2026 revenue grew 1,127% year over year versus 382% for compute and infrastructure cost.

Watch: whether the ratio resumes falling as committed capacity lands, or whether ANT keeps paying spot prices to meet demand.

Revenue vs. compute and infrastructure cost ($B)



Compute and infrastructure cost as % of revenue



Note: Compute and infrastructure expense includes research, model development, customer-serving and internal workloads; cost of revenue is a subset.
Source: Anthropic, PBC final prospectus (424B4), quarterly results of operations, Nov. 19, 2026.

Commitments Are the Capex: $900.9B vs. $81B Run-Rate

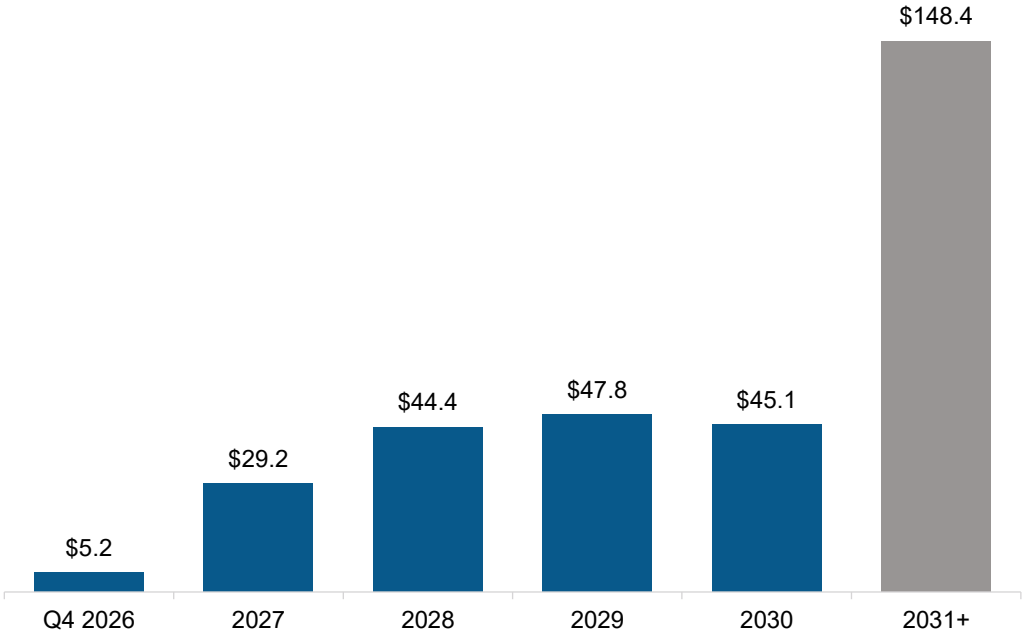
Fixed cost, variable revenue

For a company that mostly rents compute, 'capex revisions' show up as changes to commitments rather than to capital spending.

- Scheduled obligations step up from $29.2B in 2027 to $47.8B in 2029, before short-term commitments and leases not yet commenced.
- Some 20-year power and data center arrangements carry take-or-pay payments regardless of utilization.
- Flexibility cuts both ways: ~$186.2B is subject to termination rights or conditions, and up to $120.5B of SpaceXAI compute becomes cancellable by either party on 90 days' notice after Jan./Mar. 2027. Google's ~$121.3B is non-cancelable.
- ANT warns it may be committed to older-generation hardware while competitors access more advanced systems.

Watch: changes in total commitments, the cancellable share and counterparty exits (pages 16–18).

Scheduled contractual obligations by year ($B)



From scheduled obligations to total commitments

COMPONENT ($B)	AMOUNT
Scheduled obligations (table above, Sept. 30, 2026)	$320.0
Short-term, subsequent commitments and leases not yet commenced	$580.9
Total committed spend	**$900.9**
Memo: ANT's own estimate, arrangements with no fixed dollar amount (1)	$150–175 (1)

Note: $580.9B is derived as total committed spend less scheduled obligations. Run-rate revenue as of Oct. 31, 2026.
(1) Anthropic's estimate as disclosed in its prospectus, not Texas Capital's; excluded from the $900.9B and not in the audited notes. ANT separately discloses two such arrangements: additional Google TPU compute (ANT est. ~$125–150B) and AMD capacity (>$20B if fully procured).
Source: Anthropic, PBC final prospectus (424B4), Contractual Obligations and Risk Factors, Nov. 19, 2026.

This Time Is Never Different

Today's AI optimism echoes earlier booms almost word for word

Similar language does not prove a bubble: today's largest AI spenders are far more profitable than telecom carriers or shale producers were. But each claim below was once made, sincerely, about a technology that went on to overbuild.

THEME	AI OPTIMISM TODAY	THEN: A COMPARABLE CLAIM	WHAT HAPPENED NEXT
Demand exceeds supply	"~3 years into the buildout, supply is still lagging demand." **— a16z, Sept. 2026**	"We're still sold out, and it looks like we're going to continue to be sold out in this coming quarter as well." **— John Roth, CEO, Nortel, July 2000**	Nortel had already cleared its backlog by mid-2000; by June 2001 it reported a $19B quarterly loss.
Parabolic demand	"Agents especially are driving parabolic growth in token demand." **— a16z, Sept. 2026**	"Traffic on the Internet has been doubling every 100 days." **— U.S. Department of Commerce, 1998**	Traffic had already slowed to ~100% a year by 1997; the 100-day claim was later shown to be untrue.
Capex keeps rising	"Every year the street tries to forecast capex, and every year that forecast has fallen short." **— a16z, Sept. 2026**	"Between now and 2001, we will have to build as much long-distance capacity into U.S. networks as has been installed to date." **— John Roth, Nortel, 1999**	Carriers built it; by Q4 2001 telecom investment had fallen to 69% of its year-earlier level.
This cycle is different	"If demand for intelligence is indeed infinite, then this cycle may not be like the other cycles." **— a16z, Sept. 2026**	"We've seen fiber growth at 17 percent forever. Now we think the growth rate will be 30 percent this year." **— Lucent executive, early 2000**	Within a year it became apparent there was massive overcapacity in long-haul fiber.
Assets last longer	"It turns out that depreciation schedules might not be long enough." **— a16z, Sept. 2026**	"After about 5 years, those steep declines would transition to the modest 5–10% annual drops seen in conventional wells." **— Shale industry assumption, per JPT (2020)**	Production data showed tight-oil wells were not living up to that standard.
It's still early	"Despite All The Demand, It's Still So Early." **— a16z, Sept. 2026**	"We're at the very beginning of the shale gas revolution." **— Aubrey McClendon, CEO, Chesapeake, CNBC, 2011**	Seven months later Chesapeake cut dry-gas drilling ~50% amid the lowest gas prices in 10 years.
Lenders love it	"It's a combination that lenders know and love." **— a16z, Sept. 2026**	"The U.S. drive for energy independence is backed by a surge in junk bonds." **— Bloomberg, May 2014**	After the 2014 price crash, 289 oil production and service companies went bankrupt.

Note: Quotes are verbatim. Quotes attributed to a16z are from Andreessen Horowitz, State of Markets (Sept. 2026).
Source: a16z (2026); NYT (2000); Forbes (1999); U.S. Commerce (1998); Coffman & Odlyzko (1998); Economist (2002); Richmond Fed (2003); JPT (2020); CNBC (2011); Chesapeake (2012); Bloomberg (2014).

Different AI Risks Have a Different Best Historical Analogy

Key factors and the best historical context for each

No single revolution offers a complete comparison for AI. Each factor has its own best precedent: pages 9–11 examine each episode; pages 16–18 extend the shale commitment cycle.

FACTOR	WHAT IT TELLS US ABOUT AI	BEST HISTORICAL ANALOGY	WHY IT IS THE BEST CONTEXT
Capex revisions	Whether AI builders are raising or cutting planned spending, and why (demand vs. supply delays). Hyperscalers report capex; model developers such as ANT report compute commitments (~$900.9B).	**Telecom / fiber (US, 1996–2001)**	Communications equipment investment rose from ~$62B to >$135B a year (1996–2000), then fell to 69% of its year-earlier level by Q4 2001: plans reversed within a year of the peak.
Return on invested capital	Whether revenue and cash flow earn back the capital committed, not just whether usage grows.	**British railways (1843–1852)**	The network was built and heavily used, yet dividends fell from 7.0% of par (1847) to 2.4% (1852); ~20,000 miles were built where ~13,000 would have sufficed.
Bottlenecks	Limits on chips, power, sites and skilled labor that slow deployment and support pricing.	**Telecom / fiber (US, 1996–2001)**	Carriers flagged bottlenecks and equipment shortages around 1999, at the peak, while a dozen-plus firms built nearly identical networks. Shortages can mark a top rather than durable demand.
Technology deployed	Which chips and models are used and how fast efficiency improves, which sets how quickly installed capacity loses value.	**Telecom / fiber; shale for asset life**	Fiber capacity per strand rose from 2.5 to 100 Gbps (1996–2000), faster than Moore's Law, turning existing networks into a glut. Shale oil wells' ~50–80% first-year decline frames chip obsolescence (pages 12–15).
Expense discipline	Whether AI companies shift from maximizing usage ('token maxing') to returns per dollar of compute.	**US shale (2017–2020)**	Investors pushed producers to target returns over production growth, and boards revised incentive pay; G&A per barrel of oil equivalent fell from $2.96 (2018) to $2.10 (2020).
Crowding out	Whether AI's funding needs raise the cost of, or limit access to, capital for other borrowers and assets.	**British railways (1845–1847)**	Capital calls jumped to £4.4MM in Q4 1845; investors sold other shares to meet them, and Parliamentary committees blamed the calls for worsening the 1847 crisis.
Productivity gains	Whether AI lifts output per worker across the economy, how quickly, and what complementary investment it needs.	**US electrification (1890–1940)**	Electricity's share of factory power rose from 10% to 80% (1900–1930); productivity gains were rapid and lasting, alongside capital deepening and reorganization.
Value capture	Whether AI producers keep the economic benefit or pass it to customers through falling prices.	**Telecom / fiber; also shale**	Long-distance prices fell 18.5% (Dec. 1997–Mar. 2003) as capacity surged; energy stocks rose 1.1% vs. 24.2% for the S&P 500 (2017–2018) even as shale output grew.

Note: 'Best historical analogy' is Texas Capital's assessment of the most relevant, best-documented comparison for each factor. Value capture is an added factor.
Source: Federal Reserve Banks of Richmond (2003), New York (2004) and Dallas (2018, 2021); Campbell (QUB, 2014); Campbell and Turner (MPRA); Business History (2022); Oxford Review of Economic Policy (2022); Fiszbein et al. (NBER); Explorations in Economic History (2025); Wachtmeister et al. (2017).

Telecom 1996–2001: Technology Itself Created the Glut

What happened

- US communications equipment investment nearly doubled from $63B (1995) to $123B (2000), then fell 32% to $84B by 2002.
- The Nasdaq telecom index rose ~6x from April 1997 to March 2000, then fell ~89% by May 2003.

Warning signs at the peak

- Carriers flagged bottlenecks and equipment shortages around 1999, at the peak.
- Executives claimed Internet traffic was doubling every 100 days; a dozen-plus firms built nearly identical networks.

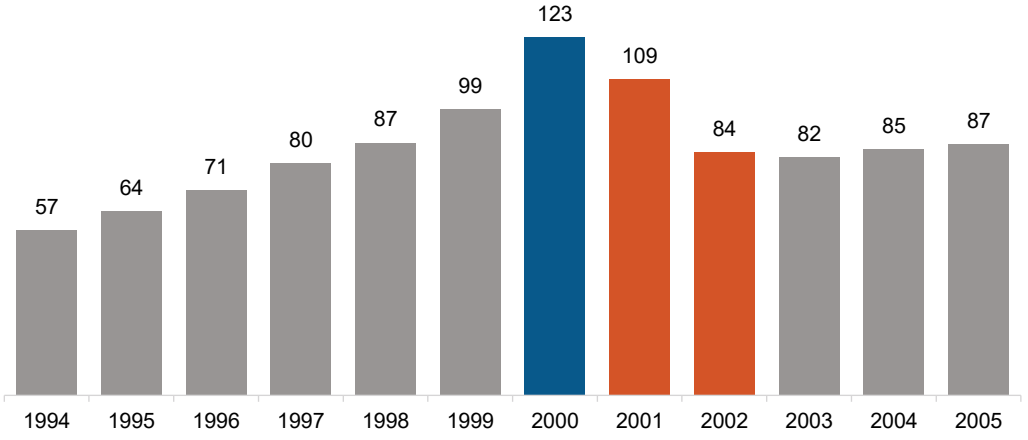
What investors missed

- Fiber capacity per strand rose 40x (2.5 to 100 Gbps, 1996–2000), doubling every ~9 months: faster than Moore's Law.
- Customers captured the gains: long-distance prices fell 18.5% (Dec. 1997–Mar. 2003).

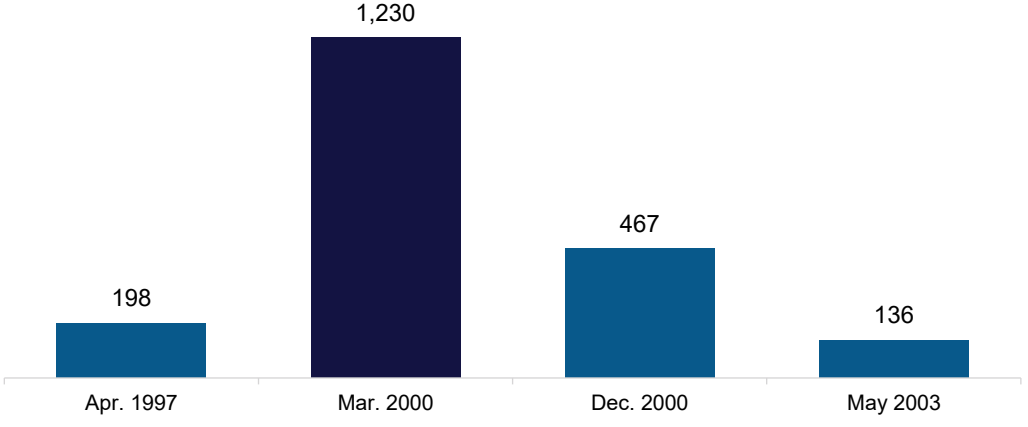
Read-across to AI

- **AI broadly:** chip and power shortages are not proof of durable demand; they peaked with the telecom bubble.
- **Hyperscalers:** efficiency gains can expand capacity faster than demand, as fiber did.
- **ANT:** track price per token as closely as token volume.

US communications equipment investment ($B)



Nasdaq telecommunications index (level)



Note: Nominal dollars; 2000 peak in blue, post-peak declines in orange. Dec. 2000 index level derived from the reported 62% decline from the March 2000 peak.
Source: US Bureau of Economic Analysis via FRED; Federal Reserve Bank of Richmond (2003); FRBNY (2004); IRPP (2004).

Railway Finance and Electric Productivity Fill the Gaps

British railways, 1843–1852

- Capital formation peaked near 7% of GDP (1847); capital calls jumped to £4.4MM in Q4 1845, and investors sold other shares to meet them.
- Parliamentary committees blamed calls for worsening the 1847 crisis; ~20,000 miles were built where ~13,000 would have sufficed.

Read-across: crowding out

- **AI broadly:** watch funding and credit conditions, not just returns: Q3 2026 hyperscaler capex was $202B and ANT raised ~$104.8B as the Fed hiked.

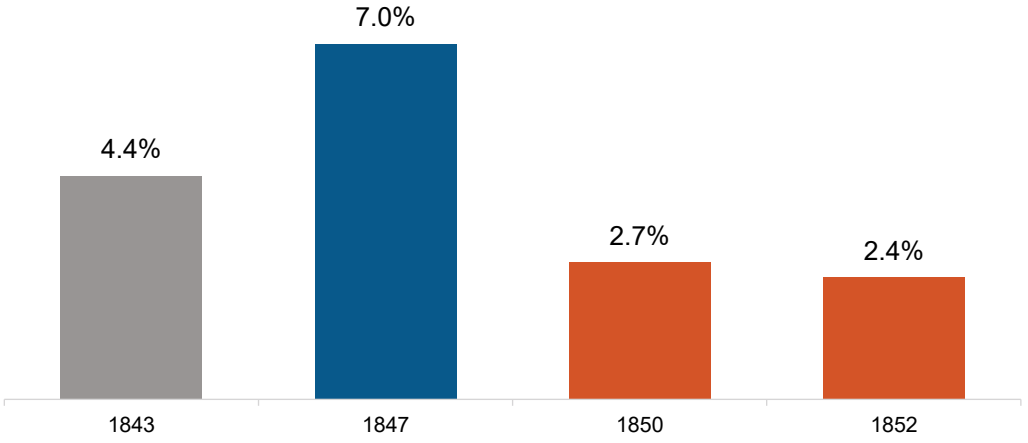
US electrification, 1899–1929

- Manufacturing productivity grew >5% a year in 1919–1929, after three decades below 1%, as factories reorganized around electric unit drive.

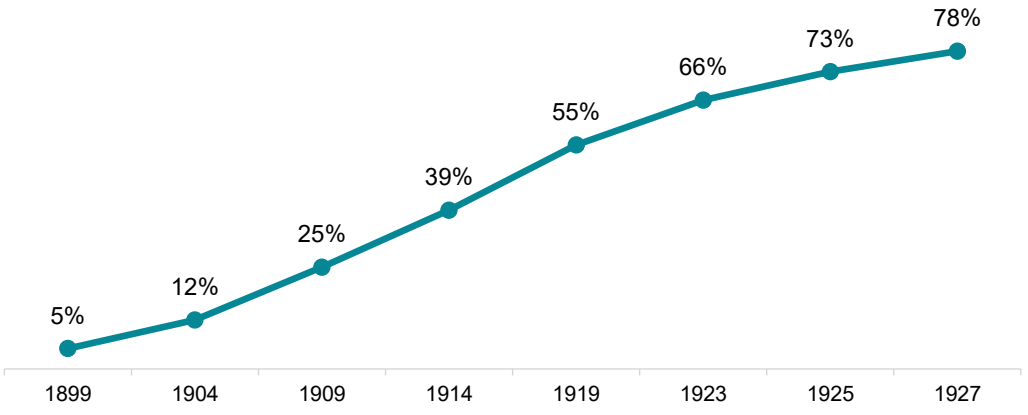
Read-across: productivity

- Gains arrived once adoption passed ~50% and work was redesigned; US productivity rose 3.6% in Q3 2026.

UK railway dividends (% of par value)



US factory power from electric motors (%)



Note: Railway dividends for pre-Mania lines (1843, 1847, 1852) and the industry (1850). Electrification years are census years, unevenly spaced.
Source: Campbell (QUB/OUP, 2014); Business History (2022); Oxford Rev. Econ. Policy (2022); NBER (1929); David and Wright (1999); MT Newswires.

Shale: Output Rose While Investors Lost Patience

What happened

- US crude output rose from 5.0MM b/d (2008) to 12.3MM b/d (2019), led by shale; drilling time fell from 32 to 18 days (2008–2013).
- Debt-funded growth (E&P high-yield issuance up ninefold) met OPEC's Nov. 2014 refusal to cut output; 289 producers and service firms went bankrupt.

The pivot to discipline

- Investors pushed for returns over production growth; boards revised incentive pay.
- G&A per barrel of oil equivalent fell from $2.96 (2018) to $2.10 (2020).

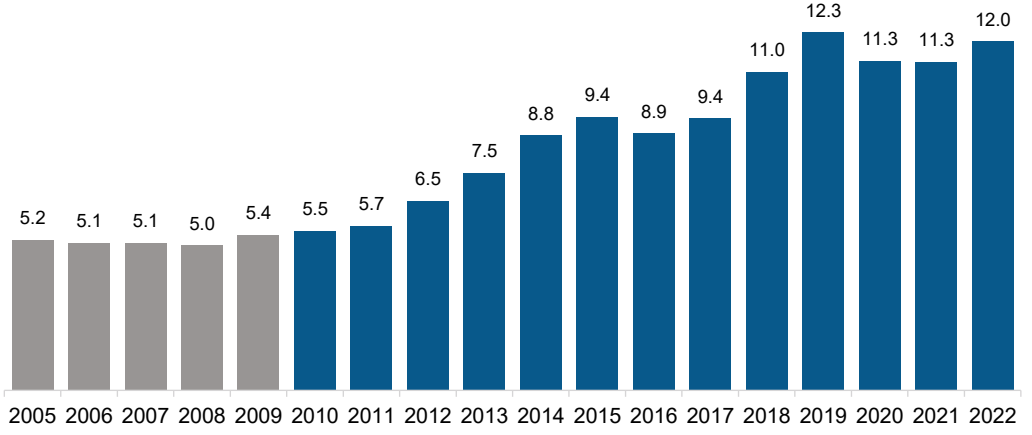
Why the decline curve mattered

- Oil wells typically lose ~50–80% of output in year one, so flat production requires continuous drilling (the 'Red Queen Race').

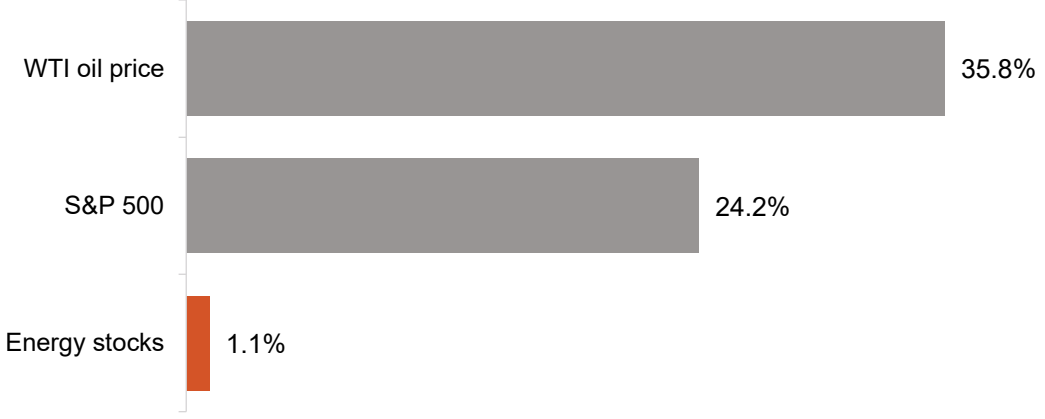
Read-across to AI

- **Model developers (incl. ANT):** rising token volume can coexist with weak equity returns; watch revenue per dollar of compute.
- **Hyperscalers:** watch for a pivot from capacity growth to returns, as shale made in 2017–2020.

US crude oil production (MM barrels per day)



Price change, Jan. 2, 2017 – Jun. 13, 2018



Note: Total US field production of crude oil, annual average; blue bars (2010 onward) mark the shale era.
Source: US Energy Information Administration; Federal Reserve Bank of Dallas (2018, 2021); Bloomberg (2014); Wachtmeister et al. (2017); Reuters (Nov. 27, 2014).

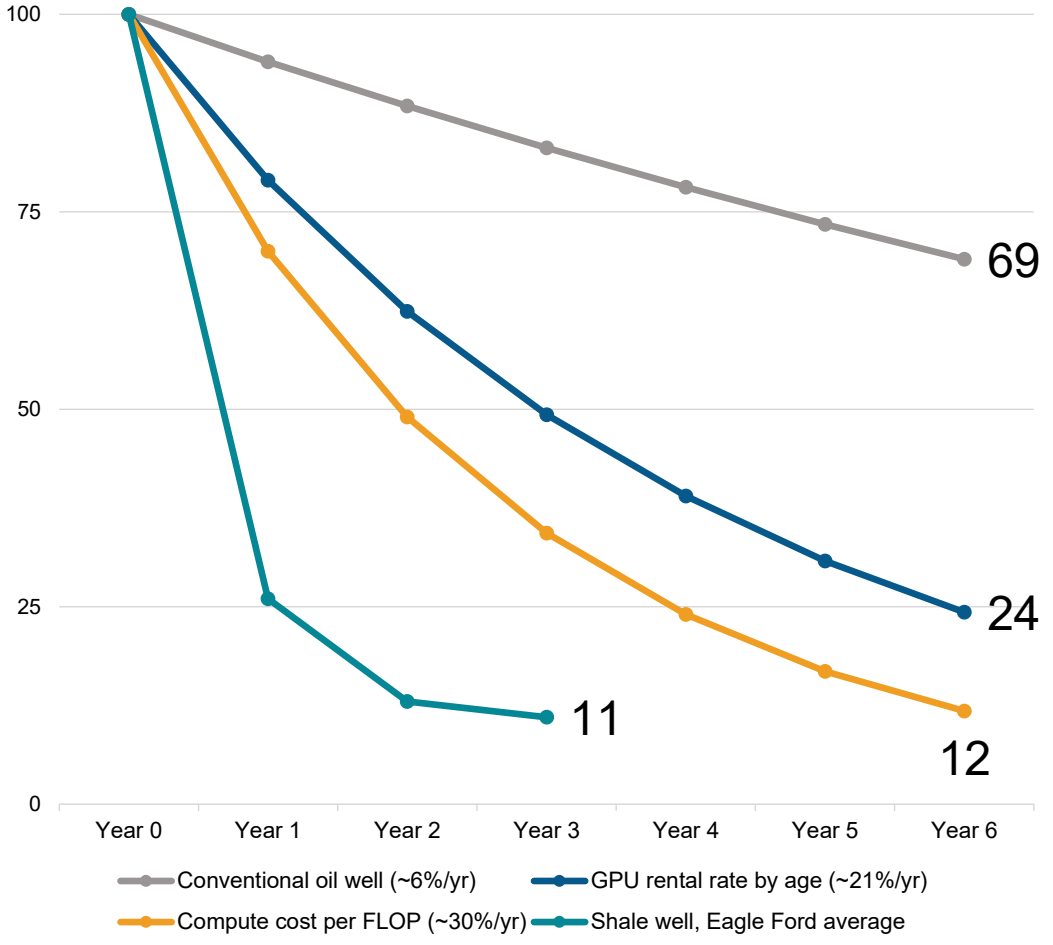
Chips Age Like Shale Wells, Only Slower

The analogy, tested

Both assets earn most of their value early, so standing still requires continuous reinvestment.

- **Shale oil well:** output typically falls ~50–80% in year one, depending on reservoir and completion (Eagle Ford average of 74% charted). Conventional wells decline ~6% a year.
- **AI accelerator:** physical output does not decline, economic value does. Rent falls ~21% per year of age across five NVIDIA generations.
- **Moore's Law mechanism:** cost per unit of compute falls ~30% a year, and NVIDIA now ships a new architecture annually, re-pricing every installed chip.
- **The mismatch:** contracts outlast chip economics. Oracle's $288B of uncommenced data center leases run 15–19 years; ANT's leases average ~4.8 years (finance) and ~10.3 years (operating), some 20 years.

Economic output remaining, indexed to 100



Note: Shale = mean Eagle Ford well (years 1–3). GPU = Sept. 28, 2026 cross-section of rents by chip age (fitted), not one chip's history. Compute cost = Epoch AI price-performance trend.
Conventional = IEA ~6% annual decline. Source: Wachtmeister (2017); Kleinberg (2016); CCIR (2026); Rillor (2026); NVIDIA 10-K; Anthropic 424B4; Oracle 10-Q.

The Steeper Decline Curve May Be the Model, Not the Chip

Three assets, three decline curves

A training run behaves like drilling a well. Chipmakers build the rigs, hyperscalers and neoclouds operate them, and developers such as ANT own the wells (models). In 2015 operators kept their best rigs working; we expect the newest chips to win the first bid the same way.

DIMENSION	SHALE WELL	AI ACCELERATOR (CHIP)	FRONTIER MODEL
What declines	Physical output (barrels per day)	Economic value: rent and resale price; the hardware keeps working	Revenue share and pricing power as newer models launch
Driver	Reservoir depletion	Next-generation price-performance; NVIDIA on a one-year cadence	Own and competitor releases; model developers (e.g., ANT) say frontier position is essential to revenue
Observed pace	~50–80% in year one, varying by basin and completion	Rent ~21% lower per year of age; 6-year-old systems resell at 38–43% of launch price	Not disclosed by developers; ANT alone cites several recent leading models (Mythos 5, Fable 5, Opus 5)
Reinvestment to stand still	Continuous drilling ('Red Queen Race')	Next-generation capacity procured 12–18 months ahead	Continuous training runs funded from the same compute pool
Where it shows up	Reserve revisions; DD&A per barrel	Useful-life estimates, impairments, lease and take-or-pay commitments	Compute expense; revenue per model generation
Mitigants	Longer laterals, lower costs, faster drilling	Older chips move down-market (neoclouds, inference); scarcity lifted older-chip rents in 2026	Efficiency gains free compute; platform and enterprise switching costs
What investors demanded	Returns over production growth (2017–2020)	Open: useful-life debate (3 vs. 6 years) is unresolved	Open: watch revenue per dollar of compute by model generation

Note: Model-level decline rates are not publicly disclosed; the frontier-model column is an analytical framework, not reported data.
Source: Wachtmeister et al. (2017); Kleinberg et al. (2016); Federal Reserve Bank of Dallas (2018); CCIR (2026); Sprout (2026); NVIDIA 10-K; Anthropic, PBC prospectus (424B4); Exent (2025).

Longer Useful Lives: An Accounting Change That Lifts Profits

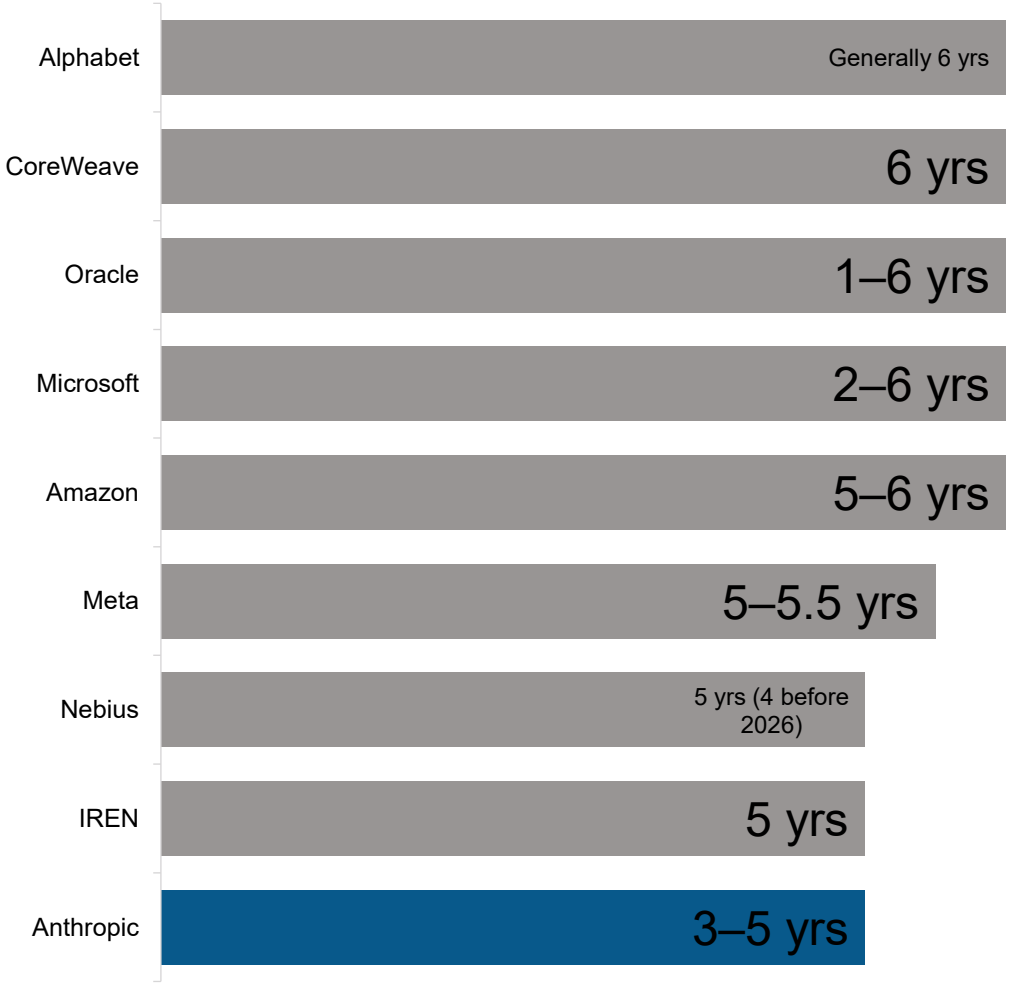
Accounting vs. Moore's Law

For hyperscalers, depreciation life is management's estimate of the decline curve. Most estimates have lengthened, and each extension lowers depreciation and raises reported profit.

- Microsoft moved servers from 3 to 4 years (2020) and to 6 (2022); six of seven recent changes lengthened lives.
- Amazon shortened a subset from 6 to 5 years in 2025, citing the pace of AI development; Meta lengthened to 5.5 years, cutting 2025 depreciation by $2.92B.
- Sensitivity: a $1B cluster costs $167MM a year over 6 years vs. $333MM over 3.
- Counter-evidence: Microsoft ran older GPU fleets 6.9–8.8 years, and older-generation rents rose in 2026.

ANT: depreciates property and equipment over 3–5 years, but leases most compute, so its decline risk sits mainly in commitments.

Stated useful life, servers / GPUs (years, upper bound)



Note: Bars show the upper end of each stated range; hyperscalers report servers with network equipment and give no GPU-specific life. Anthropic range covers all property and equipment.
Source: Company 10-K/20-F filings via Rillor (Nov. 2026); Token Runner (2026); Exent (2025); Sprout (Sept. 2026); Anthropic, PBC prospectus (424B4).

Neoclouds Run the Shale Treadmill With Less Cushion

The treadmill, with less residual value

- **Refresh, not depletion:** GPU fleets are depreciated over ~5–6 years and then refreshed; a shale well still has value after year five.
- **Visibility:** CoreWeave burns cash through 2030 even in a constructive case; AI demand is largely contracted forecast, while gas demand is visible.

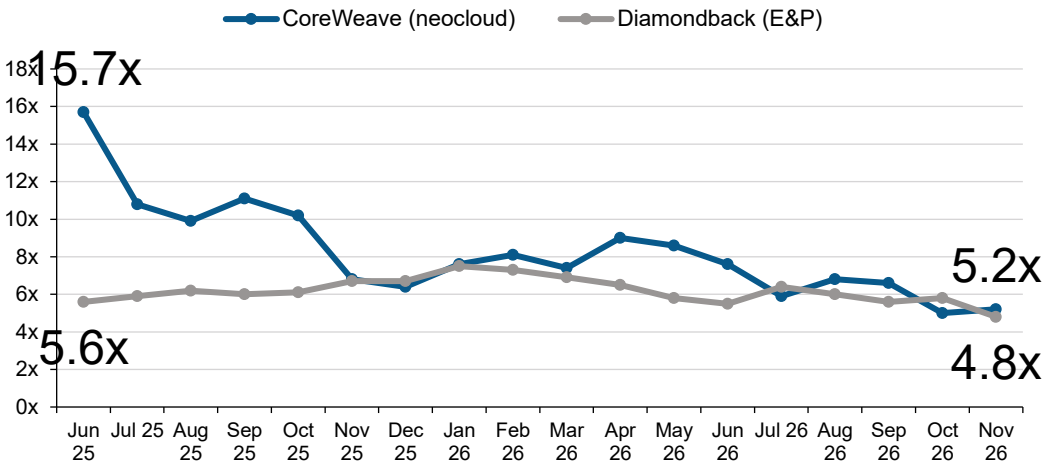
Credit is moving first

- **CDS:** CoreWeave 5-year CDS rose from 860bp to 1,130bp (Sept. 22–Oct. 15) and topped 1,240bp by Nov. 9.
- **Structure matters:** unsecured notes yield ~15%, while loans secured on specific customer contracts trade near par.

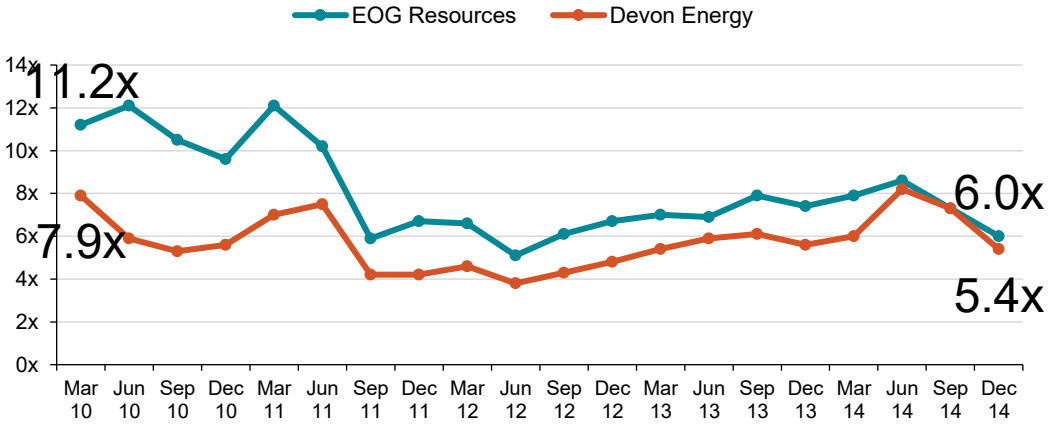
Credit lessons from shale

- **Know the fulcrum:** value collateral, not just cash-flow multiples. E&P multiples compressed in 2010–14, before the bust (chart).
- **Contracts get tested:** Gulfport filed in 2020 to shed pipeline commitments; Antero, with ~$12.4B of firm transportation and ~$3.0B of debt, did not, as its capacity still earned a premium.

NTM EV/EBITDA: CoreWeave vs. Diamondback



Shale multiples fell before the bust: LTM EV/EBITDA



Note: NTM = next-twelve-month consensus EBITDA; LTM = last twelve months. Monthly (top) and quarterly (bottom) observations. Antero view on capacity is Texas Capital analysis.
Source: S&P Capital IQ; MacKay Shields (Nov. 2026); CNBC (Oct.–Nov. 2026); Gulfport and Antero SEC filings (2020–21); Rillor (2026).

Commitment Exits Can Shift Losses Before a Sector Bust

From growth promises to credit losses: four stages

The shared mechanism: growth promises induce partners to build fixed assets; the producer then preserves cash by deferring, paying to exit or rejecting support.

PROGRESSION	SHALE: WHAT ACTUALLY HAPPENED	AI: OBSERVED PARALLEL / LIMIT	WHAT WOULD MAKE IT SYSTEMIC
1. Selective exits	Budgets and drilling plans can be cut without breaching a contract; these are strategic or reputational commitments.	Reported Microsoft lease cancellations in Feb. 2025 coexisted with reaffirmed >$80B infrastructure spending.	Multiple unrelated buyers cut net capacity orders, not just move sites or replace old chips.
2. Paying / invoking an exit	Feb. 2015: producers paid rig break fees (XOP 62; +8 months). Chesapeake negotiated a paid Barnett exit in Aug. 2016.	Oracle reportedly invoked force majeure at Project Jupiter to delay payments amid permitting risk; not an adjudicated default or proven demand loss.	Cancellations / buyouts spread to operating, permitted assets; termination costs rise despite nominal capex growth.
3. Losses reach project credit	Jul. 2015: Sabine filed Chapter 11 (XOP 47; +13 months); minimum-volume contracts did not prevent insolvency.	The ~$300MM Jupiter loan reportedly trading in the mid-80s; project lenders can lose before hyperscalers default.	Discounts and refinancing failures spread across developers, power suppliers and lenders—not one project.
4. Aggregate retrenchment	Mar. 2016: Sabine won approval to reject gathering contracts (XOP 38; +21 months). In 2020, Gulfport filed partly to shed pipeline contracts.	Not established by Oracle alone: its latest reported quarterly capex rose to $28.5B; future data-center lease commitments were $288B.	Broad capex / energized-MW cuts, falling utilization and unit prices, and credit losses reinforce one another.

Signs of a bust: breadth + weak economics

Look for concurrent cuts by unrelated buyers, declining utilization and like-for-like compute rents, weaker cash returns, and broad project-credit stress. Count cancelled MW net of replacement sites; distinguish timing delays from lost demand.

Signs of a bottom: clearing plus confirmation

Require liabilities reset or funded, utilization / rents stabilizing, and credit spreads tightening with sustained relative equity improvement. A rebound is not enough: XOP rose from 31 to 46 in 2016, then fell to 11 in Mar. 2020 (Jun. 2014 = 100).

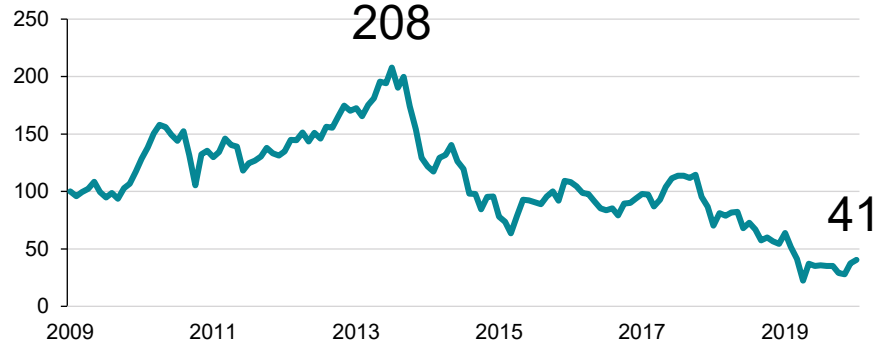
Note: XOP wealth / months measured from Jun. 30, 2014 = 100; event-month returns use month-end data. Bust / bottom tests are analytical, not validated trading rules. Oracle events are reported, not adjudicated.
Source: Reuters (Feb. 23, 2015); Chesapeake (Aug. 10, 2016); Sabine bankruptcy decision (Mar. 8, 2016); Oracle FY2027 Q1 10-Q; MT Newswires; S&P Capital IQ. As of Nov. 20, 2026; equities through Nov. 19.

Use Full-Cycle Wealth and Economics—not Matched Peaks

Choosing the baseline: two anchors, matched cohorts, real economics

The anchor changes the story: Oracle is down ~66% from its observed 2025 peak, yet remains ~40% above Nov. 2022 including dividends.

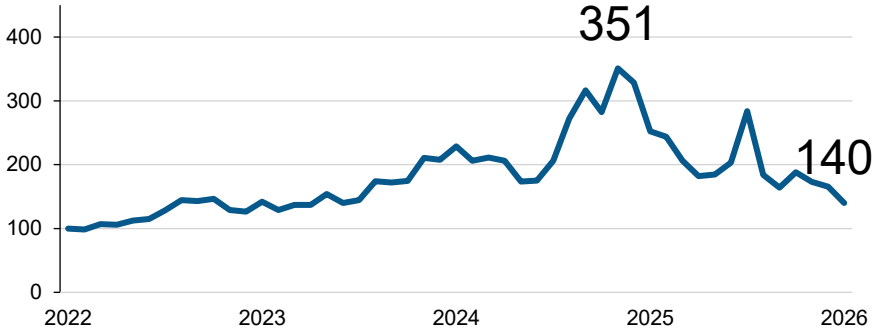
Shale producer equities: XOP (Dec. 2009 = 100)



2014 wealth peak ~208; Mar. 2020 ~22.

Dec. 2009 is a pre-tight-oil expansion anchor, not pre-shale.

Oracle: illustration only (Nov. 2022 = 100)



Monthly observations; Nov. 19, 2026 latest.

Separate calendars / scales; not a fitted sector forecast.

Best-fit design: role-matched baskets + two anchors + economic confirmation

CHOICE	RECOMMENDED PRIMARY VIEW	SECONDARY CHECK / PITFALL
Unit of comparison	Use producer / compute-owner baskets for cycle breadth; use a fixed, equal-weight cohort including failures and delistings.	Match business roles: E&P to compute owners; gatherers to developers / power providers. Oracle is a case study, not the AI industry; legacy software dilutes the comparison.
Anchor and timing	Rebase dividend-reinvested wealth to 100 before the investment step-up; show absolute and broad-market-relative returns.	Use peak = 100 only for stress severity (hindsight). Add event time at the first broad capex reversal—not the first isolated cancellation. Test nearby start dates.
Better economic tests	Track cancellations / opening committed MW; trailing-12-month capex + finance-lease additions / operating cash flow; binding future payments / cash resources.	Then test utilization, same-chip compute rent net of power cost, backlog conversion and project-credit prices. A bottom needs improving economics and funding—not price declines alone.

Note: Base-date sensitivity, not matched cycles. XOP is a reconstituting E&P ETF; ORCL includes non-AI businesses; peak uses daily data (Sept. 10, 2025).
Source: S&P Capital IQ total-return series. Recommended tests are analytical judgments, not backtested rules.

Bottleneck Shifts From Chips to Sites, Power and Retrofits

Siting and politics

- **Local limits:** some US jurisdictions are weighing or have approved data center moratoria; New York paused permits and Texas can curtail large loads.
- **Wider footprint:** builders may spread across more distant US and non-US sites (ANT is expanding abroad; SpaceX pursuing orbital capacity); distance between sites may slow large training runs.

Next-gen chips favor retrofits

- **Density:** Vera Rubin NVL72 is provisioned at ~136 kW per rack, far above the ~25–40 kW limit of air cooling.
- **Cost and time:** retrofits run ~$2M/MW vs. >$11M/MW greenfield, but need power, cooling, networking and floor-loading upgrades (racks up to 1.5 metric tons). Older chips move down-market.

Delays raise burn

- **Rent before revenue:** ANT's Broadcom lease rent can start early if a data center is delayed; Lambda's $34.9B agreement became terminable when it missed a facility-lease deadline.

Backstops until cash-flow breakeven

- **Funding:** Google may fund up to $20B through 2030; Broadcom up to $42B, only for lease rent and subject to revenue-growth conditions (13% interest if missed).

Two scenarios for 2027 (Texas Capital view)

	GLUT: SUPPLY CATCHES UP	CONSTRAINT: SITES AND POLITICS LIMIT SUPPLY
Compute rents	Fall; older chips repriced first	Rise; older chips hold value
Hyperscalers	Excess capacity; useful lives questioned	Benefit as owners of operating compute
Neoclouds	Refinancing stress; contract exits	Higher rents, but delivery-delay penalties
Frontier labs (incl. ANT)	Cheaper compute, but price wars	Squeezed: open-weight pricing plus costlier compute

What to track

INDICATOR	LATEST READING / WHAT TO WATCH
H100 rental index	$2.57/hr (Jul. 2026), up from a $1.87 trough; a sustained decline would signal supply catching up
ANT cancellation windows	SpaceXAI compute (up to $120.5B) cancellable on 90 days' notice after Jan./Mar. 2027
Next-gen lease rates per MW	Rising rates signal frontier scarcity; repricing could pressure ANT's costs
CoreWeave 5-year CDS	Above 1,240bp (Nov. 9, 2026), from 860bp in Sept.
Delivery penalties	First liquidated damages for late or failed capacity, which thin margins may not absorb

Note: Scenario table and items labeled "we expect" are Texas Capital views. ANT terms per its prospectus.
Source: Anthropic, PBC prospectus (424B4); NVIDIA (Aug. 2026); STL Partners (Jun. 2026); Data Center Knowledge (May 2026); Compute Desk (Jul. 2026); CNBC (Nov. 2026).

Dashboard (1 of 2): Investment and Supply

Investment and supply: is capacity being built faster than it can be monetized?

FACTOR	CURRENT READING (NOV. 2026)	HISTORICAL WARNING SIGN	WHAT WOULD MOVE THE VALUATION
Capex revisions	**Hyperscalers:** Big 4 spent $202B in Q3 2026 (+108% YoY) and all plan higher 2027 spend. Microsoft trimmed 2026 capex to ~$170B on delayed capacity; Oracle reportedly invoked force majeure to delay Project Jupiter payments.	Telecom: communications investment fell to 69% of its year-earlier level by Q4 2001, within about a year of the peak.	Hyperscaler cuts driven by demand rather than supply delays; changes to ANT's $900.9B commitments; exits spreading beyond single projects (pages 16–18).
Return on invested capital	**ANT:** first operating profit in Q2 2026 ($974MM), loss of $(567)MM in Q3; 9M operating cash flow $6.6B. **Hyperscalers:** Alphabet and Meta posted negative Q3 free cash flow.	Railways: dividends fell from 7.0% to 2.4% of par (1847–1852). Telecom: 2000 investment needed >2x normal returns.	Sustained operating profit at ANT as commitments commence; hyperscaler free cash flow recovering; revenue per dollar of compute rising.
Bottlenecks	**AI broadly:** power, water, permitting and local moratoria (New York pause; Texas curtailment) limit new capacity. **ANT:** historically compute-constrained.	Telecom carriers flagged equipment shortages around 1999, at the peak of the bubble.	Shortages easing while spot compute prices fall: supply catching up with demand (build-out indicators, page 18).
Technology deployed	**AI broadly:** NVIDIA ships a new architecture annually (Rubin next). **ANT:** trains and serves across four chip families (Trainium, TPU, NVIDIA, AMD).	Fiber capacity per strand rose 40x (1996–2000), turning existing networks into a glut.	Industry efficiency gains outpacing demand growth; financing that locks AI builders into specific chip suppliers.

Source: MT Newswires (Oct.–Nov. 2026); Anthropic, PBC prospectus (424B4); Federal Reserve Bank of Richmond (2003); Federal Reserve Bank of New York (2004); Campbell, QUB (2014); IRPP (2004); NVIDIA 10-K.

Dashboard (2 of 2): Discipline, Markets and Payoff

Discipline, markets and payoff: is spending disciplined, financeable and paying off?

FACTOR	CURRENT READING (NOV. 2026)	HISTORICAL WARNING SIGN	WHAT WOULD MOVE THE VALUATION
Expense discipline	**ANT:** compute cost fell from 251% of revenue (Q1 2025) to 48% (Q2 2026), then rose to 58% (Q3) on $5.0B of costlier short-term compute. **Hyperscalers:** Microsoft expects efficiency gains to let each capex dollar support more revenue over time.	Shale: investors forced a pivot from production growth to returns; energy stocks rose 1.1% vs. 24.2% for the S&P 500 (2017–2018).	**ANT:** ratio resuming its decline; less short-term compute. **Hyperscalers:** capex growth slowing relative to cloud revenue growth.
Crowding out	**AI broadly:** Fed hiked in Sept. 2026 (first hike in 3+ years); 10-year Treasury at 5.06%; S&P 500 fell for a sixth session on IPO day. **Issuers:** hyperscaler Q3 capex $202B; ANT raised ~$104.8B net.	Railway capital calls forced sales of other securities; Parliament blamed them for the 1847 crisis.	Wider spreads or postponed deals for non-AI issuers; data-center project loans trading at discounts; the Fed citing AI capex to tighten.
Productivity gains	**Economy:** US nonfarm productivity rose 3.6% in Q3 2026 and unit labor costs fell 0.7%. **ANT:** Claude wrote >90% of its code contributions in Sept. 2026.	Electrification: gains were rapid but depended on capital deepening and reorganization.	Productivity sustained above trend for several quarters; broadening adoption (11,900+ customers >$100K).
Value capture	**AI broadly:** H100 rent fell 59% from its high to $1.87/hr (Dec. 2025), then rebounded to $2.57/hr; rents fall ~21% per year of chip age.	Telecom: long-distance prices fell 18.5% as capacity surged; customers captured the gains.	**AI broadly:** token price cuts outpacing volume growth. **ANT:** net revenue retention and margin disclosure in first public quarters.

Source: Anthropic, PBC prospectus (424B4); MT Newswires (Oct.–Nov. 2026); Federal Reserve Bank of Dallas (2018); Campbell, QUB (2014); Fiszbein et al., NBER; Architect/Compute Desk (Jul. 2026); CCIR (2026); Federal Reserve Bank of Richmond (2003).

Summary: Bubble Signals, Bottom Signals and Strategy

1. Signs of a bubble

- **Narrative:** 'demand exceeds supply,' parabolic usage charts and 'this cycle is different' echo telecom in 1999.
- **Breadth:** unrelated buyers cutting net capacity, and contract exits spreading beyond single projects.
- **Economics:** utilization and like-for-like compute rents falling as shortages fade; price cuts outpacing volume.
- **Financing:** growing reliance on debt and off-balance-sheet structures; project loans at discounts; neocloud CDS widening.

2. Signs of a bottom

- **Liabilities reset:** excess commitments renegotiated, cancelled or funded; weak hands restructured.
- **Economics stabilize:** utilization, rents and revenue per dollar of compute hold for several quarters.
- **Credit leads:** spreads tighten and project loans recover before equities confirm.

3. Strategy for corporate executives

- **Fund for payback:** approve AI programs on measurable returns, and disclose returns, not just spend.
- **Align incentives:** reward returns on AI investment, not usage or capacity growth, as shale boards learned.
- **Stay flexible:** compute gets ~30% cheaper each year; favor usage-based terms over long fixed commitments.
- **Know your position:** suppliers and lenders to the buildout should value collateral, not just cash-flow multiples, and expect above-market contracts to be tested.

4. Strategy for investors

- **Know the layers:** model developers, hyperscalers and suppliers carry different risks; if supply stays constrained, frontier labs face the tightest margin squeeze.
- **Users vs. builders:** past revolutions often rewarded adopters as falling prices passed gains to customers.
- **Manage concentration:** diversify, hedge and plan taxes for large positions in AI winners before volatility forces it.
- **Watch credit first:** in shale, equity losses came first and contract failures followed; neocloud credit is already moving.

Note: For informational purposes only; not investment, tax or legal advice and not a recommendation to buy or sell any security. Considerations are general and may not suit every client.
Source: Analysis on pages 7–20; Federal Reserve Banks of Richmond (2003) and Dallas (2018); IRPP (2004); S&P Capital IQ; Rillor (2026); industry presentations (2026).

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He joined Texas Capital in August 2021 with more than 20 years of experience across commercial banking, investment banking, corporate advisory and capital markets, most recently as Managing Director, Head of Corporate Advisory and Sponsors Coverage at Regions Bank. He previously held financial and legal roles at Houlihan Lokey, Credit Suisse, UBS Investment Bank and Kirkland & Ellis in New York, London and Hong Kong.

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