

Microsoft files for a ten-part US bond sale as its capital spending doubles

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Microsoft logo at the Microsoft Experience Center, New York

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Microsoft is looking to raise at least \$25bn through a US bond sale, its first high-grade debt offering in the country since 2017, Bloomberg reported, citing people familiar with the matter.

The deal is divided into as many as 10 tranches, with repayment dates ranging from two to 40 years. Its final size will depend on investor demand, Bloomberg reported. Wells Fargo, JPMorgan Chase and UBS are managing the sale.

The company has rarely needed to borrow heavily in recent years. Its last major US bond sale, in January 2017, raised \$17bn, partly to help finance its acquisition of LinkedIn.

Microsoft is also one of just two US companies, alongside Johnson & Johnson, with a AAA credit rating, the highest possible. The rating sits above that of the US government and helps the company secure favourable borrowing terms.

But the cost of building out its AI infrastructure is changing Microsoft's financing needs. A day before the reported bond sale, the company disclosed that spending on data centres and equipment, including leases, had reached \$45.2bn in the three months to September. Free cash flow fell 27% to \$18.6bn over the same period.

Demand for Microsoft's cloud services continues to outpace the capacity it can bring online. Azure revenue rose 48% to \$33.2bn in the quarter, and the company expects growth of 49% to 50% in the current one.

"We still have demand that exceeds supply," chief financial officer Amy Hood told analysts.

Microsoft is not alone in turning to debt markets to fund the infrastructure behind the AI boom. In August, Alphabet raised \$25bn through a 10-part bond sale, with maturities spread across a similar range. The company said it planned to borrow in the US twice a year.

Alphabet, Amazon, Meta, Microsoft and Oracle have roughly doubled their combined debt over five years to around \$350bn, according to Bloomberg data cited by TNW in July.

Investors have not welcomed every deal equally. Amazon's \$25bn bond sale earlier this year met a lukewarm reception, while S&P downgraded Oracle's credit rating to one notch above junk as its debt grew.

Microsoft's strong credit standing gives it more room to borrow, but the latest sale comes as even the biggest technology companies face the rising cost of financing their AI ambitions.

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