# Technology

## AI tailwinds boost IT spending

**This report does not constitute a rating action**

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### What's changed?

**IT spending will grow about 13.8% in 2026** fueled by exceptional AI-related capital expenditure (capex), which will benefit data center infrastructure and semiconductor vendors. Memory shortages and price hikes have hit PC and smartphone sales.

**AI data center spending has beat expectations,** with the five largest U.S. hyperscalers likely spending about $790 billion on capex in 2026, up 76% year over year. Increased debt issuance is helping fund this growth. To maintain aggressive spending while avoiding credit deterioration near rating downside thresholds in the next one-two years, investors will look for accelerated revenue and cash flow among entities.

**There were more positive than negative rating actions in the first half of 2026.** Upgrades included AI beneficiaries such as Nvidia Corp., Micron Technology Inc., and Dell Technologies Inc. Negative rating actions were mainly among software firms in the 'B' category or weaker but included Oracle Corp.--its AI data center expansion has led to higher leverage and negative cash flow.

### What to look out for?

**How software incumbents adapt and respond to AI-driven opportunities and risks.** Entrants may gain market share, and slow adopters risk being left behind. We expect a shift toward consumption-based pricing from seat-based subscriptions. The change may pressure incumbents' recurring revenue, margins and cash flow.

**Further exacerbation of memory price increases.** Shortages have given memory makers strong pricing power, driving revenue growth despite modest volume gains. While this has boosted memory makers' financials, companies reliant on memory may ration supply and raise prices, potentially hurting their sales or profitability.

**More long-term leases, power purchase commitments and residual value guarantees,** which we all view as debt-like. In calculating credit metrics, we include obligations that behave economically like debt. These adjustments improve comparability across issuers and better reflect potential calls on cash--which may reach hundreds of billions in the case of hyperscalers--that could affect credit quality.

### What are the key risks around the baseline?

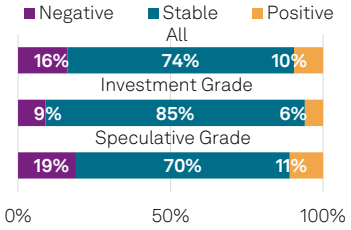
**Gap between AI spending and proven monetization to widen.** Spending will depend on signs that enterprises are scaling up AI and that unit economics are solid. Although AI spending is accelerating, a moderation is possible, given constraints on the supply of chips and power.

**If AI-driven software disruption arrives sooner than expected,** software companies may have difficulty adapting to changing industry economics, including reduced differentiation, a shift in value among the layers of the technology stack, and margin pressure. Events could be challenging for those reliant on external capital to fund growth.

**Refinancing risk is rising for lower-rated software issuers,** with high leverage and negligible free cash flow. Broader market shifts have made refinancing more uncertain for those facing debt maturities. Enterprise valuations may be pressured, especially for companies vulnerable to AI disruption. Potential outcomes include maturity extensions, equity infusions from sponsors and wider debt pricing to reflect higher risks.

## Rating Trends

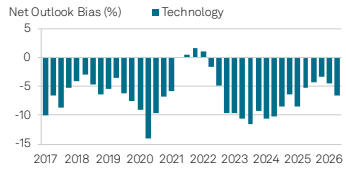
### Outlook Distribution




### Ratings Statistics (YTD)*

| | IG | SG | All |
|---|---|---|---|
| Ratings | 67 | 174 | 241 |
| Downgrades | 1 | 10 | 11 |
| Upgrades | 9 | 16 | 25 |

### Ratings Outlook Net Bias




### Sector Forecasts (Median)

| 2026 (Local currency) | IG | SG |
|---|---|---|
| Revenue growth (Y/Y%) | 11.9 | 6.0 |
| EBITDA growth (Y/Y%) | 14.6 | 11.5 |
| EBITDA margin (%) | 33.1 | 29.0 |
| Capex growth (Y/Y%) | 22.1 | 10.1 |
| Debt/EBITDA (x) | 0.8 | 6.0 |
| FFO/Debt (%) | 40.6 | 7.3 |
| FOCF/Debt (%) | 26.9 | 5.2 |

All data as of end-June 2026.
* Year-to-date. Current ratings only.

## Related Research

AI Investment Accelerates Across U.S. Tech While Cost Pressures Intensify Broadly; Ratings Impact Mostly Positive, May 7, 2026

Will Weakened Cash Flow Hurt Ratings On The Hyperscalers? April 21, 2026

AI Risks Vary Widely Among North American Software Subsectors, March 25, 2026