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The new AI playbook: Swapping opex for capex

Companies have been self-funding their massive artificial intelligence (AI) investments, and opex savings could help them continue to do so

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Key takeaways

- Despite trillion-dollar ambitions, U.S. public companies have largely financed AI buildouts with free cash flow, avoiding the debt-fueled excesses of past tech cycles.
- The operating expenditures (opex) growth of Mag 7 companies has slowed amid capital expenditure (capex) acceleration, providing a potential blueprint for other companies to fund their AI-driven efficiency projects into the future.
- Unlike prior investment booms, return on invested capital (ROIC) among major technology firms has remained resilient, suggesting AI is already boosting output and offsetting the heavier capital intensity.

Professional investors continue to quietly wrestle with a big question: How will companies fund their massive AI projects?

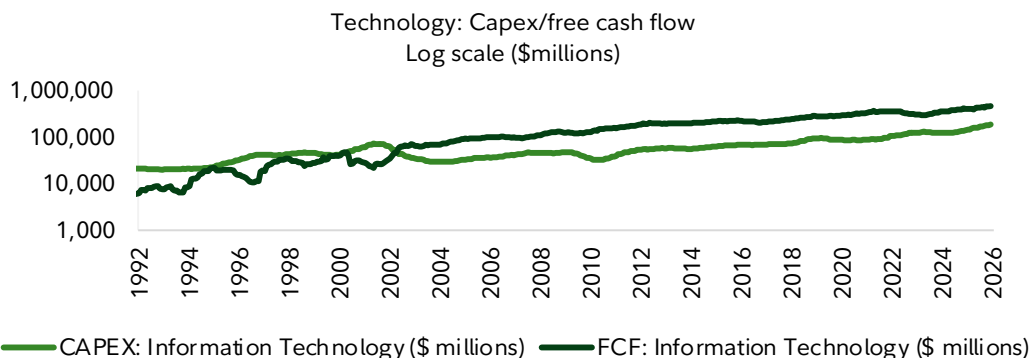
Clients of Fidelity have expressed concern that the hyperscalers are guiding capex numbers that look ever larger. Sovereign AI programs are piling on with their own multi-billion-dollar buildouts. Meanwhile, model labs are making infrastructure commitments that imply trillions of cumulative spend.

The worry is that this level of spending cannot last indefinitely, and when it inevitably begins to slow down, so will the multiple expansion of investments tied to AI.

What investors might not have considered is that 1) to date, public companies, in the aggregate, have spent on AI projects entirely within their means, and 2) this self-funding trend could continue for years, as companies seek to substitute part of their operating expenses for AI-related capital spending that can save them over the long run.

Let's start with the first part, which very few have talked about: Overall, U.S. public companies have funded AI buildouts almost entirely from free cash flow (Exhibit 1).

Exhibit 1: Technology capital spending: Then vs. now



CAPEX = capital expenditures. FCF = free cash flow. Based on an analysis of the technology stocks within the top 3,000 U.S. stocks. Log= logarithmic. Source: Haver Analytics, Fidelity Investments, as of 12/31/25.



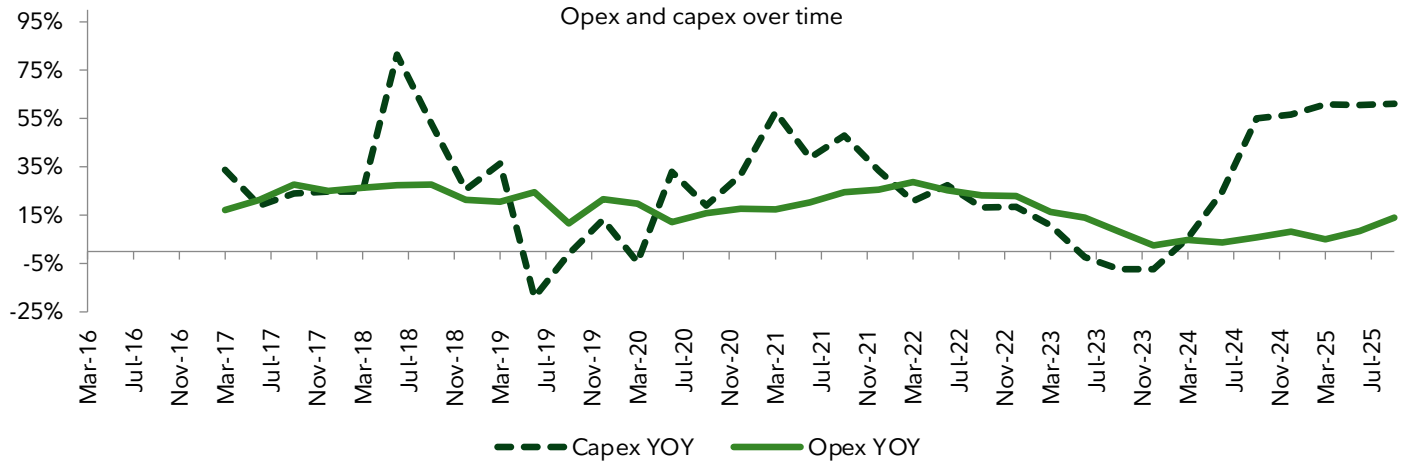
As of late 2025, the ratio of aggregate free cash flow to capital spending among the top 3,000 U.S. stocks stood at less than 1 (with 1 reflecting aggregate spending funded entirely by free cash). It's the opposite of the dot-com era, when capital spending peaked at nearly 4 times free cash flow amid the debt-fueled boom.

And now the second part: Looking ahead, we could see a massive, multiyear substitution of incremental operating expenditures (opex) for capital expenditures (capex).

This may already be underway.

Exhibit 2 shows that, over roughly the last 18 months, opex growth among the Mag 7 companies has slowed meaningfully and fallen below this historical average, as capex has accelerated sharply.

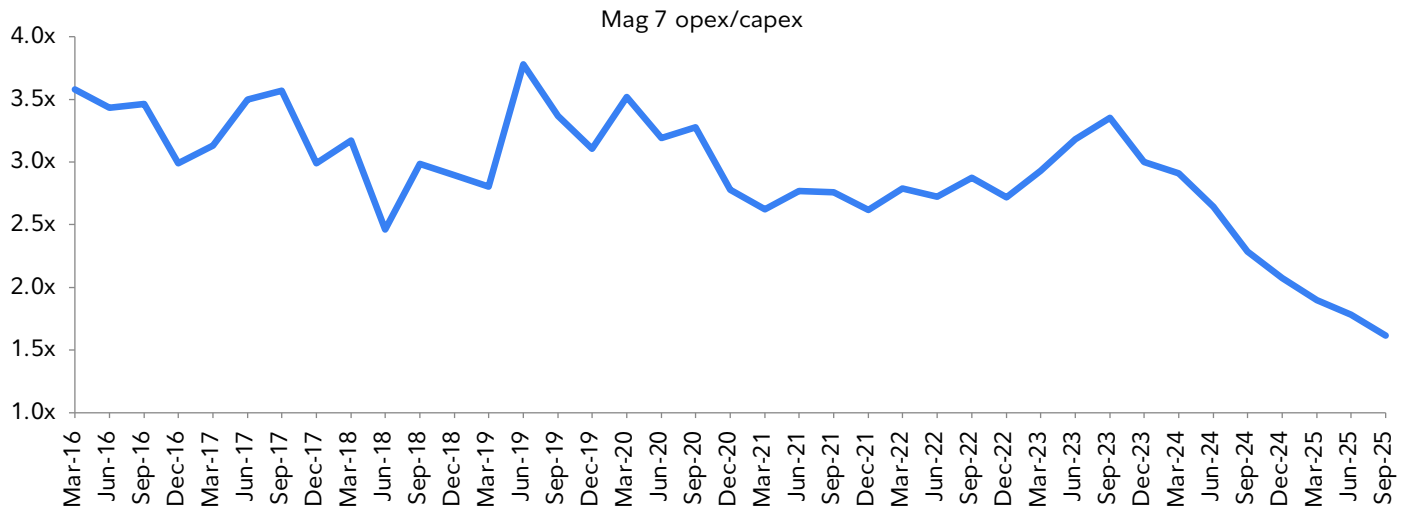
Exhibit 2: Magnificent 7 aggregate capex vs. opex growth rates



YOY = year over year. Mag 7 companies= Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla. YOY = year over year. Source: Bloomberg Finance, Fidelity Investments, as of 9/30/25.

Exhibit 3 reflects the ratio of opex to capex across the Mag 7 over time. This ratio remained in the 2.5–4x range for years but has trended near 1.5x since mid-2024, its lowest readings in a decade. The chart reflects that for every dollar spent on infrastructure, Mag 7 companies are spending far fewer dollars on labor and overhead. It's a direct signal that internal cost structures are shifting toward compute intensity and away from human intensity.

Exhibit 3: Mag 7 opex spending has declined relative to capex spending



Mag 7 companies = Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla. YOY = year over year. Source: Bloomberg Finance, Fidelity Investments, as of 9/30/25.

Anecdotally, evidence is piling up as well:

- Meta’s headcount of 78,450 as of September 2025 is down roughly 10% from its peak in late 2023, while its AI-related spending accelerates.
- Microsoft CEO Satya Nadella said in a November interview on the B2G Podcast that the company plans to expand its workforce, but “with a lot more leverage,” with AI helping to boost revenue without a proportional increase in the employee base.
- Amazon CEO Andy Jassy wrote a memo to employees in June that generative AI and AI agents will help the company reduce its total workforce while gaining efficiencies.

One critique of the analysis above is that it only makes sense that the technologies would be the early adopters of AI. It’s a sort of circular financing, in which AI technologies are its primary consumers.

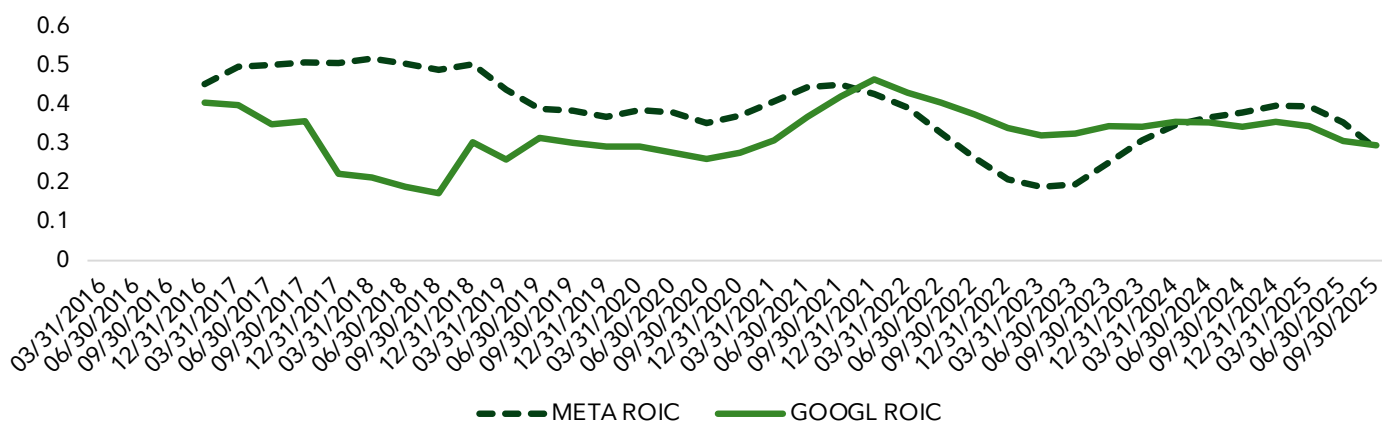
That said, we’re also seeing some AI projects begin to eliminate layers of manual work in industries such as banking and insurance. Just as with the technology firms, labor intensity is bending down just as compute intensity bends up.

Can the spending growth continue? We believe: Yes, if it’s funded without heavy debt (as has been the case). Yes, if companies trade opex for capex. And yes, if competition among the many companies seeking efficiencies in multiple industries may force firms to keep leaning into AI or risk falling behind peers.

One way to sanity-check this thesis is through returns on invested capital (ROIC). Historically, large capex cycles have come with ROIC compression, as capital outruns near-term returns.

What’s notable in this cycle is that, despite a sharp step-up in AI-related capex, the ROIC among some of the largest technology companies in AI has been resilient and above 30% for more than two years (Exhibit 4). This suggests that AI-driven productivity gains could be helping to stabilize margins and free cash flow even as capital intensity rises.

Exhibit 4: ROIC over time for Meta and Alphabet



META = Meta Platforms. GOOGL = Alphabet Inc. Source: Bloomberg Finance, L.P. Fidelity Investments, as of 12/31/25.

Conclusion

AI has become an even more important business and investment theme, and its growth could continue in 2026 and beyond. AI models have become more reliable, better at chaining tasks, more context-aware, and far less prone to catastrophic failure. These improvements are helping companies do real work.

If progress were to continue at a similar pace, AI spending could help more companies maintain or even boost productivity with fewer people. And this cycle may become perpetual, with opex savings helping to fuel even more AI-related capex.

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