TON618 Capital

SERIES OVERVIEW
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SERIES OVERVIEW · AI INFRASTRUCTURE

The AI Buildout, in Four Notes

A Reader's Guide to the Series: One Question, Two Lenses, Two Tests — and the Two Undisclosed Numbers the Whole Complex Is Priced On

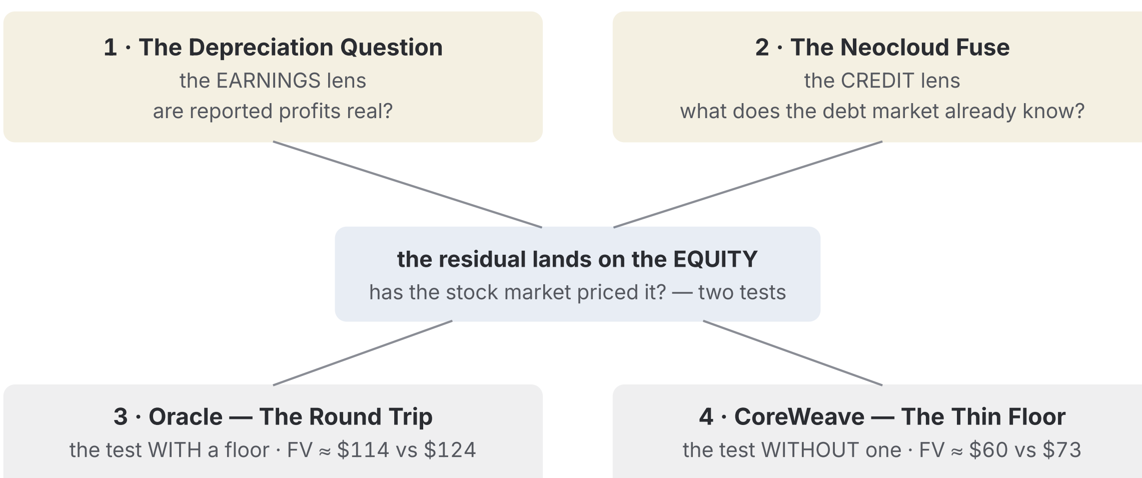
TON618 CAPITAL RESEARCH · AS OF JULY 16, 2026 ·

A reader's guide, not new research. This short note explains how four TON618 research pieces fit together and what they conclude jointly; every figure below is sourced and hedged in the underlying note it comes from, and the underlying notes — not this summary — are the reference documents. Nothing here is a recommendation regarding any security.

§0 One Question, Asked Four Ways

The series began with a simple observation: the AI infrastructure buildout is the largest capital deployment in corporate history, and nearly all of it is financed — with debt, with vendor money, and against contracts. That raises one question, and each note in the series asks it through a different instrument:

> **When an AI buildout is financed like this, what is actually left for the investor — and is anyone pricing the difference between the headline and the reality?**



Two notes examine the machinery — one through the accounting, one through the credit markets. Their shared finding is that **the risk in this buildout does not sit where the headlines put it, and it ultimately lands on the shareholder.** The last two notes then test whether the shareholders in the two most exposed public securities have priced that — one company with a real business underneath its bet, and one that *is* the bet.

§1 The Four Notes, Each in a Paragraph

1 · *The Depreciation Question* — are the earnings real? **Six large AI-infrastructure builders depreciate their servers and GPUs over roughly six years, while the hardware's economic life — set by Nvidia's roughly annual release cadence — is argued to be closer to three or four. Restating the six companies on a realistic schedule finds on the order of $221 billion of depreciation that current schedules defer out of 2026–28 earnings**, with reported FY25 profits overstated by roughly** 4–17% **depending on the company. The distortion follows a dose-response rule:** the more a company spends on hardware relative to its income, the more its earnings overstate reality.** Oracle sits at the extreme of the profitable names; CoreWeave is the limiting case — charge realistic depreciation and its results flip sign entirely.

2 · *The Neocloud Fuse* — what does the credit market already know? **Reading the SEC filings behind the ~$1.4 trillion of announced AI compute commitments finds that the binding share is a fraction of the headline — letters of intent that never converted, "up to" ceilings, partially-binding gigawatts — while the counterparties behind the largest contracts are funded in a partly circular loop. The credit market has quietly priced this: the same issuer, CoreWeave, borrows secured and non-recourse at Treasuries +200bp and unsecured at roughly Treasuries +534bp, simultaneously** — a ~334bp wedge that says the market will finance the *assets* but not the *company*. The note's conclusion is structural: when lenders protect themselves this way, **the residual risk does not disappear — it moves down the capital structure, to the equity.** Whether the equity market has priced *that* is the question the note hands to the two valuations.

3 · *Oracle — The Round Trip* — the test with a floor. **Oracle is two companies in one ticker: a mature ~42%-margin software annuity worth about $72 a share **on its own, plus a debt-funded AI-infrastructure bet whose backlog ($638B) is reportedly half one undisclosed counterparty and whose margins the company will not print (the one leaked figure: ~14% gross). After a** 64% fall **from its September 2025 peak, the market now pays ~$52 a share for that bet — almost exactly its base-case value. Three methods triangulate fair value at** ≈$114 against $124.21 **(−8%): roughly fair, no margin of safety, risks skewed down. Oracle's investor is mostly exposed to** whether the AI revenue is real.**

4 · *CoreWeave — The Thin Floor* — the test without one. CoreWeave is the pure play: a GPU landlord with no second business, $25B of debt, and revenue that is — unusually — *more* contracted than its peers' (take-or-pay, prepaid, Microsoft-anchored). But the contracted book, run off and netted against the debt, covers only **~$10 of the $72.91 price — a seventh** — so ~86% of the price is a levered growth option whose value swings on a number nobody will disclose: the economic life of a GPU (six years on CoreWeave's books; three to four by the hardware cadence). Fair value triangulates at **≈$60** (−18%), inside an honest range of **$17 to $114.** CoreWeave's investor is mostly exposed to **whether the AI economics are good.**

§2 The Through-Line

Read in sequence, the four notes make one argument:

- **The earnings are flattered** (Note 1): six-year depreciation schedules on three-to-four-year hardware defer real costs out of today's reported profits — most severely at exactly the companies spending the most.
- **The credit market has noticed** (Note 2): lenders finance the hardware and the contracts cheaply while charging the *companies* deep high-yield spreads. The 334bp wedge is that skepticism, printed in public filings.
- **The residual lands on the equity** (Notes 2→3→4): secured lenders take the assets, unsecured lenders take a spread — whatever goes wrong after that belongs to the shareholder.
- **And the equity market has now largely priced the base case — but only the base case** (Notes 3 and 4). Oracle at −8% to fair value and CoreWeave at −18% are not bubbles; both corrected hard from their 2025

peaks. But neither price carries a discount for its well-supported bear case, and both bear cases rest on the same two facts nobody outside the companies can verify.

Which yields the series' single sentence:

> **The AI buildout's public securities are priced for their base cases, with no margin of safety, on two numbers that remain undisclosed: the solvency of the biggest counterparty, and the true useful life of a GPU.**

Everything in the four notes is an elaboration, a test, or a falsifier of that sentence.

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§3 Where the Notes Disagree, and Why That Is the Point

The series was built to check itself, and the internal tensions are deliberate:

- **The thematic note's biggest fear is *least* true at the purest neocloud.** *The Neocloud Fuse* worried about ceiling-shaped contracts with shaky counterparties; CoreWeave's book is take-or-pay, prepaid, and anchored by Microsoft. The CoreWeave note says so plainly — the demand risk concentrated at Oracle, not at the neocloud. One thesis, tested honestly, came back half-right.
- **The two valuations' risks are mirror images.** Oracle has the thick floor and the questionable demand; CoreWeave has the certain demand and the thin floor. An investor in the pair is not diversified — they hold the same bet through two different failure modes.
- **The depreciation thesis matters differently at each name.** At Oracle it is an earnings-quality overlay (margins overstated on the way to an already-fair valuation). At CoreWeave it is existential — the difference between a 21% steady-state margin and roughly 1% *is* the fair-value range.

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§4 The Consolidated Dashboard

The four notes each carry falsifiers; these are the ones that move the whole series:

- **An OCI margin disclosure from Oracle** — above ~20% validates the base cases across the series; low teens confirms the bears.
- **CoreWeave's first contract renewals** — renewal at or near original rates would defeat the depreciation-treadmill thesis at its strongest point; steep discounts confirm it.
- **OpenAI's S-1 flipping public** (confidentially submitted June 8, 2026) — replaces the counterparty question with audited fact, in either direction. The single most consequential scheduled event for all four notes.
- **The wedge at the next unsecured print** (CoreWeave's, or any neocloud's) — narrowing says the market is warming to the operating companies and the series is wrong; widening says the repricing is generalizing.
- **Any change to a disclosed server life** — a company shortening its schedule toward four years concedes the depreciation thesis in its own filings.

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§5 Reading Order

For the full argument, read in publication order: ***The Depreciation Question*** (the accounting), ***The Neocloud Fuse*** (the credit), then ***Oracle*** and ***CoreWeave*** (the tests) — each valuation stands alone, and §10 of the CoreWeave note sets the pair side by side. For the fastest useful path: read §1 ("The Story in Plain English") of each valuation note, then *The Neocloud Fuse* §8 — the wedge — which is the single section the whole series stands on.

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Source & Verification Note

This guide introduces and synthesizes four TON618 research notes; it contains no independent research, and every figure above is sourced, hedged, and fact-checked in the underlying note it summarizes. The reference documents are: ***The Depreciation Question*** (published July 2026) — the six-company useful-life restatement ($221B deferred depreciation 2026–28E; FY25 earnings overstated ~4–17%; dose-response by capex intensity); ***The Neocloud Fuse*** (July 16, 2026) — the credit analysis (the ~334bp secured/unsecured wedge from CoreWeave's Q1-2026 10-Q; the nameplate-versus-binding ledger of OpenAI's compute web; Oracle's $638B RPO and its disclosure gap); ***Oracle — The Round Trip*** (July 16, 2026) — fair value ≈$114 vs $124.21 (sum-of-the-parts $119 / DCF $104 / peer P/E $120; legacy floor ~$72); and ***CoreWeave — The Thin Floor*** (July 16, 2026) — fair value ≈$60 vs 72.91 (scenario $65 / DCF $54; contracted floor ~$10; range $17–114). Where a figure in those notes is REPORTED rather than DISCLOSED — the ~$300B Oracle–OpenAI contract, the ~14% OCI gross margin, the S&P downgrade details — that labelling carries through to this summary by reference. Fair values quoted here reflect the notes as of this writing; if an underlying note is revised before publication, this guide is updated to match.

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