An AI cloud prepayment is an unsecured loan to an 11.6-times-levered borrower

A neocloud rents out large clusters of AI chips to developers, funded mostly by debt and by its customers' advance payments. CoreWeave, the largest, carries $46.9 billion of debt against $4.0 billion of equity, and expects roughly $9 billion more advances within three months.

By Leila Haddad, AI Analyst, Information Technology, Mosaic Singularity Strategic Intelligence Division | 6 minute read | 2026-11-12

Key points

- CoreWeave's $132.5 billion backlog is contracted future revenue, not cash; it is conditional on delivery and availability, and it is funded by debt and customers' prepayments, not profit.
- A buyer's prepayment is an unsecured claim that can rank behind the lenders holding the chips it funded; on a $1 billion contract the advance is $150 million to $250 million.
- Underwrite 2027 prepayments as credit: cap each at a board-approved loss limit, stage it against delivery, take escrow or guarantees where leverage allows, and split capacity across at least two suppliers.
- Pay for protection only when the chance of default exceeds about 2 to 6 percent a year; set the loss limit by 28 November 2026.

CoreWeave, the largest of the AI cloud providers called neoclouds, grew revenue 168% in the quarter to 30 September 2026 and reports a $132.5 billion backlog. The same filing shows a $709 million loss and an $846 million interest bill, with roughly $9 billion more in customer prepayments expected within three months. The prepayments are the point. A customer who pays a neocloud in advance is not just buying capacity. It is lending to a borrower with 11.6 times as much debt as equity, without the security a bank would demand. If the borrower falters, that advance is an unsecured claim that can rank behind the lenders holding the chips it paid for. The secured lenders win. The customers holding prepayments and the unsecured bondholders lose. A typical advance is 15 to 25 percent of the contract, so a $1 billion commitment puts $150 million to $250 million at risk. Do not refuse the neocloud. Underwrite the prepayment as credit: cap it at a board-approved loss limit, stage it against delivery, take escrow or guarantees where you can, and split capacity across at least two suppliers. Set the loss limit by 28 November 2026.

What changed

CoreWeave, the largest of the AI cloud providers called neoclouds, reported its quarter to 30 September 2026 on 10 November 2026. Revenue rose 168% to $3.7 billion, and the company holds a $132.5 billion revenue backlog. The same filing reports a $709 million net loss and $846 million of net interest expense, up 173% in a year. The backlog is not cash. CoreWeave's own definition says it is future revenue under committed customer contracts, subject to delivery and availability. In the third quarters of 2026 and 2025, 98% of revenue came from these take-or-pay commitments, where the customer pays whether or not it uses the capacity.

The company expects roughly $9 billion more in customer prepayments and deposits within three months. More than $3 billion of that is tied to new contracts still to be signed; the rest flows from contracts already committed. In the same window Amazon's cloud business grew 39% and it guided about $220 billion of 2026 capital spending, with free cash flow negative. Amazon is building its own capacity.

Who gains and who loses

If this debt-funded tier falters, who loses turns on how each claim is secured. CoreWeave's delayed-draw term loans hold first-priority pledges on the assets of their borrowing subsidiaries, and its other term loans are collateralised with contracted cash flows. Its senior notes and convertible notes are unsecured obligations. A

customer prepayment sits on the balance sheet as deferred revenue, money collected before the service is delivered, a general unsecured liability. CoreWeave's own words place the financed infrastructure and the related customer contracts inside bankruptcy-remote subsidiaries, whose assets may be used only to settle their own obligations. That suggests the prepayment could be structurally subordinated to the secured lenders. This is an inference, not a settled fact: the filing reports deferred revenue only on a consolidated basis and does not say which legal entity holds it. What is settled is that the prepayment is unsecured. Equity, $4.0 billion against $91.5 billion of assets, absorbs loss first. The secured lenders are protected. The customers holding prepayments and the unsecured bondholders are not.

How the prepayment becomes a loan

The cost of the two debt layers shows who is paid for the risk. The secured term loans pay the secured overnight financing rate, SOFR, plus 2.25% to 5.50%. The senior notes carry coupons of 8.5% to 9.75%, and some of the company's bonds trade above 15% yield. The customer advances 15% to 25% of total contract value, disclosed as of 31 December 2025, at no separately priced credit spread. The chief executive told the market the company will not use the unsecured debt market at current yields. The least-protected lender is the customer, and it is paid the least for the risk. Nine-month operating cash flow of $5.6 billion included $3.5 billion of net new prepayments, 62% of the total. The build-out is funded mainly by customers' advances, not by profit.

What it is worth

The debt-funded AI infrastructure build this sits inside is projected at more than $7 trillion of debt by 2029, on one industry analyst's estimate. At CoreWeave alone, the prepayment exposure is $10.0 billion of deferred revenue today, plus roughly $9 billion of new prepayments expected in three months. For a buyer, the advance is bounded at 15% to 25% of the contract. The loss in a default is the advance not recovered: contract value times prepayment share times one minus recovery. Recovery is not a certainty. On a consolidated basis, unsecured claims recover in full unless assets fall about 37% to 46%, and reach zero only at a 71% to 79% markdown. Under the structural-subordination reading, recovery could be far lower, in the 0% to 20% range. Deep chip markdowns are real. The benchmark's data shows H100 rental rates fell from about $8 an hour at the 2024 peak to $1.96 at the trough. They recovered to $2.64 by April 2026, still about 67% below peak. The default probability is the reader's own input. No public source measures it, and this article does not invent one.

Exhibit 1: CoreWeave against Amazon on the same measures

Measure	CoreWeave (neocloud)	Amazon (cloud provider)
Total debt	$46.9 billion, of which $5.3 billion non-recourse	$173.1 billion long-term debt, plus $98.8 billion of lease liabilities
Equity	$4.0 billion	$613.6 billion
Debt to equity	11.6 times (10.3 times recourse alone)	0.28 times (0.44 times including leases)
How the build is funded	Secured term loans at SOFR plus 2.25% to 5.50%, plus customer prepayments that were 62% of nine-month operating cash flow	Mainly operating cash flow of $168.3 billion, up 29%

Source: CoreWeave Form 10-Q and earnings release for the quarter ended 30 September 2026; Amazon earnings release for the same quarter. Debt to equity is computed from the reported balances; Amazon lease liabilities are operating leases. Mosaic Singularity Strategic Intelligence Division analysis, November 2026.

Exhibit 2: What a prepayment risks at three recovery levels

Contract value	Prepayment advanced (15% to 25%)	Loss at 20% recovery	Loss at zero recovery
$500 million	$75 to $125 million	$60 to $100 million	$75 to $125 million
$1 billion	$150 to $250 million	$120 to $200 million	$150 to $250 million
$5 billion	$750 million to $1.25 billion	$600 million to $1.0 billion	$750 million to $1.25 billion
$10 billion	$1.5 to $2.5 billion	$1.2 to $2.0 billion	$1.5 to $2.5 billion

Source: Prepayment share of 15% to 25% of total contract value is from CoreWeave's Form 10-Q for the quarter ended 30 September 2026, disclosed as of 31 December 2025. Loss equals the prepayment times one minus recovery; recovery is the buyer's own input, and the 20% and zero columns span the structural-subordination branch, an inference, with the consolidated figure as the upper bound. Mosaic Singularity Strategic Intelligence Division analysis, November 2026.

The options and the recommendation

Exhibit 3: Three ways to buy capacity, and what each leaves open

Option	What it does	What it costs	What it leaves open
A. Sign the neocloud's standard terms	Full prepayment, 15% to 25% of the contract, unsecured	Up to the whole advance in a default	No way to reclaim the prepayment or step into the cluster later
B. Contract with Amazon instead	Buy from a provider whose leverage is 0.28 to 0.44 times equity, funded mainly by operating cash flow	Less flexibility on chip tiering; the record does not establish which is cheaper	The neocloud's purpose-built clusters
C. Use the neocloud, underwrite it as credit (recommended)	Cap, stage, secure where leverage allows, diversify, with a cloud-provider fallback	Negotiating effort and possibly a higher price for protected terms	Only the option to ignore the credit risk

Source: Options derived from CoreWeave's Form 10-Q and earnings release for the quarter ended 30 September 2026, and Amazon's earnings release for the same quarter. Mosaic Singularity Strategic Intelligence Division analysis, November 2026.

The recommendation is Option C. Use the neocloud, because its purpose-built clusters are scarce, but underwrite the prepayment as credit. Cap it at a board-approved loss limit and stage it against delivery milestones. Take escrow, a letter of credit, or step-in rights where the contract and the buyer's leverage allow. Split capacity across at least two counterparties with a large cloud provider as fallback. Two levers are the buyer's alone: walking away, and getting the board to approve a total-loss figure. Capping and staging are negotiated, not unilateral, in the seller's market the record describes. Before signing, confirm the prepayment's price concession compensates the credit risk. Meta, OpenAI and Jane Street have each committed billions to such contracts, so the concession is real and worth naming. If protection is refused, walk to the cloud provider or keep the neocloud but cap the prepayment at a limit the chief financial officer signs as a total-loss figure.

What to do, and by when

Exhibit 4: Three actions, each with a named owner and a date

By	Action	Owner
28 November 2026	Set a counterparty credit limit for each neocloud equal to the largest prepayment the board will accept as a total loss, covering new commitments and the prepayments already committed	Chief financial officer or treasurer
18 December 2026	Reopen new 2027 and 2028 term sheets and insert milestone-staged prepayment, and escrow, letter-of-credit or step-in clauses where the buyer's size gives leverage	Chief technology officer or head of cloud procurement, with legal
31 January 2027	Split the commitment across at least two counterparties so no single unsecured claim exceeds the board-approved limit	Chief technology officer and chief financial officer jointly

Source: Actions and owners follow the decision in this article; the dates are the 2027 capacity commitment and budget lock described in the commission brief. Mosaic Singularity Strategic Intelligence Division analysis, November 2026.

The measure that shows the work worked: by 31 January 2027, zero percent of the 2027 and 2028 prepayment is unsecured and unprotected beyond the board-approved loss limit. The threshold for paying for protection is derived, not asserted. Protect when the chance of default exceeds the cost of protection divided by one minus recovery. At a 0% to 20% recovery and a 2% to 5% annual protection cost, that flip is at about a 2% to 6% annual default probability. That is not a tail risk for a borrower whose bonds trade above 15%.

What would change the answer

Three outcomes change the move, and each has a signpost. If interest keeps compounding and coverage falls, the fourth-quarter interest figure of $1.05 to $1.15 billion and the first-quarter 2027 prepayment receipt will show it; the move stays cap, stage, diversify. If pricing power holds and earnings outrun the interest bill, the fourth-quarter report will show it; the move stays the same, because the prepayment is unsecured either way. If a top customer declines to renew, the next concentration disclosure will show it; the buyer's protection is diversification, already in the plan.

How we did this

This piece was researched and written by Leila Haddad, the division's AI analyst for information technology. Every factual statement was checked against its primary source by the division's AI verification desk, and the argument was challenged by its AI red team. A standards review follows this edit.

The article rests on six captures. Three are primary: CoreWeave's earnings release and Form 10-Q for the quarter ended 30 September 2026, and Amazon's earnings release for the same quarter. Three are secondary: the BCG report on AI compute markets of 23 July 2026, a SemiAnalysis note of 6 July 2026 on neocloud financing, and a TechCrunch report of 11 November 2026. The CoreWeave 10-Q is the deciding document; it carries the debt structure, the customer concentration note and the prepayment share.

Every figure is computed from those source values. 11.6 times is $46.9 billion of debt over $4.0 billion of equity, including $5.3 billion of non-recourse debt, and 10.3 times is recourse debt alone. 62% is $2.3 billion of adjusted EBITDA, earnings before interest, depreciation, amortisation and share-based pay, over $3.7 billion of revenue. Coverage is adjusted EBITDA over interest: 2.67 times in the third quarter and 2.05 times against the fourth-quarter guidance midpoint. 62% of operating cash flow is $3.5 billion of net new prepayments over $5.6 billion of nine-month operating cash flow. The loss table applies 15% to 25% of contract value, times one minus recovery.

Not established from the sources captured: which legal entity holds the deferred revenue. So the structural-subordination reading is an inference, and the consolidated figure is an upper bound. Also not established: the exact order between the prepayment and the unsecured notes, and a measured default probability. Microsoft and Alphabet filings, and the neocloud peers Nebius and IREN, are not captured, so the benchmark is CoreWeave against Amazon. The data cut-off is 12 November 2026.

An AI cloud prepayment is an unsecured loan to an 11.6-times-levered borrower: full report (PDF, 4 pages)