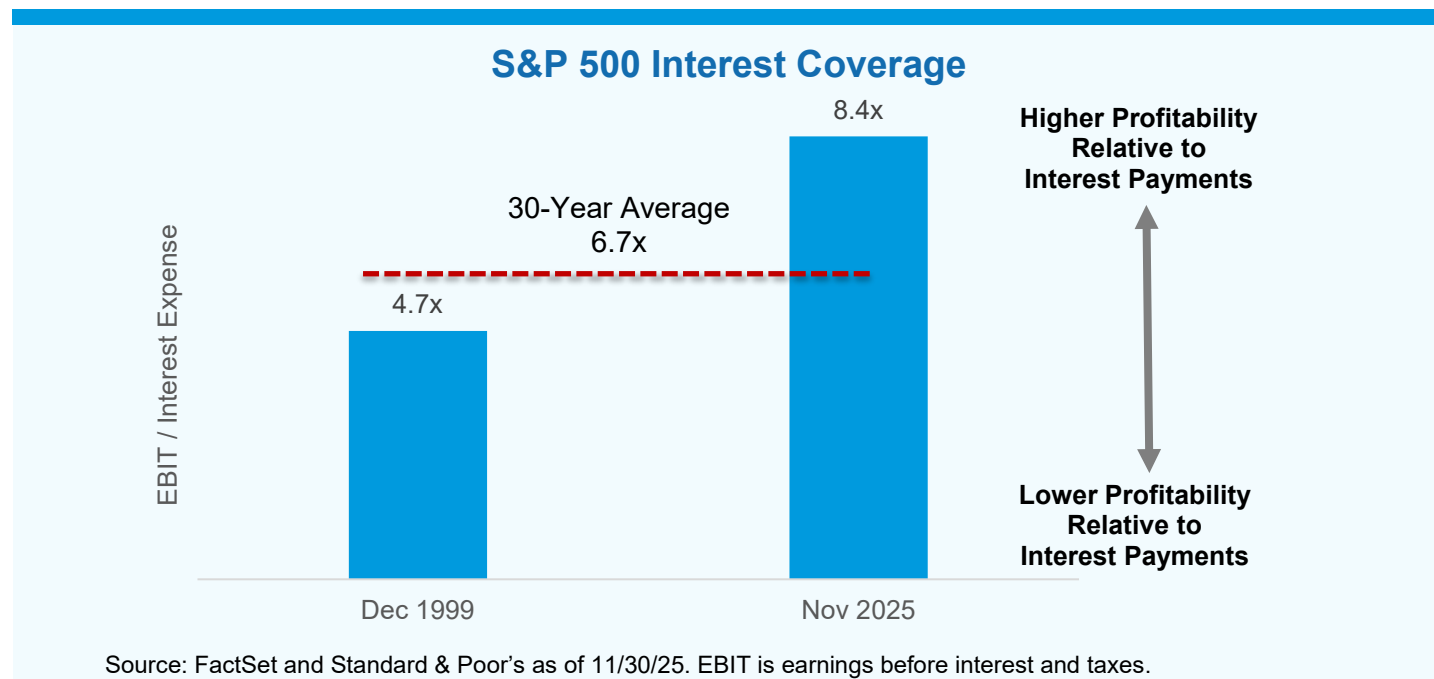


Corporate Leverage in the AI Era

There is some investor anxiety that the current artificial intelligence (AI) investment surge could be putting pressure on corporate finances, which is raising questions about financial resilience and default risk. How healthy are corporate balance sheets as we move deeper into the AI investment cycle?



- While U.S. investment-grade corporate bond issuance has been high this year at \$1.5 trillion, it is still shy of 2020's record \$1.75 trillion.¹ More importantly, corporate fundamentals relative to outstanding debt are in much better shape than they were during the Internet buildout and bubble in the late 1990s. Today the S&P 500 interest coverage, or earnings before interest and taxes relative to interest expense, is 8.4x, nearly twice as high as the 4.7x it registered in December of 1999. Simply put, companies today generate significantly more earnings relative to their interest obligations, well above the dot-com bubble peak and comfortably higher than their 30-year average.
- As we pointed out in a previous [Alger On the Money](#), the companies putting in place the AI infrastructure (e.g., data centers and equipment) are in far stronger financial shape than the firms that built the Internet infrastructure over 25 years ago. Indeed, today's AI hyperscalers (i.e., major cloud service providers) that are funding much of the AI buildout generate strong free cash flow, unlike many telecommunications firms that financed the Internet buildout during the late 1990s dot-com boom.
- In our view, the companies driving most of the AI infrastructure buildout have solid fundamentals, including strong cash flow and healthy balance sheets with sustainable leverage. Importantly, we believe the hundreds of billions of dollars being deployed into AI infrastructure are essential, as hyperscalers remain constrained by limited compute capacity amid surging demand for AI workloads.

¹ Bloomberg, November 12, 2025.

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