

HYPERSCALERS, AI ASSETS AND DEPRECIATION POLICY

Developing artificial intelligence (AI) models is capital-intensive. Companies providing AI infrastructure buy the necessary data servers and network assets and build data centres to house them. Those building the largest data centres containing hundreds of thousands of data servers are known as ‘hyperscalers’. Five US-based hyperscalers – Google, Amazon, Meta, Microsoft and Oracle – accounted for around two-thirds of global spending on data centres in 2025.

Between 2022 and 2025, these five hyperscalers extended the estimated useful life of their data servers and network assets.¹ Over this period, Meta raised it from four to five and a half years, the others from four to six years. (Amazon dialled back the estimated life of a subset of servers from six to five years in its 2025 financial year.) Why did all five companies decide at this time that these assets had a longer useful life?

- **Management’s explanation: assets’ increased productivity**

The hyperscalers credit the assets themselves for their longer life. In corporate reports, management state they extended the depreciable life of their AI-related assets following a reassessment of the assets’ utility. For example, Microsoft points to the investments it has made in software that have increased the operating efficiency of its data servers and network assets.

- **Alternative explanation: a no-cost boost to corporate earnings**

Many analysts highlight the benefit to reported profits from slower depreciation. AI-related investment began to surge in the early 2020s. Global investment in data centres topped \$580bn in 2025, of which the hyperscalers’ share was over \$400bn.² The investment will lift their reported depreciation expense; lengthening asset life softens the impact on earnings.

Data servers and network assets account for around half of data centre capex. These assets have a shorter economic life than the buildings housing them; they are more ‘costly’ in depreciation terms. Lengthening their life will provide a greater boost to earnings than lengthening the life of data centre infrastructure. The impact of longer expected life of data servers and network assets on the five companies’ FY2025 operating income is estimated in the exhibit below. Key assumptions in the calculation are that a full year’s depreciation is charged in the year of asset purchase and data servers and network assets have an estimated residual value of zero. (All five companies depreciate these assets on a straight-line basis.)

The five companies reported aggregate operating income of \$439bn in FY2025. If they had continued to depreciate servers and network assets over the pre-2022 estimated life of four years, their aggregate FY2025 operating income would have been \$395bn. Thus, slower depreciation lifted their operating income by \$44bn in FY2025, a material 11% increase. The uplift to income will increase in future years as data centre capex grows (it is forecast to reach \$1.7tn by 2030).³ Note there is no tax cost from extending these assets’ life since US tax authorities determine tax depreciation separately.

¹ All five companies prepare their accounts according to US GAAP. Under US GAAP, a change in the estimated life of depreciable assets is applied prospectively (FASB, ASC 250-10-45-17 *Change in accounting estimate*).

² Saavedra, R. and S. Seaward, *US Research Report: Facilitating AI with Unprecedented Infrastructure Investment*, 25 March 2026 (www.colliers.com/en/research/nrep-usdc-data-center-marketplace-2026).

³ Dell’Oro Group, *Data Center IT Capex 5-Year Forecast Report*, January 2026 (www.delloro.com/news/ai-boom-drives-data-center-to-1-7-trillion-by-2030/).

	Alphabet	Amazon	Meta	Microsoft	Oracle	Total
<i>FY 2025 ending</i>	<i>31-Dec</i>	<i>31-Dec</i>	<i>31-Dec</i>	<i>30-Jun</i>	<i>31-May</i>	
In US\$bn						
Operating income, reported	129.0	80.0	83.3	128.5	17.7	438.5
Servers & network assets at cost, end-year	122.2	172.5	98.0	132.8	30.3	
<i>SL depreciation* based on:</i>						
FY2025 estimated life**	20.4	29.7	17.8	22.1	5.1	
Pre-FY2022 4 year life	30.6	43.1	24.5	33.2	7.6	
Impact on operating income of higher depreciation	-10.2	-13.4	-6.7	-11.1	-2.5	-43.8
Adjusted operating income	118.8	66.6	76.6	117.4	15.2	394.7
* Assumptions: zero residual value; full year's depreciation in year of asset's purchase.						
** Alphabet, Microsoft, Oracle 6 years, Meta 5.5 years, Amazon 5.8 years (estimated).						
Sources: FY2025 annual report (Form 10K) for Alphabet, Amazon, Meta, Microsoft and Meta.						

Some commentators question whether even the pre-2022 four-year estimated life for data servers is too optimistic. Data chips are the key component of data servers. Nvidia, the main chip supplier, launches new chip architecture every two years. Products based on the latest architecture have vastly superior performance. For example, the company's 2024 Blackwell chip has 56 times the performance of its 2022 Hopper chip. Its 2026 Rubin chip is expected to have 900 times the performance of the Hopper chip.⁴ Given the intense competition among firms developing AI models, there is an incentive for them to replace data servers as soon as higher-performance products become available. A server life shorter than four years would open up an even larger gap between hyperscalers' reported and adjusted operating income.

⁴ Keegan, J., 'Hoppers, Blackwells and Rubins: A field guide to the complicated world of Nvidia's AI hardware', 23 May 2025, <https://sherwood.news/tech/hoppers-blackwells-and-rubins-a-field-guide-to-the-complicated-world-of/>