

# Why Google Just Asked Investors for \$80 Billion — Its First Cash Call Since 2005

Date: June 03, 2026 | Model: anthropic-batch:claude-opus-4-7

Source: Screenshot (OCR via AI)

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*Note: the original article is provided as a separate file (attached to the email or downloadable from the website).*

## 1. Reading Passage

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It is a golden rule of finance that what goes out must, eventually, come in. That is why the biggest spenders on artificial intelligence are starting to hunt for new ways to fund their habit. Elon Musk's SpaceX and its rival Anthropic have filed paperwork for initial public offerings that together could raise more than \$100 billion. And on June 1, 2026, Google's parent company Alphabet announced it would sell \$80 billion of stock to help bankroll an extravagant buildout of AI data centres — its first equity raise since 2005, the year before YouTube was acquired.

The headline number is, in one sense, almost meaningless. Alphabet is worth roughly \$4.5 trillion, so \$80 billion amounts to less than 2% of its market capitalisation — practically a drop in the bucket. Yet for global capital markets, the raise is enormous: Google's new funds equal nearly 10% of all the equity sold worldwide last year, according to Dealogic. What really matters, though, is not the sum but the shift it represents. Since going public in 2004, Google has had more cash than it knew what to do with. Now, its AI ambitions are so colossal that even \$127 billion in cash and equivalents no longer feels like enough.

Consider how AI has rewired Google's finances. Five years ago, capital expenditure on servers and networking gear was about \$25 billion, comfortably covered by \$92 billion of operating cash flow. By 2027, analysts at Visible Alpha expect capex to reach \$250 billion against cash flows of \$260 billion — a far tighter fit. For the first time in its listed history, Google may actually spend more than it makes. The result: Alphabet and rivals like Meta Platforms are pursuing outside money. Google recently launched a joint venture with private equity firm Blackstone to build data centres that don't sit on Google's own balance sheet.

That balance sheet is no longer pristine, either. According to LSEG, Alphabet now carries roughly \$100 billion in outstanding bonds — \$89 billion of it issued in just the past two years. Still, the company is far leaner than a typical old-world industrial firm: its total debts remain smaller than its cash pile, even before the new stock sale. A single quarter in the red would be uncomfortable, not catastrophic. And unlike OpenAI or Anthropic, for which the AI bet is do-or-die, Google has a vast advertising business throwing off more than \$200 billion of revenue a year as a cushion.

Here's the catch. As the tech industry passes around the hat for outside capital, it is everyone else who should feel uneasy. Silicon Valley is now siphoning ever-larger volumes of cash out of public markets, issuing stocks and bonds that end up in nearly every retirement account and index fund. Meanwhile, the surge in spending is pushing up prices across the wider economy — for advanced chips, for skilled construction labour, even for household electricity. Tech's investment binge used to be tech's own business. Now, whether they realise it or not, it is everyone's.

## 2. Explanation

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*For 20 years, Google was the company that never needed your money. This week it asked Wall Street for \$80 billion — and the reason reveals just how expensive the AI race has become.*

### What's Going On?

Alphabet, Google's parent company, announced on June 1, 2026 that it will sell \$80 billion of new stock to help fund a massive buildout of AI data centres. It's the company's first equity raise since its 2005 follow-on offering — back when YouTube didn't yet exist.

The package has three pieces: a \$30 billion underwritten public offering, a \$40 billion 'at-the-market' programme that drips shares into the open market over time, and a \$10 billion private placement to Warren Buffett's Berkshire Hathaway. The article frames this as part of a wider shift: SpaceX and Anthropic have also filed for IPOs that together could raise more than \$100 billion.

### How To Think About It

Imagine a wildly profitable family bakery that has paid for every new oven out of its own till for 20 years. Suddenly it wants to build a chain of industrial-scale factories — and the cost is so big that even its overflowing cash drawer isn't enough. Selling slices of ownership to outsiders is the obvious move, but it tells you the project has outgrown anything the bakery can self-fund.

- It's like a star quarterback finally hiring a personal trainer: the talent is still elite, but the next level of performance requires outside help the player used to scoff at.
- Or like a city that has always paid for roads out of tax receipts deciding, for the first time in two decades, to issue municipal bonds — the spending itself isn't reckless, but the financing mix has flipped.

### Key Things To Know

- Alphabet is worth roughly \$4.5 trillion, so \$80 billion is less than 2% of its market cap — small in percentage terms, but equivalent to nearly 10% of all equity sold globally last year, according to Dealnic.
- Five years ago Google's capex was about \$25 billion against \$92 billion of operating cash flow. By 2027, analysts expect capex of around \$250 billion against \$260 billion of cash flow — a vanishingly thin margin.
- Berkshire Hathaway is anchoring the deal with \$10 billion, a notable vote of confidence from an investor historically allergic to expensive tech bets.
- Unlike OpenAI or Anthropic, Google has a \$200 billion-a-year advertising business cushioning the AI gamble — but it has also issued \$100 billion in bonds, \$89 billion of it in just the past two years.
- Most people miss this: the issue isn't that Google is broke. The issue is that AI capex has grown so large it now moves global capital markets — and even cash-rich giants need outside money to keep up.

### Why It Matters

If you own an index fund – through a parent's 401(k), a custodial account, or eventually your own – you already own a slice of this bet. AI capex is now so big it's pushing up prices for chips, construction labour, and even household electricity. The career and college choices you're weighing (CS, electrical engineering, power systems, even HVAC trades) are being reshaped in real time by where these data centres get built and who staffs them.

## **The Bigger Picture**

The last time a tech sector demanded this much capital this fast was the late-1990s telecom and dot-com buildout – which produced both the modern internet and a spectacular crash. The question to watch isn't whether AI is real; it's whether revenue from AI services arrives quickly enough to justify the eye-watering bills. If it does, today's equity raises look visionary. If it doesn't, a lot of investors – including ordinary savers – absorb the losses, because the spending has officially escaped the tech industry's own balance sheets.

### 3. Key Terms Glossary

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#### **Equity raise**

When a company sells newly created shares to investors to bring in cash. Unlike borrowing, the money never has to be repaid – but existing shareholders end up owning a smaller slice of the company.

#### **Capital expenditure (capex)**

Money a company spends on long-lived physical assets – data centres, servers, chips, buildings – as opposed to day-to-day operating costs like salaries.

#### **Operating cash flow**

The cash a business actually generates from running its core operations in a given period. A key measure of whether a company is self-funding or not.

#### **Market capitalisation**

The total value of a company's outstanding shares (share price × number of shares). Alphabet's \$4.5 trillion market cap is what makes an \$80 billion raise look small in percentage terms.

#### **At-the-market (ATM) offering**

A flexible stock sale where a company sells small batches of new shares directly into the public market over weeks or months, rather than dumping them all at once.

#### **Balance sheet**

The financial snapshot of what a company owns (assets), what it owes (liabilities), and what's left for shareholders. A 'pristine' balance sheet means low debt and high cash.

#### **Initial public offering (IPO)**

The first time a private company sells shares to the public, listing on a stock exchange. SpaceX and Anthropic are reportedly preparing IPOs that could collectively top \$100 billion.

#### **Hyperscaler**

An industry term for the handful of tech firms – Google, Amazon, Microsoft, Meta – that operate data centres at globe-spanning scale and now drive AI infrastructure spending.

## 4. Reading Comprehension Quiz

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Circle the best answer for each question.

- Q1.** The passage most directly argues that Alphabet's \$80 billion stock sale is significant because it:
- A) will make Alphabet the world's most valuable company
  - B) signals that AI spending has outgrown even tech giants' internal cash
  - C) marks the end of Google's advertising-based business model
  - D) proves that Berkshire Hathaway now controls Alphabet's strategy
- Q2.** According to the passage, why is an \$80 billion raise described as a 'drop in the bucket' for Alphabet?
- A) Because Berkshire Hathaway is covering most of the cost
  - B) Because the company already holds \$260 billion in cash reserves
  - C) Because it equals less than 2% of Alphabet's market capitalisation
  - D) Because Google's advertising revenue exceeds \$200 billion a year
- Q3.** As used in the passage, the word 'pristine' most nearly means:
- A) spotlessly clean and unburdened by debt
  - B) newly created and untested
  - C) publicly admired and well-known
  - D) expensive and difficult to maintain
- Q4.** As used in the passage, the word 'firepower' most nearly means:
- A) military or weapons capability
  - B) available financial resources
  - C) explosive growth potential
  - D) competitive aggression
- Q5.** The passage suggests that Google's position is stronger than OpenAI's and Anthropic's primarily because:
- A) Google has been a publicly traded company since 2004
  - B) Google's debt levels are still smaller than its cash holdings
  - C) Google has a profitable advertising business unrelated to AI
  - D) Google's data centres are partly funded by Blackstone
- Q6.** Which statement about AI capital spending can most reasonably be inferred from the passage?
- A) AI investment will permanently replace advertising as Big Tech's main revenue source
  - B) AI capex is now large enough to affect prices across the broader economy
  - C) Most AI spending will be funded by private equity firms like Blackstone
  - D) Google's competitors will be unable to match its \$250 billion 2027 capex
- Q7.** The passage implies that the Blackstone joint venture allows Google to:
- A) outsource the development of its AI models to a partner
  - B) build new data centres without putting the cost on Google's balance sheet
  - C) buy back shares more aggressively than it otherwise could
  - D) diversify into private equity and real estate investments

**Q8.** The author's tone in describing Google's spending is best characterised as:

- A)** alarmed and openly critical of Alphabet's leadership
- B)** neutral and detached, with no judgement implied
- C)** analytical with a hint of unease about industry-wide effects
- D)** enthusiastic about Google's prospects in the AI race

**Q9.** Which of the following can most reasonably be inferred about Alphabet's historical financial position before this raise?

- A)** It depended on regular stock sales to fund expansion
- B)** It generated more cash than it could productively invest internally
- C)** It was technically insolvent during the early 2010s
- D)** It avoided debt issuance until very recently

**Q10.** Which choice provides the BEST evidence for the answer to the previous question?

- A)** 'It is a golden rule of finance that what goes out must, at some point, come in.'
- B)** 'Google has not raised equity capital since 2005.'
- C)** 'The search giant has had more money than it knew what to do with.'
- D)** 'Going into the red for a single quarter would be uncomfortable but tolerable.'

**My Score:** \_\_\_\_\_ / 10

## 5. Answer Key with Explanations

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**Q1.** The passage most directly argues that Alphabet's \$80 billion stock sale is significant because it:

**Answer: B**

The passage's central claim is that the raise matters less for its dollar size than for what it represents: AI capex has become so large that even cash-rich companies must seek outside funding. D is the main trap – Berkshire's \$10 billion is an endorsement, not control (Trap C: true-sounding but unsupported). SAT Tip: On 'primary argument' questions, look for the answer that captures the article's thesis – usually stated near the top or in a pivot sentence – not a flashy detail.

**Q2.** According to the passage, why is an \$80 billion raise described as a 'drop in the bucket' for Alphabet?

**Answer: C**

The passage explicitly notes that \$80 billion is under 2% of Alphabet's \$4.5 trillion market cap, which is what makes the dollar figure feel small. D is true and tempting but is cited for a different point – that Google can absorb AI risk better than rivals (Trap C: real-world true but wrong reason). SAT Tip: When a question asks 'according to the passage,' anchor your answer to the specific sentence that supplies the reasoning, not to other true facts the passage mentions elsewhere.

**Q3.** As used in the passage, the word 'pristine' most nearly means:

**Answer: A**

In context, the passage says Alphabet's balance sheet is 'no longer pristine' because of \$100 billion in outstanding bonds – so 'pristine' means clean/debt-free. B is the dictionary-adjacent trap (pristine can mean 'in original condition,' but that meaning doesn't fit financial context – Trap B: right vocabulary, wrong combination). SAT Tip: On vocab-in-context, plug each option back into the sentence – the right answer should preserve the sentence's original meaning exactly.

**Q4.** As used in the passage, the word 'firepower' most nearly means:

**Answer: B**

The passage refers to '\$127 billion of firepower in the form of cash and cash equivalents,' so firepower clearly means spending power or financial resources. A is the literal-meaning trap (Trap B: word's common meaning rather than its passage meaning). SAT Tip: Figurative business vocabulary ('firepower,' 'headwinds,' 'runway') almost always loses its literal meaning – let the surrounding nouns tell you the figurative one.

**Q5.** The passage suggests that Google's position is stronger than OpenAI's and Anthropic's primarily because:

**Answer: C**

The passage contrasts Google with OpenAI and Anthropic, 'for whom it really is AI or bust,' noting Google's \$200 billion+ ad business provides a cushion. B is true but is cited about leanness, not about the OpenAI/Anthropic comparison (Trap A: right scope, wrong direction). SAT Tip: When asked to compare two groups, find the exact sentence that names both – don't substitute a general impression.

**Q6.** Which statement about AI capital spending can most reasonably be inferred from the passage?

**Answer: B**

The passage states that AI-driven spending is pushing up 'the price of everything from chips and construction labour to household electricity,' a clear inference that AI capex has macroeconomic spillover. A is unsupported speculation (Trap C: real-world plausible but not stated). SAT Tip: Inference answers must be one small logical step from the text – if you'd need a new fact to defend the answer, it's wrong.

**Q7.** The passage implies that the Blackstone joint venture allows Google to:

**Answer: B**

The passage explains the Blackstone venture is for data centres 'that don't burden its own balance sheet' – i.e., off-balance-sheet financing. C contradicts the article, which says buybacks are being scaled back to fund AI (Trap A: opposite direction). SAT Tip: Watch for answers that reverse the cause-and-effect direction of the passage – they're a favourite trap on inference questions.

**Q8.** The author's tone in describing Google's spending is best characterised as:

**Answer: C**

The author uses phrases like 'extravagant spending,' 'no longer so carefree,' and notes investors 'should feel uneasy,' showing analytical caution rather than alarm or cheerleading. A overstates the criticism (Trap B: passage vocabulary in wrong combination – 'uneasy' is not 'alarmed'). SAT Tip: For tone, scan for adjectives and adverbs the author chose – they reveal stance more reliably than the topic itself.

**Q9.** Which of the following can most reasonably be inferred about Alphabet's historical financial position before this raise?

**Answer: B**

The passage says that since going public in 2004, Google had 'more money than it knew what to do with' – a direct paraphrase of B. A is the opposite of the truth, since the article emphasises this is the first equity raise since 2005 (Trap A: wrong direction). SAT Tip: Inferences should mirror the passage's wording at one remove; if an option flatly contradicts a stated fact, eliminate it immediately.

**Q10.** Which choice provides the BEST evidence for the answer to the previous question?

**Answer: C**

Option C directly states the surplus-cash situation that question 9 asks about. B is related and tempting but speaks to financing history rather than the cash surplus itself (Trap B: same vocabulary cluster, wrong specific claim). SAT Tip: On evidence-pairing pairs, find the sentence that supports your previous answer FIRST, then match it to whichever option quotes that sentence.