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Insigneo Weekly Dispatch

The Potential Beneficiaries of the AI Infrastructure Spending Boom

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The Potential Beneficiaries of the AI Infrastructure Spending Boom

Leading technology companies such as Microsoft, Amazon, and Meta are expected to spend over \$350 billion in 2025 on AI infrastructure alone, with projections reaching as much as \$5.2 trillion by 2030, driven by the urgent need support AI demand.

While approximately 40–50% of capex goes to chip-related hardware, the rest benefits a wide range of sectors, including real estate, industrials, and utilities, which supply the physical and energy infrastructure needed by this rapidly-evolving technology.

AI is reshaping the power generation landscape, with utilities seeing explosive demand growth. This creates new growth opportunities, as power availability becomes a top priority for future data center locations.

It seems that every quarter, we hear more about the never-ending need for increased spending on AI-related infrastructure. Many of this nascent industry's leading companies themselves, such as Microsoft and Palantir, have stated that the only thing holding back the massive potential of AI is not the insatiable demand for it, but the lack of infrastructure needed to support it. As a result, many of the biggest companies in the industry are spending large amounts of capital, otherwise known as capital expenditures or capex, to build out the infrastructure needed to propel AI. But exactly how much money is being spent on infrastructure? What is all this capex being spent on? And what industries or companies could benefit the most from this spending spree?

When we think of investing in the Artificial Intelligence industry, we may think of the traditional hyperscalers such as Amazon, Microsoft, Alphabet, or Meta. These companies are all key players in the AI ecosystem and have been major beneficiaries of the AI boom. However, much like animals evolving in a particular setting, these companies are quickly outgrowing their environment. In nature, most animals would adapt or migrate to accommodate to changing conditions. **In the world of AI, the animals of the AI forest are not leaving or adapting to their environment; they are literally transforming it to fit their needs.**

Case in point is the hundreds of billions of dollars being spent by some of the biggest companies in the industry to create and develop the infrastructure needed to support the demand for AI. Chart 1 shows the amount of capex expected to be spent on AI infrastructure by Amazon, Microsoft, Alphabet, Meta, Oracle and Apple in 2025. Understandably, the first four companies are experiencing the highest levels of capex, as they strive to maintain their dominance in the hyperscaler industry. Oracle and Apple are not currently recognized as hyperscalers, as they are not operating massive-scale data centers to support AI or

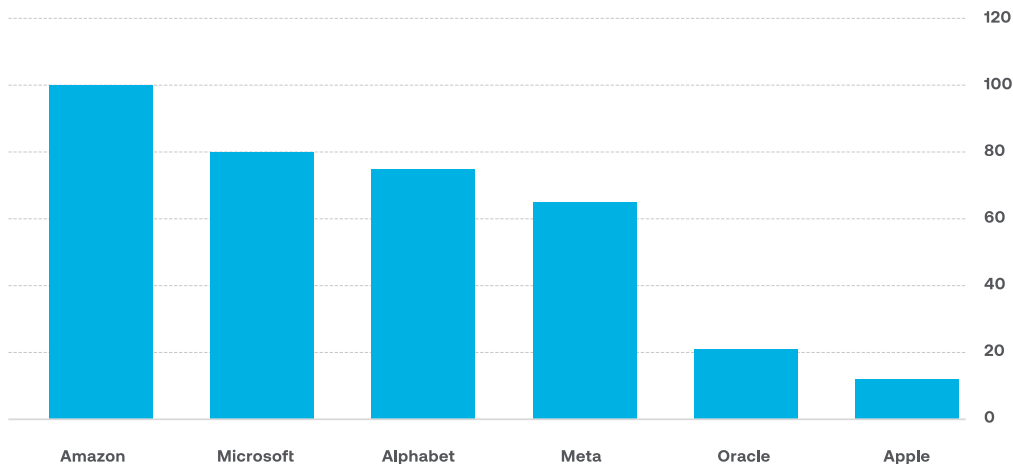
cloud operations. However, it is likely only a matter of time before these two companies substantially increase their capex figures to handle the massive amounts of data each one processes. **The total expected spending on AI infrastructure by these six companies, this year alone, is over \$350 billion.** That is \$100 billion *more* than the GDP of Greece. In other words, with their AI infrastructure capex spending plans alone, these six companies could cover the entire economic activity of Greece and still have over \$100 billion to spare. The increasing demand for AI infrastructure is only expected to continue to grow in the future. In a recent report, the global consultancy group McKinsey & Co, stated, “We calculate that

companies across the compute power value chain will need to invest \$5.2 trillion into data centers by 2030 to meet worldwide demand for AI alone.” (McKinsey Quarterly/April 2025). The scale of these capital expenditures figures is simply astounding, which begs the question; what is all this money being spent on? As well as, what industries and companies could be the potential beneficiaries?

When we think of AI infrastructure, we think of massive data center buildings housing thousands, sometimes hundreds of thousands of servers. Hidden from view lie the giant cooling units needed to keep the servers running, the electricity needed to power

Graph 1: Expected Capex on AI Infrastructure in 2025

(in billions of USD)



Source: (Insigneo, Reuters, The Guardian, Forbes, The Financial Times; as of 8/2025).

them, and the machinery needed to distribute and regulate said power. Interestingly though, a large part of the capex being spent on AI infrastructure is not intended for these types of projects. Instead, analysts estimate that between 40% and 50% of all AI infrastructure-related investment is destined for the acquisition of chip-related hardware. This explains why companies like Nvidia are seeing their revenues grow at exponential rates and find themselves in fierce competition to maintain their industry-leading positions. **In fact, only about 40% of AI-related**

infrastructure spending goes to data centers, including buildings, power, cooling, and interconnectivity. Regardless, 40% of this year’s expected capex spending is still over \$140 billion, a large sum that could bolster the fortunes of many companies in various, mostly unrelated sectors, including real estate, industrials, and utilities.

Within real estate, two public companies, Equinix (EQIX) and Digital Realty Trust (DLTR), stand as some of the leading developers of data centers around the

world. Operating hundreds of data centers, these companies are seeing increasing demand for AI-related operations, with approximately half of new bookings stemming from AI demand. A critical need for data centers is proper electrification and power management, given the immense amount of power they consume. As a result, previously mostly niche-oriented companies such as ABB (ABB.N.SW), Legrand (LR.FP), and Eaton (ETN) have developed new, lucrative revenue streams by providing the specialized power connectors and switches needed by data centers to properly and efficiently regulate the flow of power coming into the countless servers they house. Immense amounts of power consumption generate equally large amounts of heat, which calls for the need for vast and intricate cooling systems to maintain servers running properly. Although many different technologies are being tested to improve data center cooling systems, Ohio-based Vertiv (VRT) is currently the leading manufacturer of cooling and heat management systems for the data-center industry. Demand from this industry alone is leading to meaningful revenue and earnings growth for this company, as well as improving cash flow generation. Many other companies in the Industrials sector such as United Rentals (URI), Johnson Controls (JCI), Carrier (CARR), Schneider Electric (SU.FP) and Siemens (SIE.GY), have all echoed the strong demand stemming from AI infrastructure spending experienced by their individual businesses.

Not to be left for last, the utilities industry has been one of the leading sectors in the S&P 500 over the past year, as insatiable amounts of power generation demand from AI have boosted many of these companies' current and future earnings growth potential. In fact, last year's second best-performing stock in the entire S&P 500 was electrical power generator Vistra Corp (VST), topped only by AI darling Palantir (PLTR). By design, utilities tend to have largely predictable demand growth rates and ensuing cash flows.

The exponentially larger, power demand growth rates brought about by the advent of AI have so far proven to be sustainable, a key driver for electric utility growth. A recent report by Barclays showed that over the past three years, global electricity demand by Microsoft, Google and Meta alone has grown by a steady 25% -27% each year. As a result, the availability of easily accessible power is proving to be a major concern for future AI-related infrastructure. A survey conducted by Bloom Energy earlier this year found that 84% of hyperscalers looking to construct new data centers stated that availability of power was the number one concern when selecting a site for development (Bloom Energy/Barclays).

This is great news for electric utility companies generating power near large concentrations of data centers, such as Dominion Energy (D). The company is the leading power provider in Virginia, which includes Northern Virginia's famous "Data Center Alley". At the same time, electricity providers that can generate power through efficient sources such as nuclear energy are likely to benefit from increased power demand, as these power sources are able to generate higher yields than traditional sources. Companies such as NextEra (NEE), Vistra Corp (VST), and Constellation Energy (CEG) are a few of the electric utilities in the United States that have nuclear power generating assets. Such is the demand for power that many hyperscalers now find themselves sourcing power directly from the utilities themselves and avoiding the public distribution means all together. The next generation of power providers will likely involve on-site power generation sources, on or at very close proximity to the data centers themselves. If this happens, this dynamic could benefit the companies of the future, those with fungible means of power generation that can be located near the end customers, such as Small Modular Reactors (SMR's) or solid fuel cells.

Much like during the advent of the internet, Artificial Intelligence is not only leading to technological advancement but is also impacting other industries. In the case of AI, its large and growing need for new infrastructure is likely to permanently, and meaningfully, change the world around it. ■



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