

Counterpoint Global Insights

To Free or Not to Free (Cash Flow)

CONSILIENT OBSERVER | September 17, 2026

Introduction

The question, “Do you want a company’s free cash flow to be positive, negative, or neutral?” often sparks lively debate among finance professionals.

Free cash flow has become a central focus for investors evaluating many of the largest technology companies.

Most notable among them are the “hyperscalers,” firms that operate large networks of data centers. These companies have dramatically grown capital expenditures to meet surging demand for computing power driven by generative artificial intelligence (GenAI). This has put significant pressure on free cash flow.

You may have an answer to the question of free cash flow. The proper response is, “It depends.”

Let’s take a step back. The value of a business is the present value of future free cash flow. Free cash flow (FCF), in standard finance, is net operating profit after taxes (NOPAT) minus investment in future growth. The main component of organic tangible investment is capital expenditures.¹ FCF is the cash that a company can return to its capital providers. It stands to reason that, ultimately, you want FCF to be positive and plentiful.

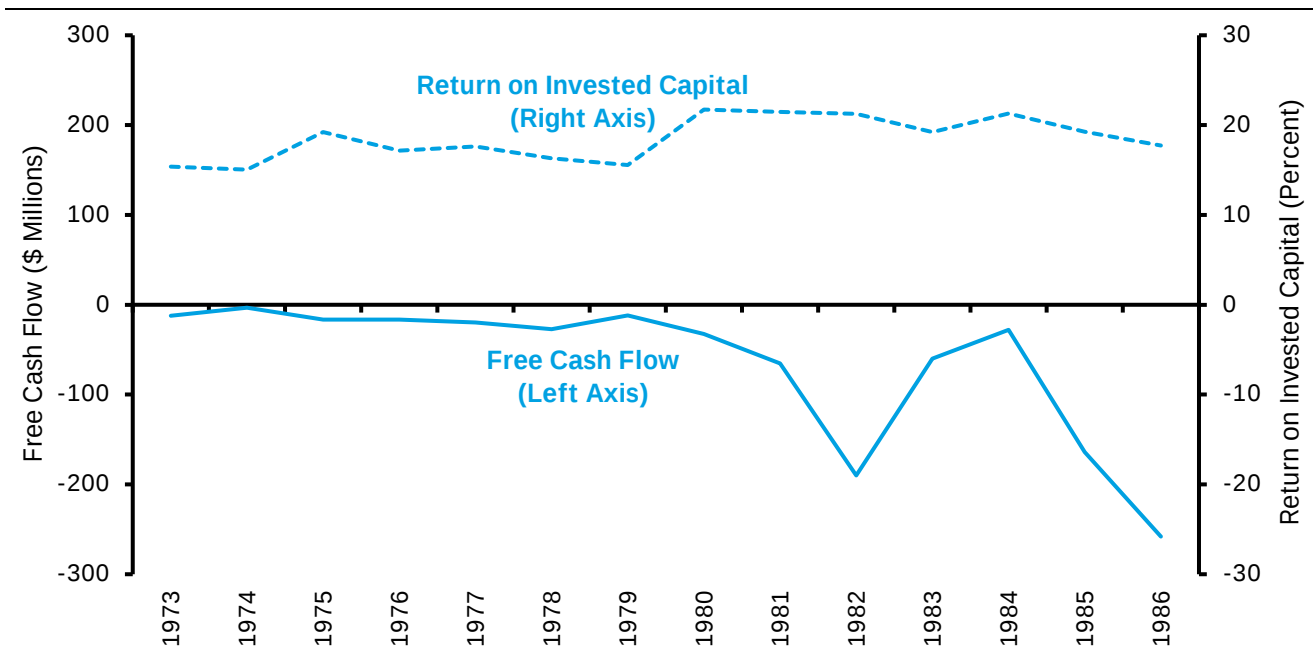
But here is why it depends: If a company can make an investment that earns a return in excess of the opportunity cost of capital, an estimate of the return that investors require, then future FCFs more than make up for the investment cost, and the value of the business goes up.² In other words, a company with opportunities that promise sufficient returns should invest in all of them because those investments create value.

The financial results of Walmart (previously Wal-Mart Stores) from 1973 to 1986 are a good illustration of the point. Walmart had negative FCF for each of those 14 years, but its annual return on invested capital (ROIC) averaged 18 percent, well above its cost of capital (see exhibit 1).

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Exhibit 1: Walmart Free Cash Flow and Return on Invested Capital, 1973–1986

Source: Counterpoint Global, Walmart, and FactSet.

Walmart created value by investing more than it earned. That paid off, as the stock produced an annual total shareholder return of 33 percent during that period, three times that of the S&P 500, an index that tracks the stocks of 500 large companies in the U.S.

This report addresses five topics. First, we provide a working definition of FCF and examine where some leading technology companies stand today using results and consensus forecasts.

Second, we examine whether the acceleration of investment spending changes each company's position within the life cycle.

Third, we calculate return on *incremental* invested capital (ROIIC). This figure attempts to assess the return on the marginal dollar invested in the business. When invested capital grows, a company that has an ROIIC above its current ROIC will see its ROIC rise. One that has an ROIIC below ROIC will see its ROIC fall.

ROIC, considered in tandem with growth, helps explain valuation. Specifically, the spread between ROIC and the cost of capital is positively correlated to the ratio of enterprise value to invested capital, and that correlation tends to rise further when growth is also considered. Moreover, changes in ROIC are positively associated with total shareholder returns.³

Fourth, we look at the relationship between free cash flow and ROIC, similar to what we show for Walmart in exhibit 1.

Finally, we look at how consensus estimates have changed for key value drivers, including sales, earnings before interest and taxes (EBIT), EBIT margins (EBIT ÷ sales), and capital expenditures. This provides some sense of what determines ROIIC.

Free Cash Flow

The most popular definition of FCF is cash flow from operating activities minus capital expenditures.⁴ These items are found on the statement of cash flows. The main components of cash flow from operating activities include net income, non-cash charges that are added back such as depreciation, amortization, and stock-based compensation (SBC), and changes in working capital.

This definition provides a rough proxy for free cash flow to equity (FCFE), which solves for shareholder value by projecting and discounting cash flows directly attributable to equity holders.⁵

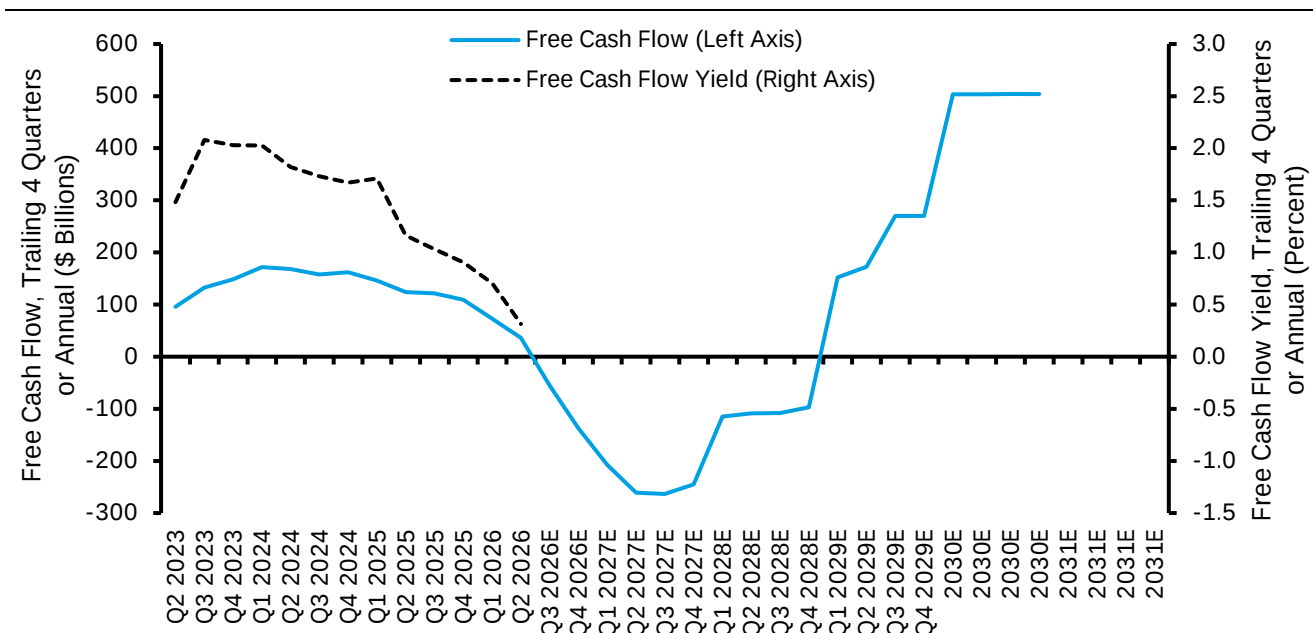
The one adjustment we make to this definition is to subtract SBC from cash flows from operating activities. The reason is that SBC reflects two transactions: a firm selling shares (financing) and using the proceeds to pay employees (compensation for services).⁶

As a result, it makes sense to move SBC from the cash flow from operating activities section to the cash flow from financing activities section. This reduces cash flow from operations as it is commonly defined by around 10–20 percent for large technology companies.

In recent years, growth in cash flow from operating activities has been solid, but capital expenditures have exploded, driving down FCF. Exhibit 2 shows the combined FCF for five hyperscalers: Amazon, Alphabet, Microsoft, Meta Platforms, and Oracle. Here and throughout the report, we use quarterly estimates where available, and otherwise use annual estimates.

The aggregate trailing-four-quarter FCF was about \$170 billion in the first quarter of 2024, delivering a yield on the market value of equity of 2.0 percent. In the second quarter of 2026, the FCF dropped to about \$35 billion and the yield fell to 0.3 percent.

Exhibit 2: Combined Free Cash Flow of Large Hyperscalers



Source: Counterpoint Global and FactSet.

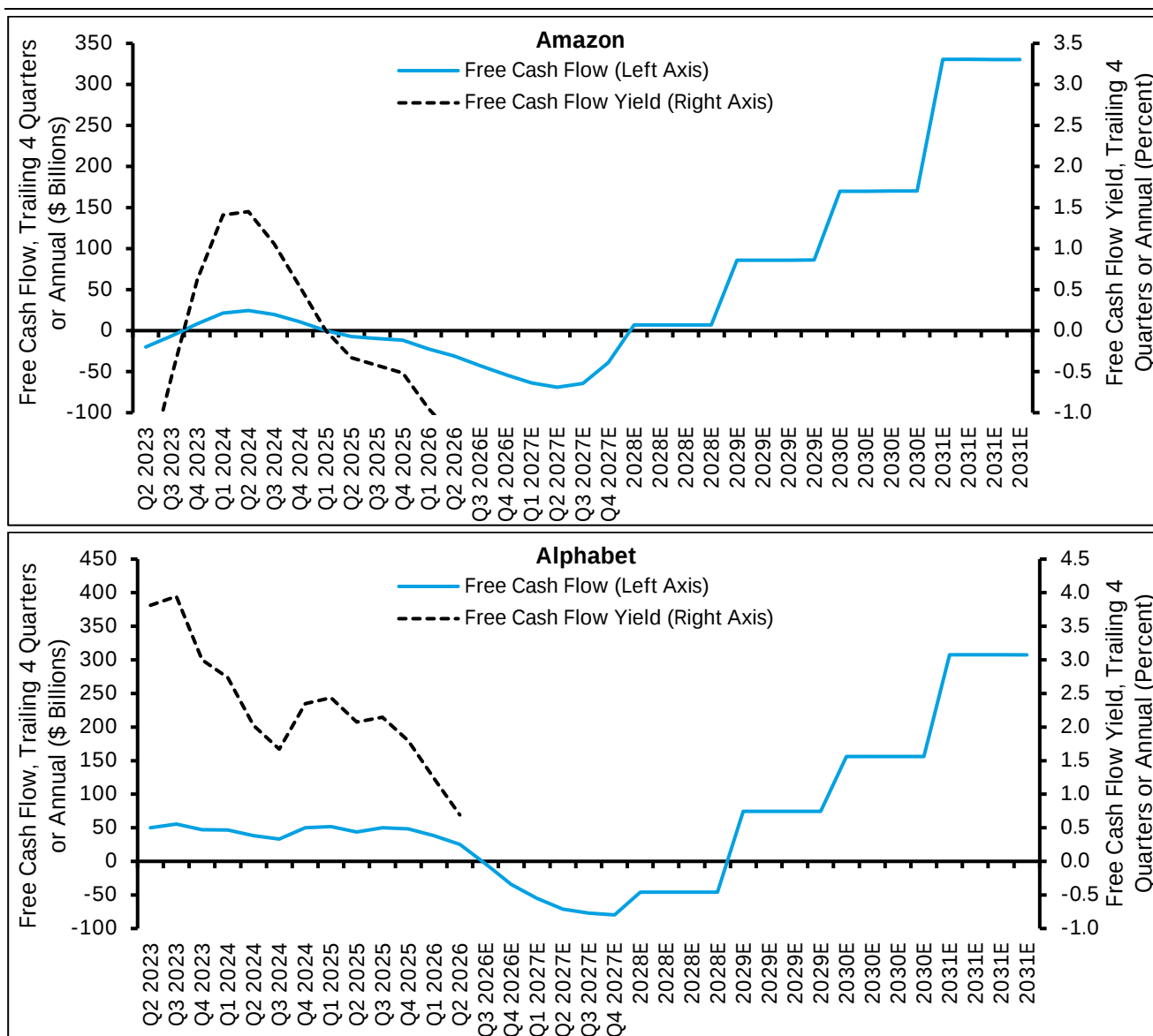
Note: Data calendarized; Estimates are FactSet consensus on 8/31/26; Amazon, Alphabet, Microsoft, Meta Platforms, Oracle.

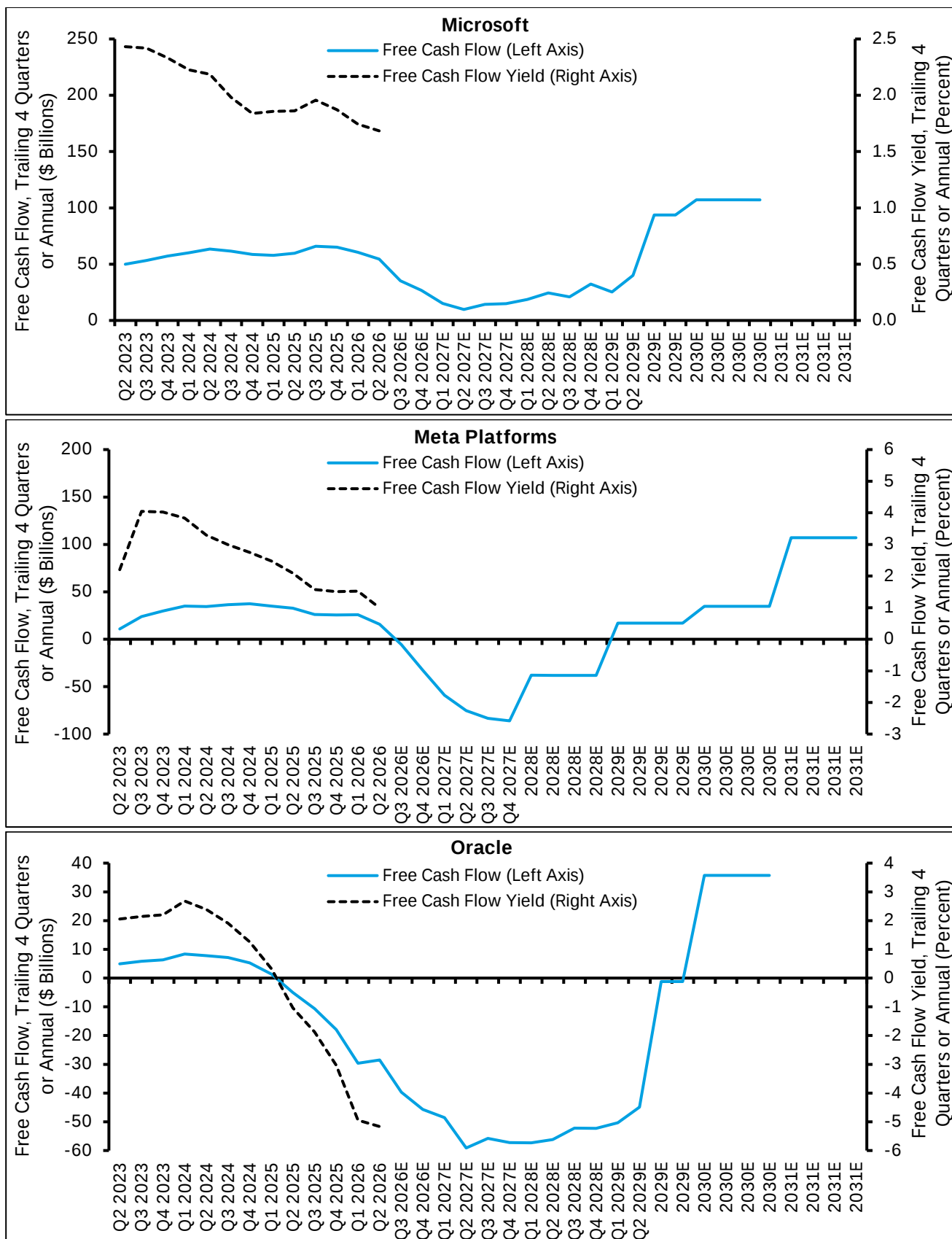
Based on consensus estimates, FCF will bottom in the third quarter of 2027 at about -\$265 billion. That is roughly a \$440 billion swing in under four years. Equally important, the aggregate FCF is forecast to recover to nearly \$505 billion by 2030.

A 2 percent yield on the 2030 FCF estimate would imply an equity capitalization of \$25.2 trillion for this group of companies at that time. Their equity capitalization was about \$12.6 trillion as of August 31, 2026.

Exhibit 3 disaggregates the group and examines the free cash flow for each of the five companies. Note that the scales on the vertical axes differ, but the basic pattern of a dip and recovery is similar for each.

Exhibit 3: Free Cash Flow of Large Hyperscalers





Source: Counterpoint Global and FactSet.

Note: Data calendarized; Estimates are FactSet consensus on 8/31/26.

The following observations cover the second quarter of 2023 through each company's available forecast horizon. All comments about FCF are based on rolling four-quarter, or annual, totals.

- Amazon's FCF troughs in the second quarter of 2027 at -\$70 billion and rises to \$330 billion in 2031.
- Alphabet (the parent company of Google) is expected to reach a bottom in FCF in the fourth quarter of 2027 at -\$80 billion. The cash flows turn from there and climb to about \$305 billion in 2031. This is the second largest swing.
- Microsoft is the only one of these companies that is forecast to maintain positive FCF in the next few years. The nadir is in the second quarter of 2027 at \$10 billion, and then FCF increases to \$105 billion in 2030.
- Meta Platforms's FCF troughs in the fourth quarter of 2027 at -\$85 billion and recovers to \$105 billion by 2031.
- Oracle was among the first of these firms to record negative FCF, and the low is in the second quarter of 2027 at almost -\$60 billion. The analyst consensus forecasts positive FCF of \$35 billion in 2030.

Amazon and Alphabet are the companies with the largest swings from trough to peak (close to \$400 billion), while the changes for Microsoft and Oracle, both roughly \$95 billion, are more modest. The improvement for Meta Platforms is in the middle, with a net gain of roughly \$190 billion. The timing of the low points and recovery levels through 2031 vary by company.

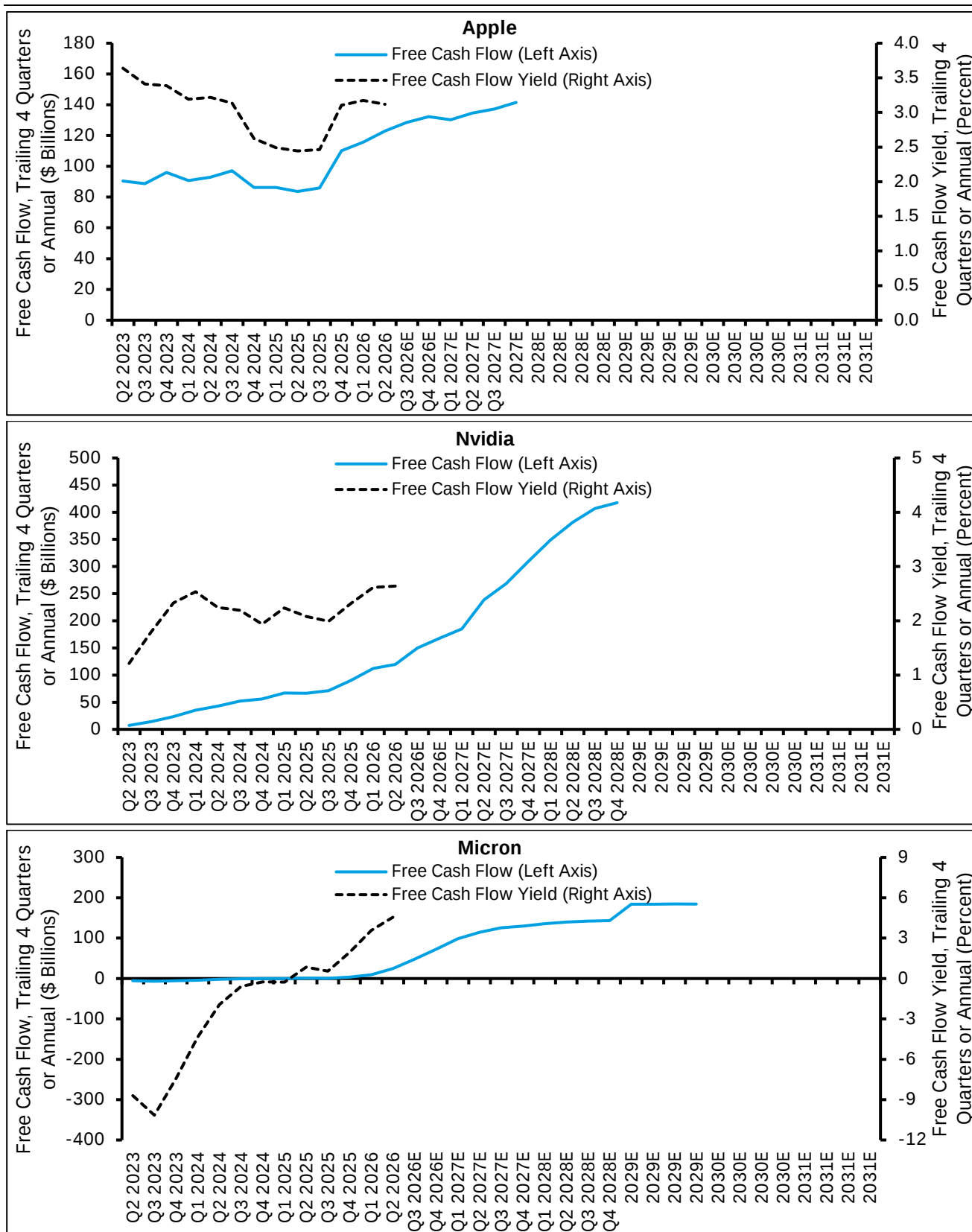
The five companies we selected are among those that have ramped up their capital expenditures the most. We now look at three other companies, one that has not joined the spending fray, Apple, and two that have been the beneficiaries of the spending, Nvidia and Micron Technology.

Apple is a leader in technology hardware and services and has chosen neither to compete head-to-head in the large-scale AI data center business nor to develop a leading frontier AI model. Nvidia is best known for its graphics processing units and Micron for its dynamic random-access memory chips, both of which are key components within AI data centers.

Exhibit 4 shows their free cash flow profiles. Here again, the scales on the vertical axes are different. Each has rising free cash flows, albeit from distinct starting points and with varying slopes. Some observations:

- Apple's FCF is in the range of roughly \$85 to \$100 billion from 2023 to the third quarter of 2025 and then rises to about \$140 billion by the end of 2027. Apple's capital expenditures as a percentage of sales have mostly been in the range of two to three percent, and consensus forecasts call for more of the same. For comparison, Amazon's capital expenditures as a percentage of sales have gone from about 10 percent to 25 percent from 2024 to 2026.
- Nvidia's rolling FCF was \$7 billion in the second quarter of 2023, and consensus forecasts project it to approach \$420 billion by the end of 2028. Nvidia is not a very capital-intensive business, as its most advanced chips are produced by companies that include Taiwan Semiconductor Manufacturing Company and Samsung Electronics.
- Micron's FCF was -\$7 billion in the third quarter of 2023, reached \$25 billion in mid-2026, and is projected to be nearly \$185 billion by 2029. Micron, which is a capital-intensive business, had capital expenditures as a percentage of sales of nearly 50 percent in mid-2023. That ratio is expected to drop to about 20 percent in 2027, with profits growing much faster than anticipated capital expenditures.

Exhibit 4: Free Cash Flow of Large Technology Companies



Source: Counterpoint Global and FactSet.

Note: Data calendarized; Estimates are FactSet consensus on 8/31/26.

Life Cycle

We have written a great deal about the company life cycle framework developed by Victoria Dickinson, a professor of accounting at the University of Mississippi.⁷ The beauty of the Dickinson approach is that she combines well-established empirical work on the life cycle with a practical classification process linked to the statement of cash flows.⁸ The five stages are introduction, growth, maturity, shake-out, and decline.

One result of her method is that companies can switch stages based on their patterns of profitability and investment spending. This includes going from a later stage, such as maturity, to an earlier one, such as growth.

Exhibit 5 shows how the increase in capital expenditures has changed the position of the large hyperscalers, if at all. The results cover 2020 through 2031, where estimates are available. We see that Amazon remains in the growth stage, and Microsoft in the maturity stage, throughout. Alphabet, Meta, and Oracle shift from maturity to growth. The change happens in 2026 for Alphabet, and it occurred in 2025 for Meta and 2024 for Oracle. These three are the large hyperscalers that have raised the most capital to fund their spending.

Exhibit 5: Life Cycle Stages of Large Hyperscalers

Amazon												
Introduction												
Growth												
Maturity												
Shake-Out												
Decline												
	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E

Alphabet												
Introduction												
Growth												
Maturity												
Shake-Out												
Decline												
	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E

Microsoft												
Introduction												
Growth												
Maturity												
Shake-Out												
Decline												
	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E

Meta Platforms												
Introduction												
Growth												
Maturity												
Shake-Out												
Decline												
	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E

Oracle												
Introduction												
Growth												
Maturity												
Shake-Out												
Decline												
	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E

Source: Counterpoint Global and FactSet.

Note: Data calendarized; Estimates are FactSet consensus on 8/31/26.

The picture for the other large technology companies is somewhat different. In the period we measure, Nvidia starts in the growth stage and transitions to maturity, where it remains from 2023 to 2028. Micron also goes from growth in 2022 and 2023 to maturity starting in 2024, but returns to growth in 2027. Apple is a little noisier, because it spends time in the shake-out stage (which is a catchall for companies that do not fall neatly into other stages). But for 2026 and 2027, consensus estimates place it in the maturity stage.

Exhibit 6: Life Cycle Stages of Large Technology Companies

Apple												
Introduction												
Growth												
Maturity												
Shake-Out												
Decline												
	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E

Nvidia												
Introduction												
Growth												
Maturity												
Shake-Out												
Decline												
	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E

Micron												
Introduction												
Growth												
Maturity												
Shake-Out												
Decline												
	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E

Source: Counterpoint Global and FactSet.

Note: Data calendarized; Estimates are FactSet consensus on 8/31/26.

Return on Incremental Invested Capital (ROIIC)

Let's start by defining ROIC before we get to ROIIC:⁹

$$\text{Return on invested capital (ROIC)} = \frac{\text{Net operating profit after taxes (NOPAT)}}{\text{Invested capital (IC)}}$$

The numerator, NOPAT, is the cash earnings a business would have if it had no debt or excess cash. The denominator, invested capital, can be viewed equivalently as the net assets a company needs to generate NOPAT, or the amount of financing a company uses to fund those assets (typically using a combination of debt and equity).

In a clean accounting bridge, investment, which includes changes in net working capital, capital expenditures (net of depreciation expense), and acquisitions (net of divestitures), is equal to the *change* in invested capital. For instance, a company that starts the year with \$1,000 of invested capital and invests \$100 during the year will end with \$1,100 of invested capital.

One of the central ideas in valuation is that invested capital is a sunk cost and that what matters is the cash flow the business will generate in the future. This leads us to ROIIC. ROIIC is a rough estimate of the change in NOPAT as a result of new investment.

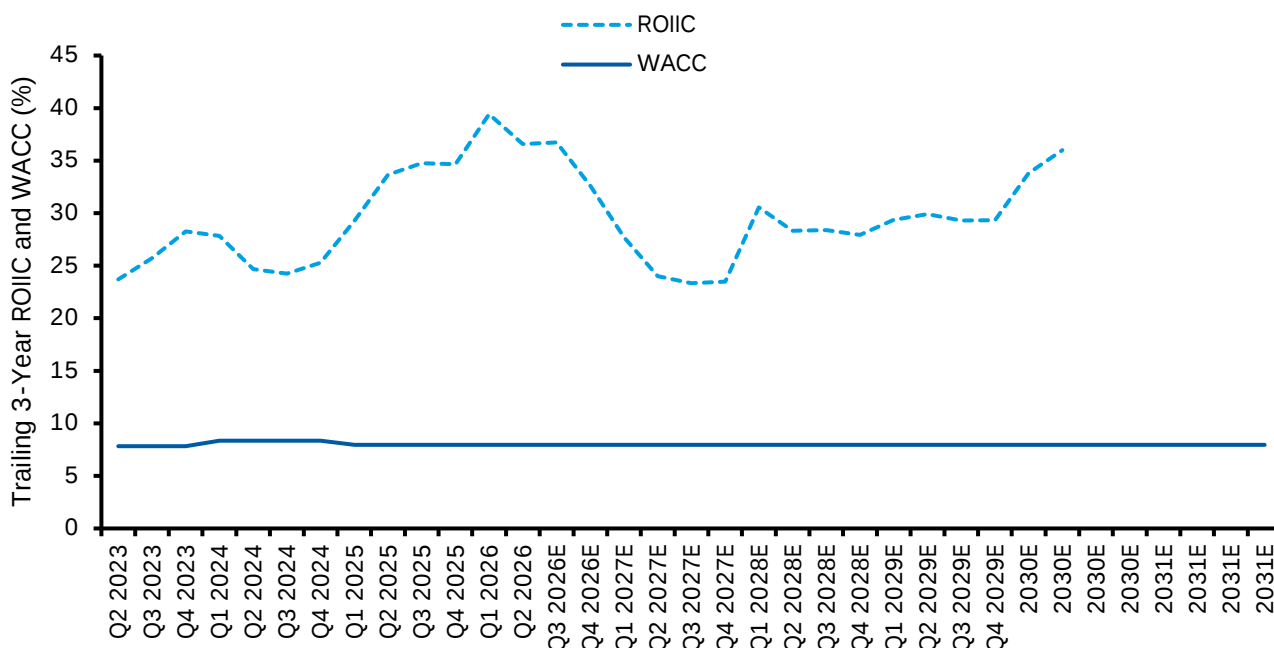
Because investments can be lumpy, we smooth ROIIC by calculating rolling three-year figures. We also include a one-year lag between investment and NOPAT.

$$\text{Return on incremental invested capital (ROIIC)} = \frac{\text{Year}_3 \text{ NOPAT} - \text{Year}_0 \text{ NOPAT}}{\text{Year}_2 \text{ invested capital} - \text{Year}_{-1} \text{ invested capital}}$$

To illustrate, the rolling three-year ROIIC for 2026 would be 2026 NOPAT minus 2023 NOPAT, divided by 2025 invested capital minus 2022 invested capital (i.e., the cumulative investment from 2023 to 2025).

A company that had NOPAT of \$140 in 2026 and \$100 in 2023 (a three-year increase of \$40) and invested capital of \$1,200 in 2025 and \$1,000 in 2022 (a cumulative investment of \$200) would have an ROIIC of 20 percent ($0.20 = \$40 \div \200). The lag makes a big difference for this group of companies because of the rapid growth in invested capital.

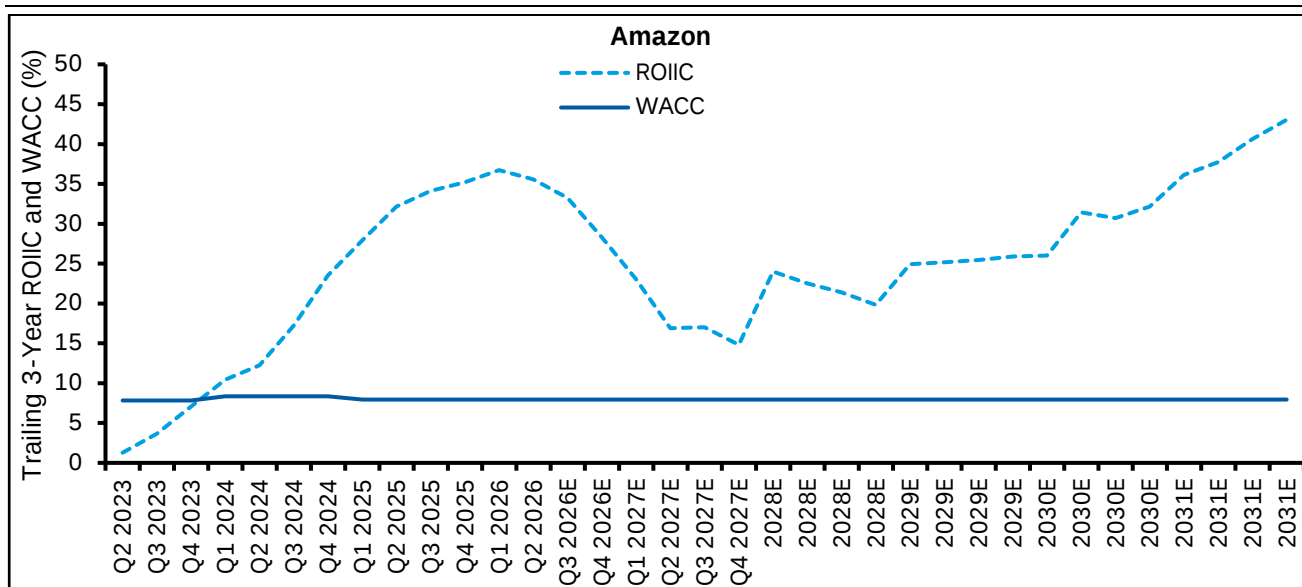
Exhibit 7 shows the combined ROIIC for the same five hyperscalers. We also include an estimate of the weighted average cost of capital (WACC). Returns above the cost of capital create value. Peak ROIIC occurred in the first quarter of 2026 at close to 40 percent versus an estimated WACC of about 8 percent. Based on consensus estimates, the measure troughs in the third quarter of 2027 at about 23 percent and then rebounds somewhat to about 35 percent in 2030.

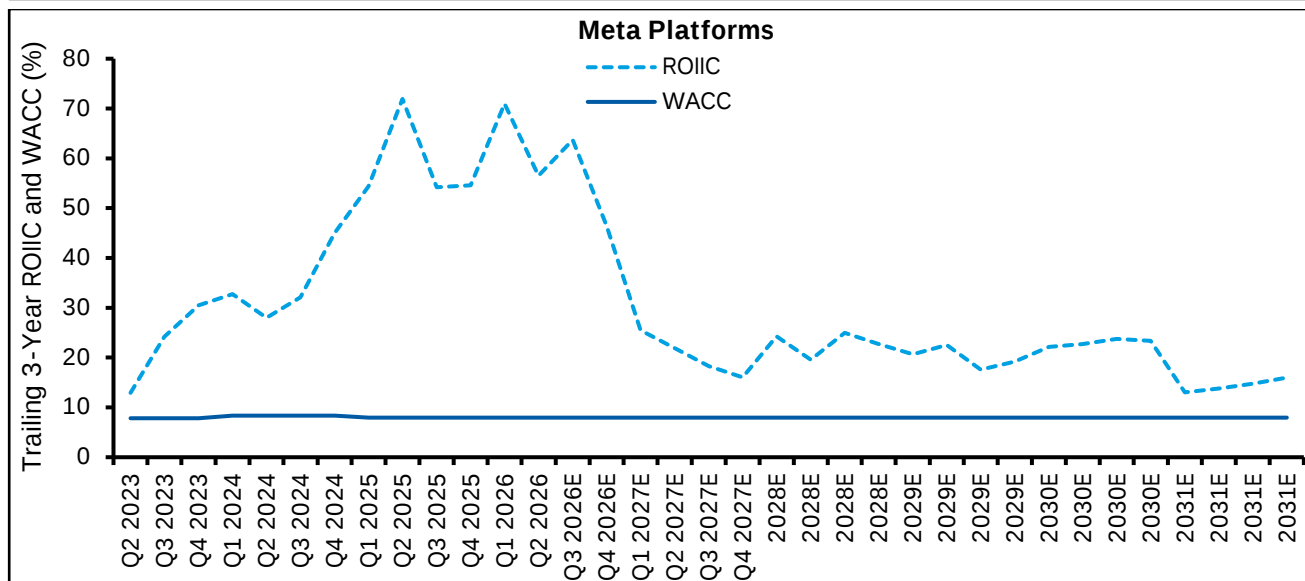
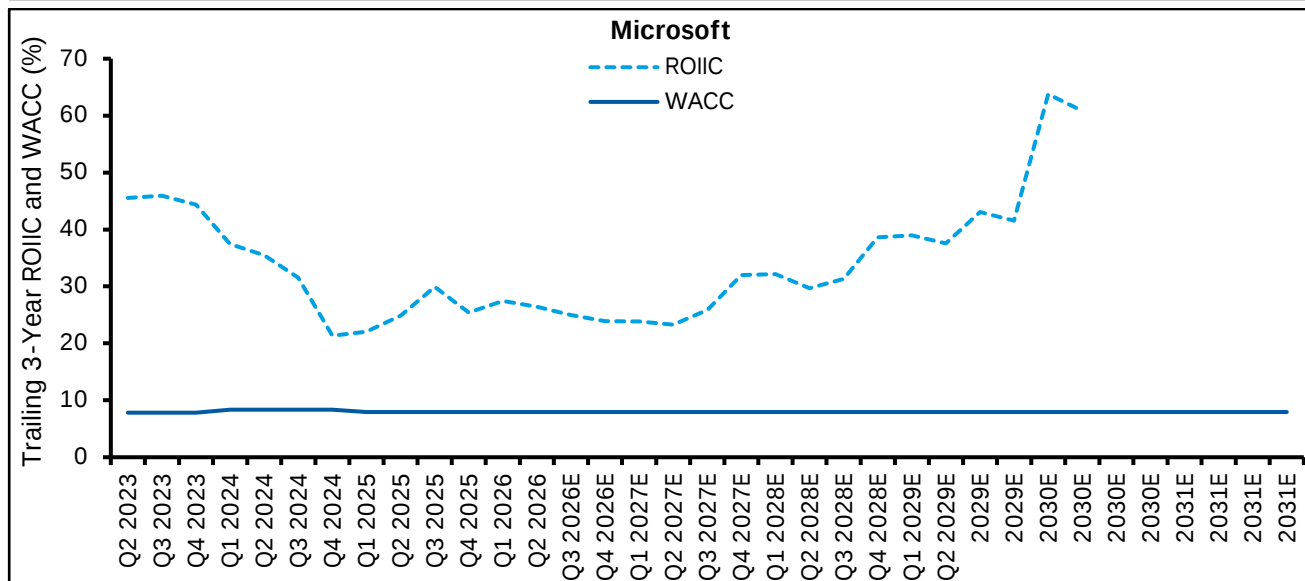
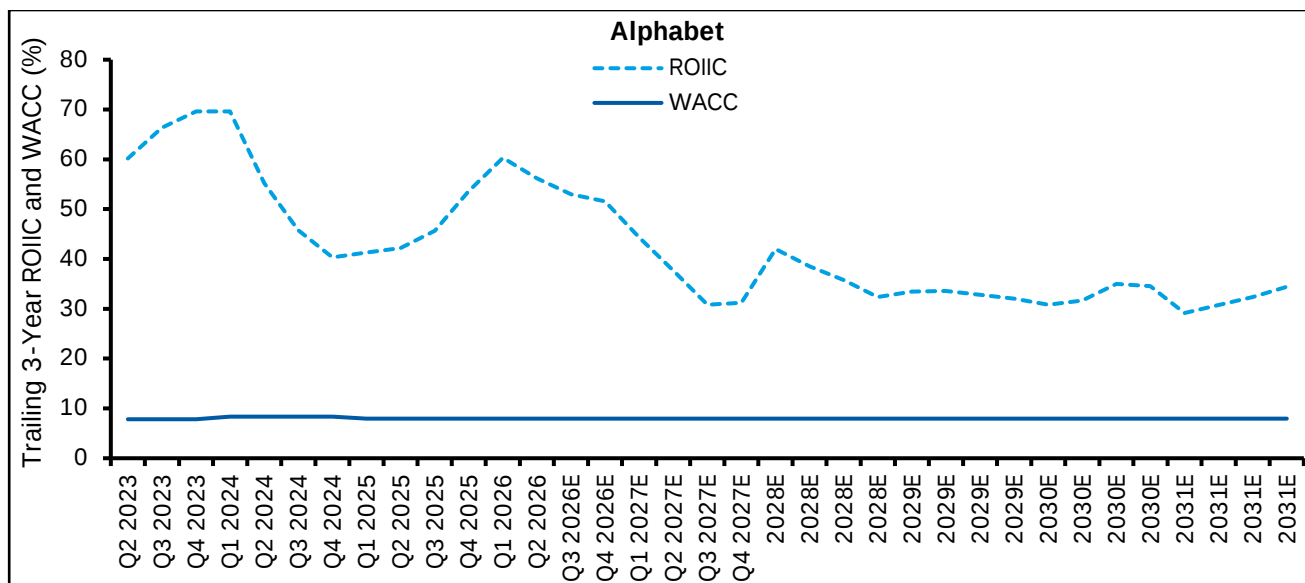
Exhibit 7: Combined Return on Incremental Invested Capital of Large Hyperscalers

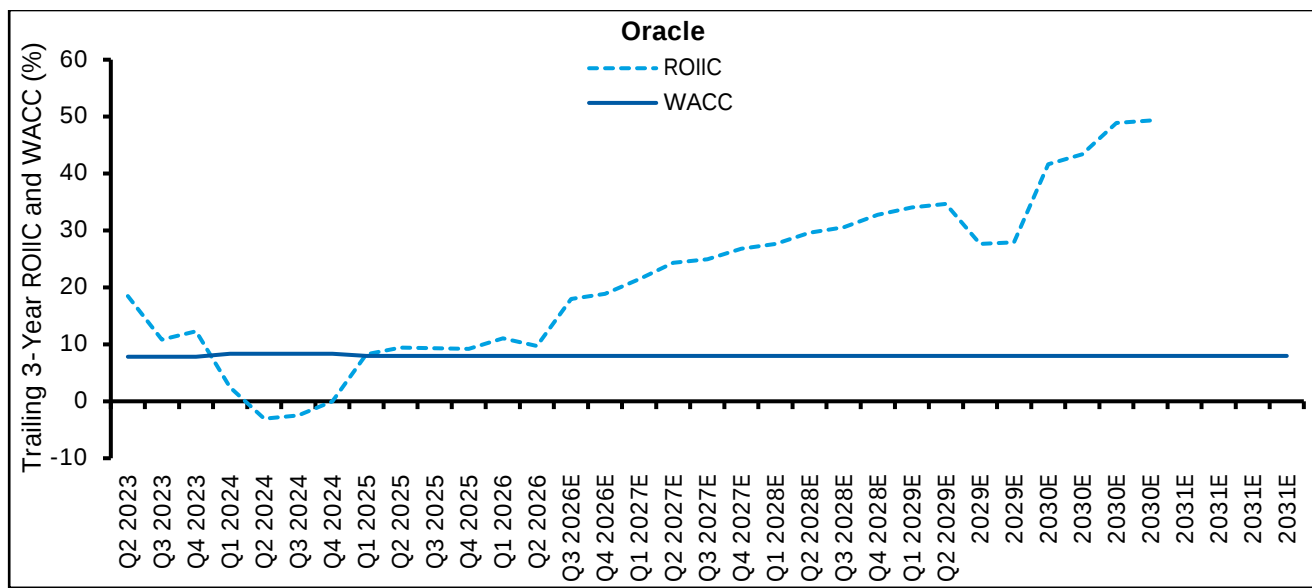
Source: Counterpoint Global and FactSet.

Note: Data calendarized; Estimates are FactSet consensus on 8/31/26; Amazon, Alphabet, Microsoft, Meta Platforms, Oracle.

Exhibit 8 looks at each of the five companies. Note that the scales on the vertical axes differ. Future figures reflect consensus expectations.

Exhibit 8: Return on Incremental Invested Capital of Large Hyperscalers





Source: Counterpoint Global and FactSet.

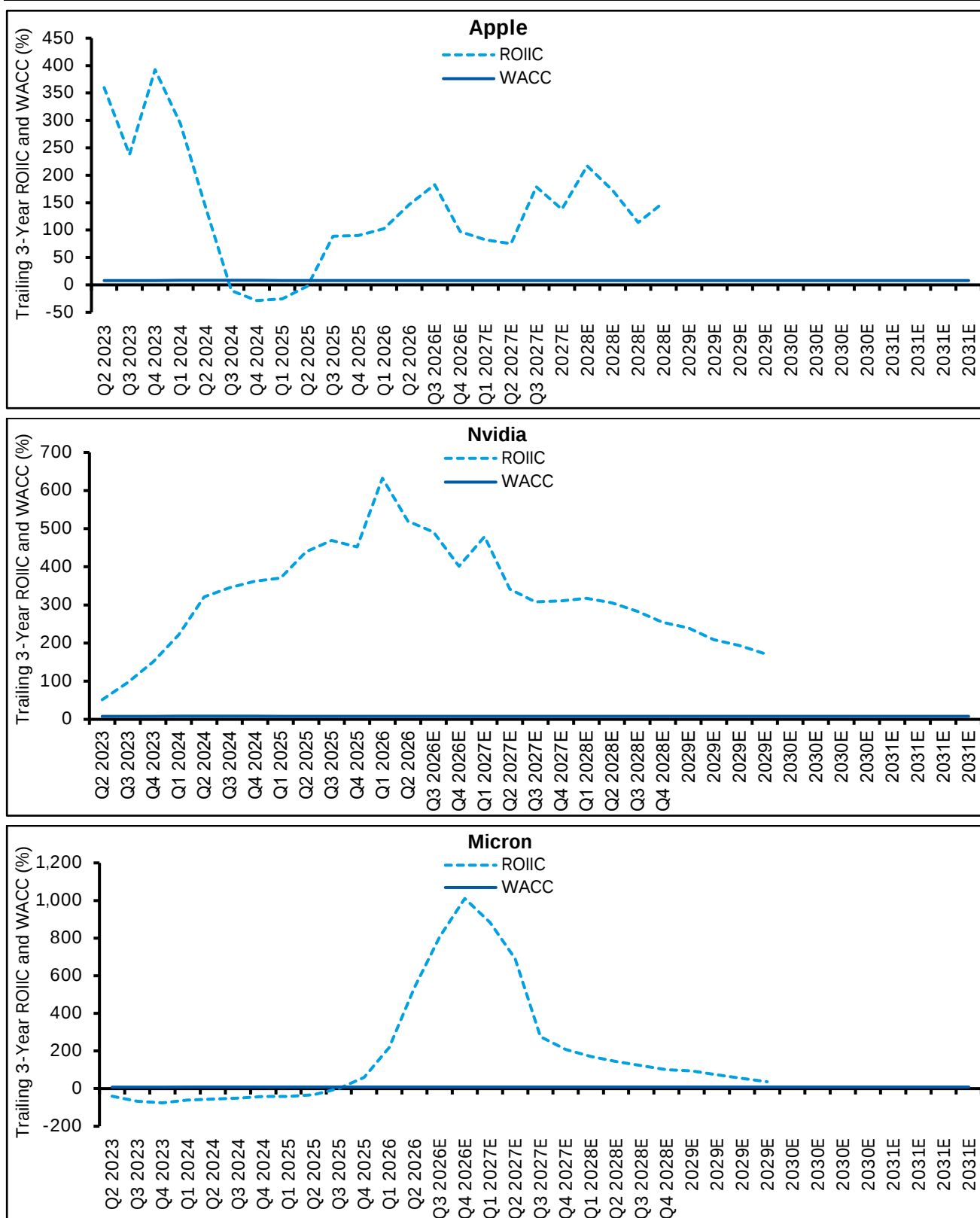
Note: Data calendarized; Estimates are FactSet consensus on 8/31/26.

The following observations cover the second quarter of 2023 through the fourth quarter of 2031 (where forecasts are available). Note that all of the future figures are above the cost of capital:

- Amazon's ROIC peaked in the first quarter of 2026 at about 35 percent and is expected to trough in the fourth quarter of 2027 at nearly 15 percent. From there, ROIC is expected to climb to nearly 45 percent in 2031.
- Alphabet's ROIC apex was 70 percent in the fourth quarter of 2023, and consensus estimates suggest a steady trend lower, reaching about 30 percent in the fourth quarter of 2027, before a slight uptick to about 35 percent in 2031.
- Microsoft's ROIC pattern follows a gentle "U" shape. The ROIC was 45 percent in the third quarter of 2023 before bottoming in the second quarter of 2027 at 23 percent. From there, the ROIC rebounds to around 60 percent in 2030.
- Meta Platforms's ROIC falls sharply from 70 percent in the first quarter of 2026 to 16 percent in the fourth quarter of 2027. From there, results are fairly stable until dipping again in 2031, with ROIC estimated to reach about 13 percent.
- Oracle's ROIC shows an overall ascent, from a low of -3 percent in the second quarter of 2024 to a high of about 50 percent in 2030. Oracle's overall improvement is the largest among these companies.

We now share the same analysis for Apple, Nvidia, and Micron (see exhibit 9).

Exhibit 9: Return on Incremental Invested Capital of Large Technology Companies



Source: Counterpoint Global and FactSet.

Note: Data calendarized; Estimates are FactSet consensus on 8/31/26.

Here is a brief analysis of these results. The three-year smoothing plus a lag does not temper the extreme figures for these businesses (note the large ranges on the vertical axes):

- Apple's ROIC looks like a roller coaster. ROIC was roughly 400 percent in the fourth quarter of 2023 before dropping to -30 percent in the fourth quarter of 2024 and rebounding to mostly near or above 100 percent from the third quarter of 2025 through late 2028, the end of the period where we have consensus estimates.
- Nvidia's ROIC profile takes the form of an extreme inverted "U," starting at 50 percent in the second quarter of 2023, then rocketing to more than 600 percent in the first quarter of 2026 before settling below 200 percent in the second half of 2029. Nvidia's sharp rise in ROIC is consistent with the surge in FCF that consensus forecasts suggest.
- Micron's ROIC profile is the most extreme of all the companies under consideration. In the fourth quarter of 2023 it was about -75 percent, which is a reading that is not uncommon among cyclical businesses. It is then forecast to rise to more than 1,000 percent in the fourth quarter of 2026, before moderating to about 35 percent by the end of 2029.

These results reflect consensus estimates by sell-side analysts. They can be revised in a potentially material way. The main thing to watch is whether the incremental revisions in sales and EBIT, the core determinants of profits, keep up sufficiently with the increase in investment.

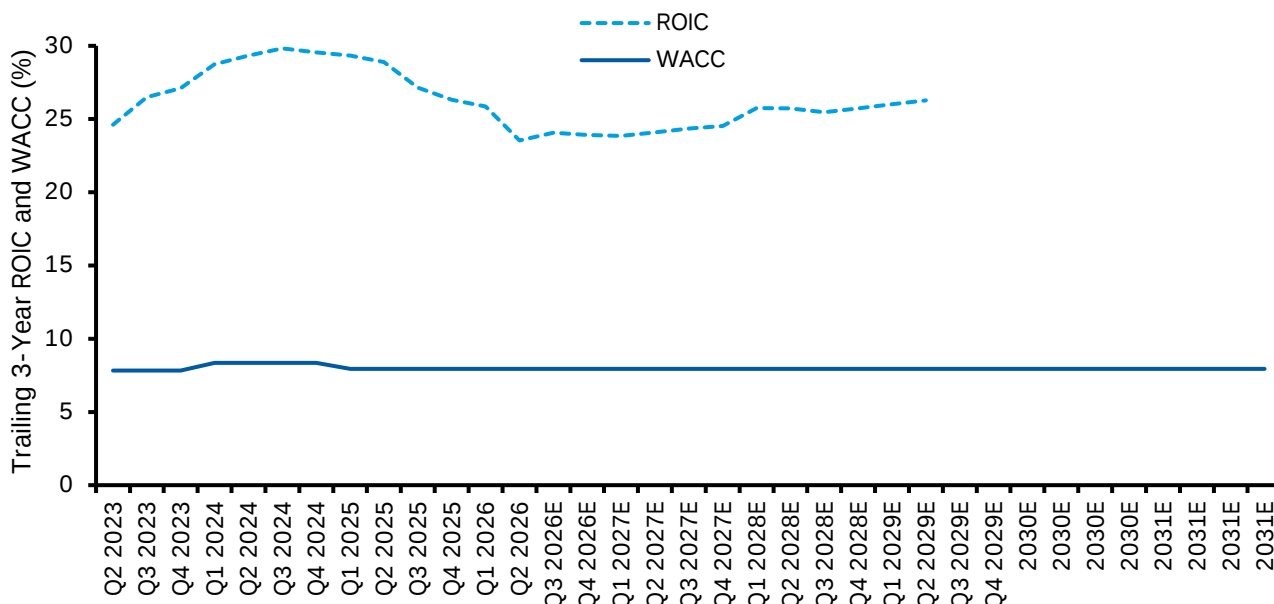
Here's a quotation from Andy Jassy, the chief executive officer of Amazon, whose comment likely touches on a consistent sentiment among the hyperscalers. He wrote:

"The FCF and ROIC for these investments [land, power, buildings, chips, servers, and networking gear] are cumulatively quite attractive a couple years after being in service; however, in times of very high growth (like now), where the capex growth meaningfully outpaces the revenue growth, the early-years FCF is challenged until these initial tranches of capacity are being monetized and revenue growth outpaces capex growth."¹⁰

Free Cash Flow and Return on Invested Capital (ROIC)

We now look at free cash flow and ROIC together, as we did in exhibit 1 for Walmart. Before we get to the specific companies, exhibit 10 shows the aggregate ROIC for the hyperscalers relative to an estimate of the cost of capital. The aggregate ROIC peaked in the third quarter of 2024 at 30 percent and dropped about 600 basis points, to 24 percent, in the second quarter of 2026. From there, consensus estimates suggest a modest recovery. In all periods the ROIC is well above the cost of capital.

Exhibit 10: Combined Return on Invested Capital of Large Hyperscalers

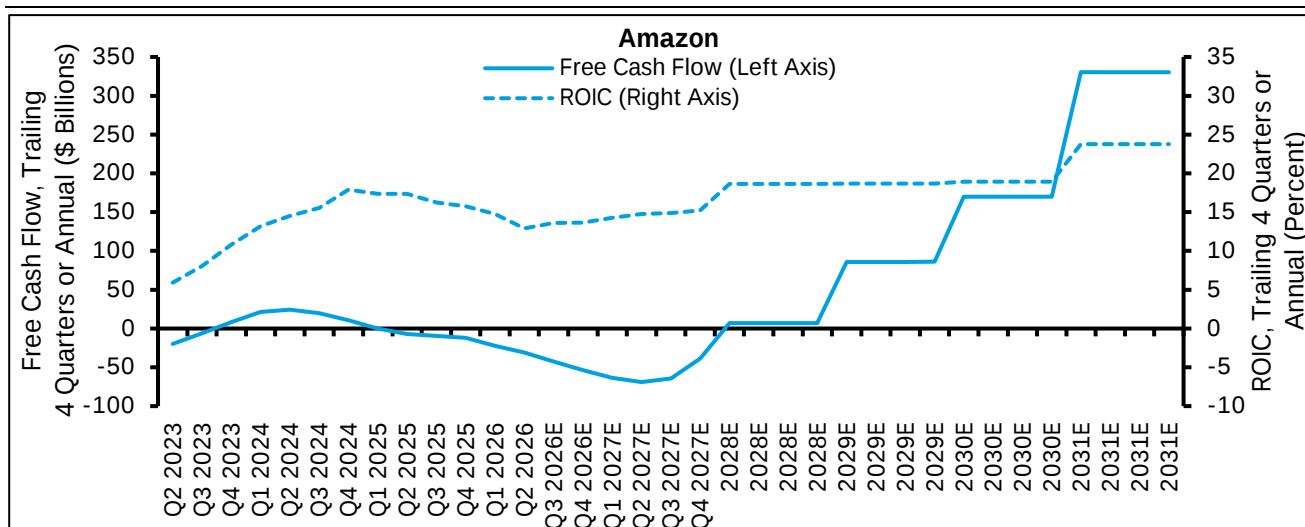


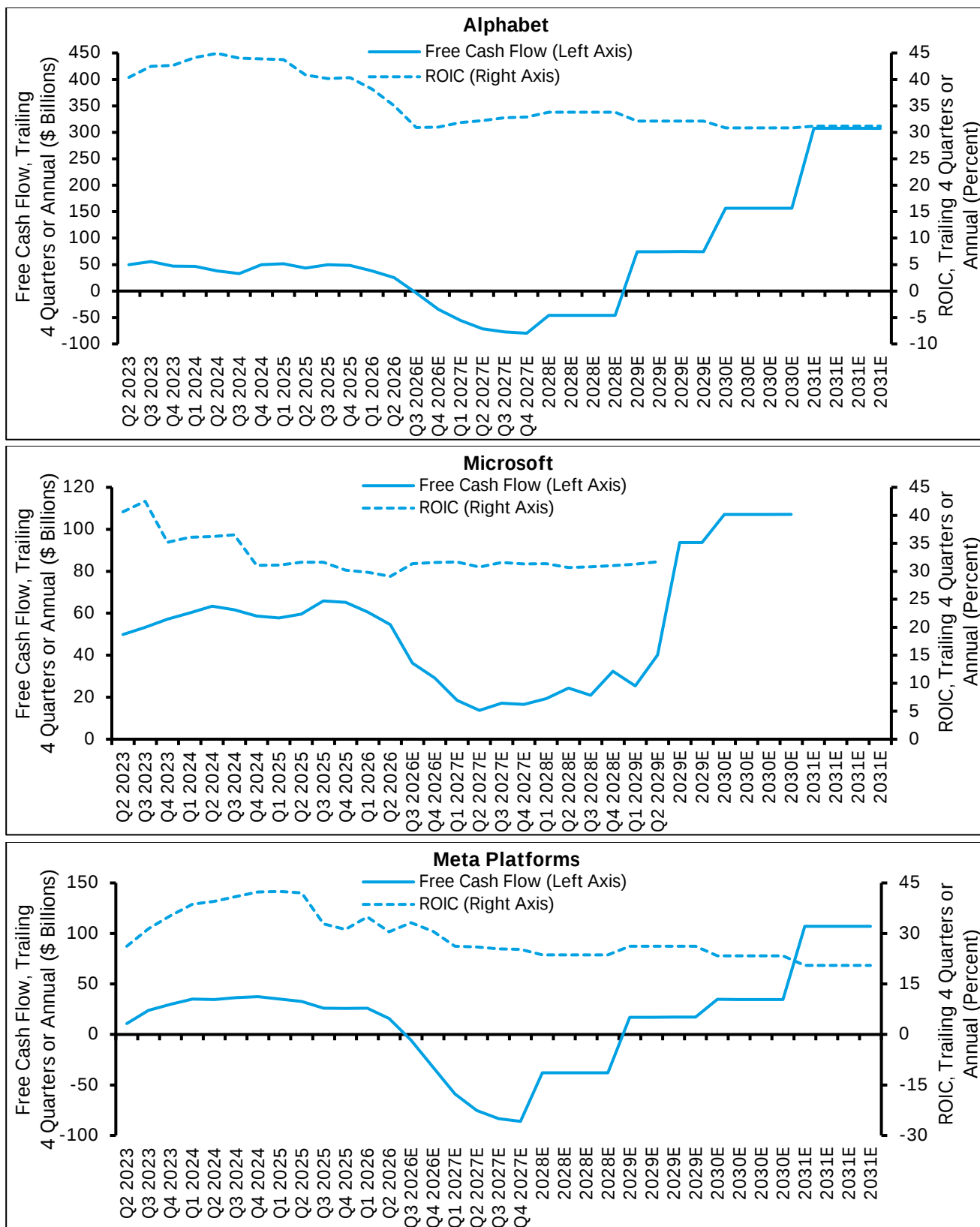
Source: Counterpoint Global and FactSet.

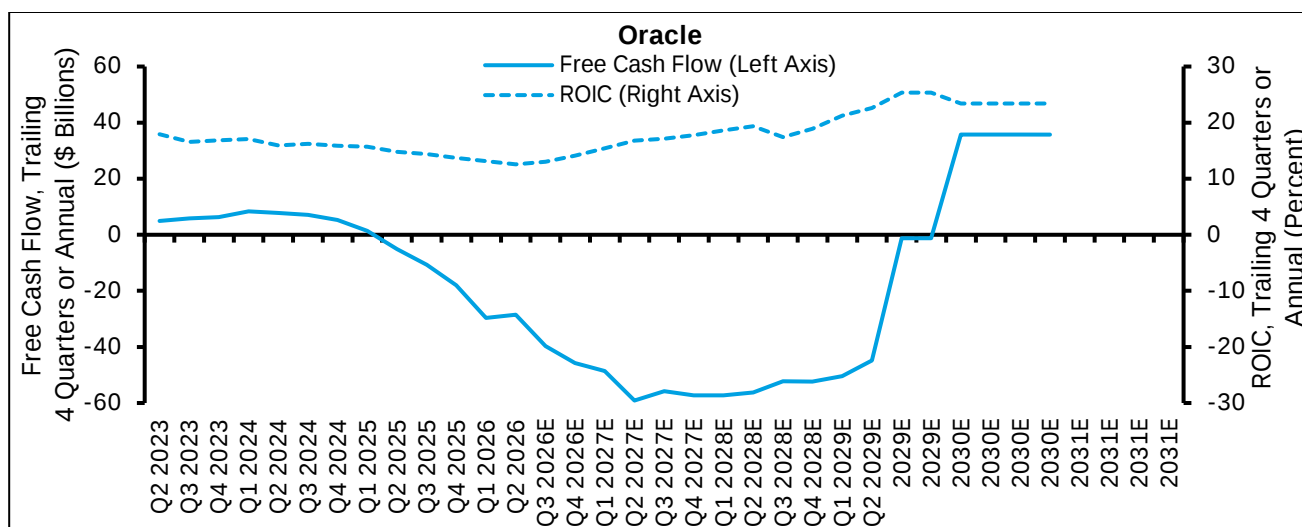
Note: Data calendarized; Estimates are FactSet consensus; Includes Amazon, Alphabet, Microsoft, Meta Platforms, Oracle.

Exhibit 11 looks at trailing-four-quarter or annual FCF and ROIC for each of the hyperscalers. Note that the scales on the vertical axes differ. Forecasts reflect consensus expectations.

Exhibit 11: Free Cash Flow and Return on Invested Capital of Large Hyperscalers







Source: Counterpoint Global and FactSet.

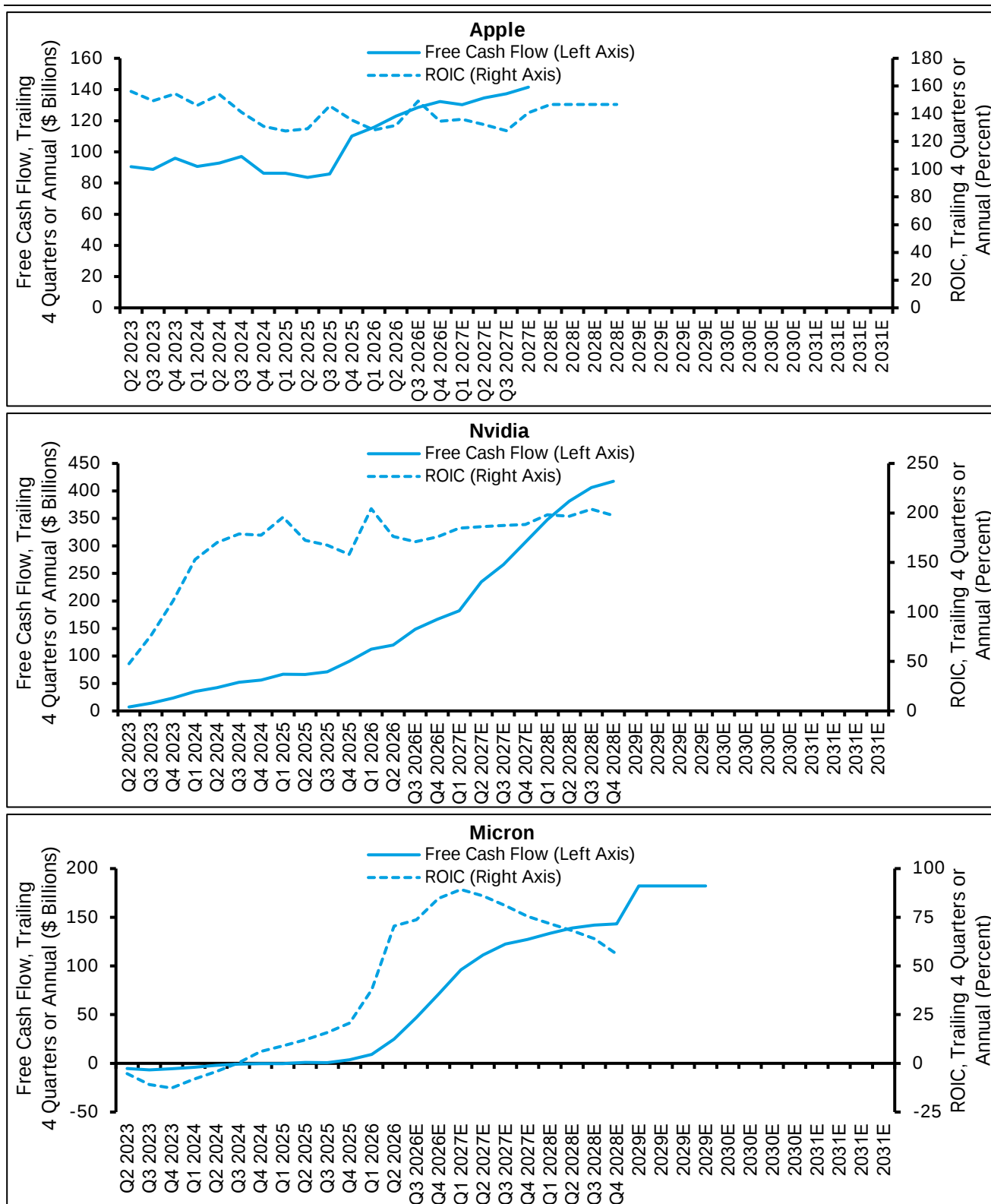
Note: Data calendarized; Estimates are FactSet consensus on 8/31/26.

The following observations cover the second quarter of 2023 through 2031 (in cases where forecasts are available):

- Amazon's ROIC was on an upswing from the second quarter of 2023 to the fourth quarter of 2024, before the capital expenditures really took off. From 2024 to mid-2026 there is a decline in ROIC that coincides with a drop in FCF. But starting in mid-2027, consensus estimates suggest that both ROIC and FCF are expected to improve.
- Alphabet has a pattern similar to that of Amazon, with a drop in ROIC from 2023 to 2026 (albeit from a higher base) alongside reduced FCF. ROIC is projected to remain consistent, at a level around 30 percent, for the 5 years ending in 2031 even as FCF rebounds sharply.
- Microsoft's ROIC remains high during the period, albeit with a dip from 2023 to 2024 that reflects the acquisition of Activision Blizzard. Free cash flow does fall and rise, although it remains positive throughout.
- Meta Platforms's ROIC, based on realized results and consensus expectations, drifts from about 40 percent in early 2025 to about one-half that level by 2031. Meta's FCF pattern is similar to the others, with a dip into negative FCF followed by a strong recovery to positive results.
- Oracle's ROIC has declined from about 18 percent in the second quarter of 2023 to 13 percent in the second quarter of 2026. But forecasts suggest a near doubling of ROIC from the lows as FCF turns from negative to positive.

Here is the same analysis for Apple, Nvidia, and Micron (see exhibit 12).

Exhibit 12: Free Cash Flow and Return on Invested Capital of Large Technology Companies



Source: Counterpoint Global and FactSet.

Note: Data calendarized; Estimates are FactSet consensus on 8/31/26.

- Apple's ROIC declines from 2023 to mid-2026 but from levels that are extraordinarily high. Consensus estimates suggest a bounce in ROIC from 2026 to 2028. The company's FCF is comfortably positive throughout the period of analysis.
- Nvidia's ROIC starts at an impressive 48 percent in the second quarter of 2023 and explodes to about 200 percent by 2028. FCF, which was modestly positive early in 2023, rises consistently to more than \$400 billion, per consensus estimates, by 2028.
- Micron's ROIC reflects a pattern consistent with a cyclical company. It is as low as -13 percent in the fourth quarter of 2023 and ascends sharply to 89 percent in the first quarter of 2027. From there, estimates suggest that it will decline to about 55 percent by the end of 2028. FCF goes from being modestly negative from 2023 through 2024 to extraordinarily positive by 2029, with consensus estimates implying a total of roughly \$180 billion.

Change in Consensus

Net present value (NPV) is a key concept in corporate finance. The idea is that companies should make an investment only when the present value of the future cash flows it produces exceeds the amount spent. In other words, the benefit minus the cost is positive.

Companies commonly provide guidance on their expectations for near-term capital expenditures as well as sales and EBIT. But assessing whether capital expenditures have a positive NPV is tricky because the investment is upfront and the cash flows come over the life of the asset, which can be a decade or more.

Exhibit 13 shows the consensus estimates for EBIT, sales, EBIT margin, and capital expenditures as of August 31, 2025 (middle section) and August 31, 2026 (right section).

Investors want to see that the estimates for the determinants of profit keep pace with the upward revisions in capital expenditures.

Focusing the analysis on estimates for capital expenditures for 2027, we see that the largest percentage increases include Alphabet, Micron, and Oracle. The largest increases in dollar value were expected from the leading cloud companies, including Alphabet (+\$210 billion), Amazon (+\$142 billion), and Microsoft (+\$116 billion), followed by Meta (+\$86 billion) and Oracle (+\$56 billion). The shift in expectations is more modest for Micron (+\$31 billion) and Nvidia (+\$6 billion).

Turning to estimates for EBIT in 2027, the largest percentage changes and absolute changes by far are for Micron (+\$192 billion revision) and Nvidia (+\$231 billion). Alphabet's EBIT revision is +\$52 billion, followed by Apple (+\$23 billion), Amazon (+\$22 billion), and Microsoft (+\$15 billion). Revisions for Oracle (+\$6 billion) and Meta (+\$2 billion) are positive but more muted.

Exhibit 13: How Consensus Estimates Have Changed for Leading Technology Companies

Amazon	Estimates As of 8/31/25					Estimates As of 8/31/26				
Calendar Yrs; \$BB	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
EBIT	97.2	119.2	147.9	180.0	222.1	109.9	141.3	183.4	224.2	271.6
Change						13%	19%	24%	25%	22%
Sales	781.9	863.1	952.6	1,044.2	1,144.0	828.4	949.2	1,101.1	1,221.1	1,365.5
Change						6%	10%	16%	17%	19%
EBIT Margin	12.4%	13.8%	15.5%	17.2%	19.4%	13.3%	14.9%	16.7%	18.4%	19.9%
Change (% Points)						0.8	1.1	1.1	1.1	0.5
Capex	127.7	130.6	136.4	150.7	164.0	218.0	272.9	295.8	310.6	313.0
Change						71%	109%	117%	106%	91%

Alphabet	Estimates As of 8/31/25					Estimates As of 8/31/26				
Calendar Yrs; \$BB	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
EBIT	148.3	165.5	184.4	204.4	227.5	171.6	217.2	262.4	311.3	363.6
Change						16%	31%	42%	52%	60%
Sales	440.6	488.6	542.1	591.6	650.3	497.6	611.4	729.8	825.0	930.9
Change						13%	25%	35%	39%	43%
EBIT Margin	33.7%	33.9%	34.0%	34.6%	35.0%	34.5%	35.5%	36.0%	37.7%	39.1%
Change (% Points)						0.8	1.7	1.9	3.2	4.1
Capex	89.8	94.2	105.0	111.3	117.3	201.5	304.0	343.3	354.5	371.5
Change						124%	223%	227%	218%	217%

Microsoft	Estimates As of 8/31/25					Estimates As of 8/31/26				
Calendar Yrs; \$BB	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
EBIT	158.7	183.5	216.7	N/A	N/A	168.5	198.4	238.4	287.5	363.8
Change						6%	8%	10%	N/A	N/A
Sales	346.8	397.7	456.3	521.6	N/A	361.5	428.3	515.2	609.1	763.7
Change						4%	8%	13%	17%	N/A
EBIT Margin	45.8%	46.1%	47.5%	N/A	N/A	46.6%	46.3%	46.3%	47.2%	47.6%
Change (% Points)						0.8	0.2	-1.2	N/A	N/A
Capex	89.6	92.6	96.6	105.1	N/A	157.7	208.5	224.2	239.4	312.0
Change						76%	125%	132%	128%	N/A

Meta Platforms	Estimates As of 8/31/25					Estimates As of 8/31/26				
Calendar Yrs; \$BB	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
EBIT	87.2	101.1	115.0	138.0	165.3	87.8	102.8	121.6	153.5	163.3
Change						1%	2%	6%	11%	-1%
Sales	229.0	262.3	297.8	334.3	384.2	254.1	305.3	359.9	423.1	459.5
Change						11%	16%	21%	27%	20%
EBIT Margin	38.1%	38.5%	38.6%	41.3%	43.0%	34.6%	33.7%	33.8%	36.3%	35.5%
Change (% Points)						-3.5	-4.8	-4.8	-5.0	-7.5
Capex	94.7	102.8	116.6	114.3	116.3	137.4	188.7	205.5	206.2	237.3
Change						45%	84%	76%	80%	104%

Oracle	Estimates As of 8/31/25					Estimates As of 8/31/26				
Calendar Yrs; \$BB	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
EBIT	31.1	37.6	45.8	N/A	N/A	33.1	43.7	58.9	75.6	93.2
Change						7%	16%	28%	N/A	N/A
Sales	74.5	90.2	109.4	N/A	N/A	80.4	113.4	159.9	202.7	241.2
Change						8%	26%	46%	N/A	N/A
EBIT Margin	41.7%	41.7%	41.9%	N/A	N/A	41.2%	38.5%	36.8%	37.3%	38.7%
Change (% Points)						-0.5	-3.2	-5.1	N/A	N/A
Capex	29.0	35.8	39.9	N/A	N/A	77.0	92.1	90.2	78.6	71.3
Change						166%	157%	126%	N/A	N/A

Apple	Estimates As of 8/31/25					Estimates As of 8/31/26				
Calendar Yrs; \$BB	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
EBIT	140.3	145.6	141.8	N/A	N/A	158.6	168.9	189.6	N/A	N/A
Change						13%	16%	34%	N/A	N/A
Sales	442.2	458.6	467.9	510.6	576.0	488.1	529.2	577.2	646.0	705.0
Change						10%	15%	23%	27%	22%
EBIT Margin	31.7%	31.8%	30.3%	N/A	N/A	32.5%	31.9%	32.8%	N/A	N/A
Change (% Points)						0.8	0.2	2.5	N/A	N/A
Capex	14.3	13.5	N/A	N/A	N/A	10.9	13.2	14.4	N/A	N/A
Change						-24%	-2%	N/A	N/A	N/A

Nvidia	Estimates As of 8/31/25					Estimates As of 8/31/26				
Calendar Yrs; \$BB	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
EBIT	174.9	203.1	224.3	244.6	238.3	256.5	434.2	585.2	670.8	748.0
Change						47%	114%	161%	174%	214%
Sales	268.8	316.5	342.6	366.3	361.7	391.9	659.6	878.7	1,024.8	1,112.7
Change						46%	108%	156%	180%	208%
EBIT Margin	65.1%	64.2%	65.5%	66.8%	65.9%	65.5%	65.8%	66.6%	65.5%	67.2%
Change (% Points)						0.4	1.7	1.1	-1.3	1.3
Capex	6.2	5.8	9.3	N/A	N/A	8.9	12.0	14.2	26.7	N/A
Change						45%	107%	53%	N/A	N/A

Micron	Estimates As of 8/31/25					Estimates As of 8/31/26				
Calendar Yrs; \$BB	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
EBIT	18.1	19.8	N/A	N/A	N/A	133.4	211.5	233.0	270.4	N/A
Change						638%	970%	N/A	N/A	N/A
Sales	50.6	54.7	N/A	N/A	N/A	169.6	259.9	302.8	379.8	N/A
Change						235%	375%	N/A	N/A	N/A
EBIT Margin	35.7%	36.1%	N/A	N/A	N/A	78.7%	81.4%	77.0%	71.2%	N/A
Change (% Points)						43.0	45.3	N/A	N/A	N/A
Capex	16.6	17.0	N/A	N/A	N/A	34.5	48.4	55.7	69.6	N/A
Change						108%	185%	N/A	N/A	N/A

Source: Counterpoint Global and FactSet.

Note: Data calendarized; Estimates are FactSet consensus.

Summary

Free cash flow (FCF), profit minus investment, determines long-term shareholder value. Assuming a company can finance its operations, negative FCF is not only fine, but desirable, if returns on investment exceed the cost of capital.

Strong demand for GenAI has compelled Amazon, Alphabet, Microsoft, Meta Platforms, and Oracle, often referred to as hyperscalers, to accelerate their spending on infrastructure. It has affected other technology companies as well, including Nvidia and Micron. We also include Apple in our analysis for purposes of comparison.

This report covered five topics. First, we used results and consensus forecasts to assess the FCF of these leading technology companies.

The combined trailing-four-quarter FCF for the hyperscalers is estimated to decline from more than \$170 billion in the first quarter of 2024 to a trough of about -\$265 billion in the third quarter of 2027. From there, forecasts call for a recovery to just over \$500 billion in 2030.

The paths for the companies vary substantially. Microsoft is the only hyperscaler forecast to maintain positive FCF throughout the period, and Amazon and Alphabet have the largest projected changes from trough to peak.

Apple's FCF remains consistently positive, and both Nvidia and Micron are forecast to have huge improvements over the period considered.

Second, we looked at how the acceleration of capital expenditures changes each company's position within the life cycle, if at all. Amazon (growth) and Microsoft (maturity) remain in the same stage throughout while Alphabet, Meta, and Oracle transition from maturity to growth.

Third, we assessed the return on the marginal dollar invested by calculating return on incremental invested capital (ROIIC). The patterns for the hyperscalers are quite different from one another, with Oracle expected to have the largest improvement and Meta the largest decline from peak to trough. All of the ROIICs from the first quarter of 2025 on are above the cost of capital.

Apple's ROIIC looks like a mountain range, with an apex of roughly 400 percent and a nadir of -30 percent, followed by a rebound to consistently near or above 100 percent. The patterns for Nvidia and Micron both look like an inverted "U," rising and falling sharply.

Fourth, we considered the relationship between free cash flow and ROIC. The point of emphasis is that negative free cash flow is perfectly fine provided that ROIC remains above the cost of capital.

Finally, we examined how consensus estimates have changed for key value drivers, including EBIT, EBIT margin, and capital expenditures between August 31, 2025 and August 31, 2026. Alphabet, Micron, and Oracle have the largest percentage revisions in expected capital expenditures while Nvidia and Micron have the biggest anticipated increases in EBIT on both a percentage and dollar basis. These consensus estimates are subject to change and become less reliable further into the forecast horizon.

Endnotes

¹ We exclude internally generated intangible investments, which are expensed in a traditional calculation of free cash flow. See Michael J. Mauboussin and Dan Callahan, “Capital Allocation: Results, Analysis, and Assessment,” *Consilient Observer: Counterpoint Global Insights*, November 5, 2025 and the appendix to Michael J. Mauboussin and Dan Callahan, “ROIC and Intangible Assets: A Look at How Adjustments for Intangibles Affect ROIC,” *Consilient Observer: Counterpoint Global Insights*, November 9, 2022.

² Michael J. Mauboussin and Dan Callahan, “Cost of Capital: A Practical Guide to Measuring Opportunity Cost,” *Consilient Observer: Counterpoint Global Insights*, February 15, 2023.

³ Michael J. Mauboussin and Dan Callahan, “Return on Invested Capital: How to Calculate ROIC and Handle Common Issues,” *Consilient Observer: Counterpoint Global Insights*, October 6, 2022 and Michael J. Mauboussin and Dan Callahan, “ROIC and the Investment Process: ROICs, How They Change, and Shareholder Returns,” *Consilient Observer: Counterpoint Global Insights*, June 6, 2023.

⁴ Katharine W. Adame, Jennifer L. Koski, Katie W. Lem, and Sarah E. McVay, “Free Cash Flow Disclosure in Earnings Announcements,” *Journal of Financial Reporting*, Vol. 8, No. 2, Fall 2023, 1–23.

⁵ The other approach is free cash flow to the firm (FCFF), which values the enterprise and then subtracts debt and other claims to calculate equity. In one survey, investors replied that they use the FCFF model nearly twice as often as the FCFE model. See Jerald E. Pinto, Thomas R. Robinson, and John D. Stowe, “Equity Valuation: A Survey of Professional Practice,” *Review of Financial Economics*, Vol. 37, No. 2, April 2019, 219–233.

⁶ Sanjeev Bhojraj, “Stock Compensation Expense, Cash Flows, and Inflated Valuations,” *Review of Accounting Studies*, Vol. 25, No. 3, September 2020, 1078–1097.

⁷ For example, see Michael J. Mauboussin and Dan Callahan, “Trading Stages in the Company Life Cycle,” *Consilient Observer: Counterpoint Global Insights*, September 26, 2023 and Michael J. Mauboussin and Dan Callahan, “Competitive Advantage Period: The Neglected Value Driver,” *Consilient Observer: Counterpoint Global Insights*, April 14, 2026.

⁸ Victoria Dickinson, “Cash Flow Patterns as a Proxy for Firm Life Cycle,” *The Accounting Review*, Vol. 86, No. 6, November 2011, 1969–1994 and Michael Gort and Steven Klepper, “Time Paths in the Diffusion of Product Innovations,” *The Economic Journal*, Vol. 92, No. 367, September 1982, 630–653.

⁹ As a rough guide, ROIC as compared to the cost of capital is informative. But ROIC is in fact an imperfect measure of value creation. Specifically, ROIC overstates economic returns when it is above the cost of capital and understates economic returns when it is below the cost of capital. This problem becomes more acute as the length of the competitive advantage period extends. See Michael J. Mauboussin and Dan Callahan, “Market-Expected Return on Investment: Bridging Accounting and Valuation,” *Consilient Observer: Counterpoint Global Insights*, April 14, 2021, 13–15.

¹⁰ Andy Jassy, “2025 Letter to Shareholders,” *Amazon*, April 9, 2026.

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