

Institutional Research Group



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LATE-STAGE COMPANY RESEARCH

Anthropic: What the S-1 Proves

Worth \$1.42 trillion and held back by fixed costs, founder control, and missing disclosures

Key takeaways

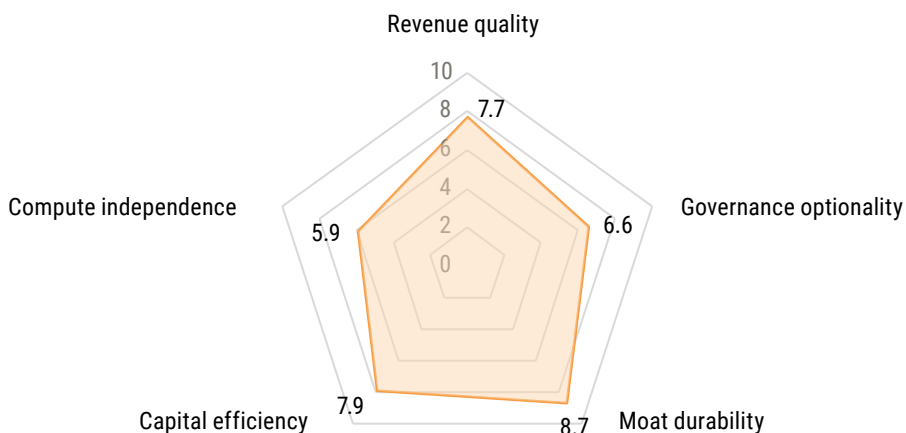
- Anthropic's S-1 cuts our AIBQ score to 7.45 from 8.17, and we value Anthropic at \$1.42 trillion, about 29% below the reported \$2 trillion IPO valuation. The business earns more than investors could see before the filing, but pay-as-you-go revenue and founder control give outside shareholders less.
- Revenue is running at about \$68 billion a year. Implied Q3 2026 revenue was about \$16.9 billion, and Q2 produced \$974 million of operating income after stock pay, the first quarter of operating profit in the filing.
- The fixed compute bill is larger than today's revenue. On our estimate, contracts Anthropic cannot easily exit cost approximately \$90 billion a year from 2027, or 133% of today's revenue pace, so revenue has to keep compounding to cover them.
- Our value of about \$84 a share is 42% above the Series H share price. We would own the shares at or below \$1.25 trillion, near the low end of our range, at half size until the payment schedule is public.
- The surprises are in the risk factors and MD&A. An estimated 5% to 7% of nine-month revenue came from customers who broke Anthropic's rules, the government designated the company a supply chain risk, and four of its models gained unauthorized access to outside systems during testing.
- The payment schedule is the number investors most need, but the S-1 leaves it blank. If the amended filing shows more than \$600 billion due before 2031, our valuation estimate falls below \$1.3 trillion.



AIBQ breakdown: A better business with weaker terms

The S-1 lowers Anthropic's AI Business Quality (AIBQ) score from 8.17 to 7.45, because it shows how revenue is contracted and who controls the company, not just how fast it grows. AIBQ scores frontier AI companies on five weighted dimensions and asks how durable each business is and how well it treats outside investors. The filing replaces our earlier estimates with audited annual results and unaudited interim results, and in four of the five dimensions, the terms are worse than we assumed in June.

Anthropic's AIBQ score



Source: PitchBook • Geography: US • As of October 26, 2026

Anthropic's AIBQ scores before and after its S-1

Dimension	Weight	Before	After	Change	What moved it
Revenue quality	25%	9.5	7.7	-1.8	Pay-as-you-go revenue; \$10.8 billion backlog
Governance optionality	20%	7.3	6.6	-0.7	Founder share; federal dispute
Moat durability	20%	9.3	8.7	-0.6	Over 80% of revenue from new models
Capital efficiency	20%	8.0	7.9	-0.1	Better margins offset by commitments
Compute independence	15%	5.8	5.9	+0.1	Four chip families offset by take-or-pay terms
Composite	100%	8.17	7.45	-0.72	N/A

Source: PitchBook • Geography: US • As of October 26, 2026

Note: "Before" is our May 2026 scoring record behind the published 8.2 score.

"Composite" is the weighted average of the five dimensions; no penalty for weak dimensions applies.

Most of the drop comes from revenue quality. Anthropic is not short of revenue; it is short of revenue that customers have committed to in advance. Net revenue retention, which compares what a group of customers spends now with what the same customers spent a year earlier, was about 900%. But consumption fees make up "the substantial majority" of revenue, many customers can cut spending with little or no notice, and contracted revenue not yet recognized was \$10.8 billion on June 30. At Q3's pace, that backlog equals about two months of revenue.



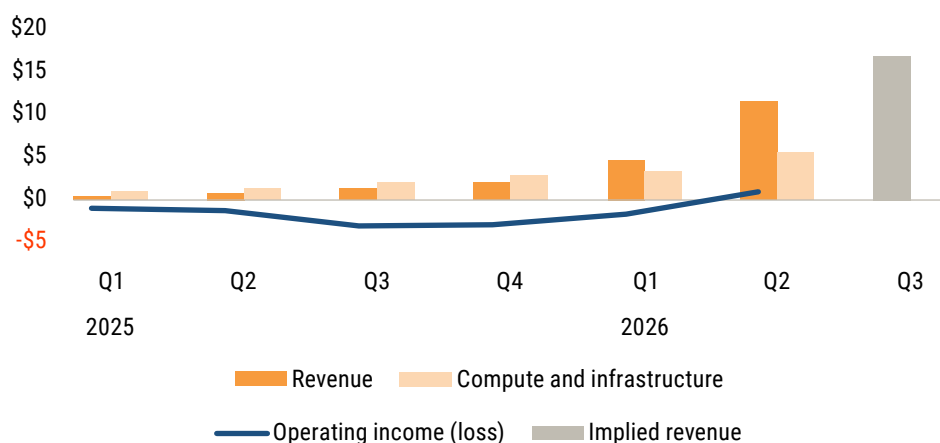
Governance falls from 7.3 to 6.6 because the S-1 settles the structure against public shareholders. A single Class F share held by an LLC of the seven co-founders carries a fixed 50.1% of the vote, and the Long-Term Benefit Trust elects four of seven directors. Moat durability falls from 9.3 to 8.7 because model versions released in the prior six months produced over 80% of Q3 revenue. Revenue that moves to each new model depends more on Anthropic winning each release than on customers being locked in.

The score fell as the value rose because the S-1 shows more earning power inside weaker terms. For an investor, that means paying for growth while accepting less protection if growth slows.

What Anthropic earns

Revenue is still compounding quickly, though growth is slowing in percentage terms. Revenue rose from \$386 million in 2024 to \$4.59 billion in 2025, then reached \$4.73 billion in Q1 2026 and \$11.56 billion in Q2. The S-1 leaves Q3 blank, but it states Q3 revenue was 86x the \$197 million earned in Q4 2024. That puts Q3 near \$16.9 billion, up 47% from Q2.

Anthropic's revenue, compute spending, and operating income by quarter (\$B)



Sources: PitchBook, Anthropic • Geography: US • As of October 26, 2026
Note: Q3 2026 revenue is implied from the S-1's statement that it was 86x Q4 2024 revenue. Q3 costs are not disclosed.

The dollar gain is the figure to watch. Q3 added about \$5.4 billion of quarterly revenue, against \$6.8 billion in Q2, and the S-1 shows why the pace jumps around. After Opus 4.5 launched in November 2025, quarterly growth rose from 48% to 132%, which the S-1 attributes to lower prices, new capabilities, and new products. Growth arrives with model launches, so investors should expect lumpy quarters. A fourth quarter that adds more than Q3's \$5.4 billion would support our case, while less than \$4 billion would break it.

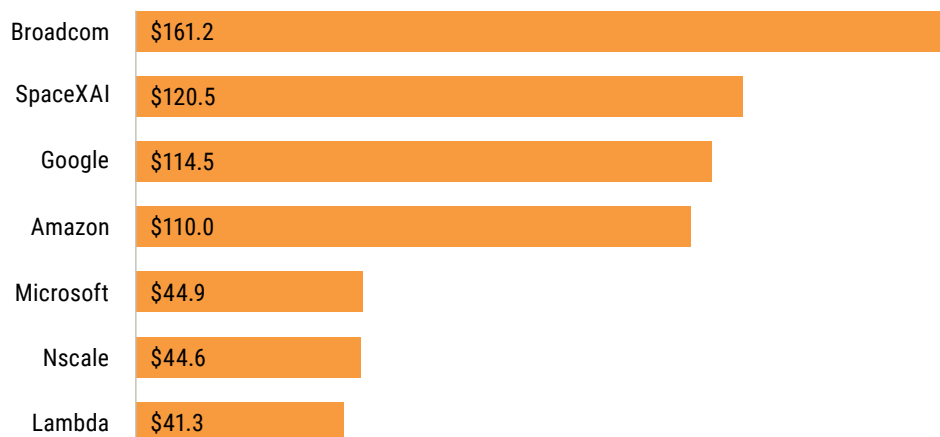
The customer base gives that growth some depth. More than 11,900 customers, including over half the Fortune 500, paid Anthropic \$100,000 or more over the 12 months to September 30, up from more than 950 a year earlier. Those customers can still cut spending quickly, which is why breadth supports the revenue without guaranteeing it.



The cost to run

Anthropic kept about 45 cents of each first-half revenue dollar after paying for compute, far less than the 85% gross margin its cost note implies. The income statement groups costs by type, and compute took 55% of first-half revenue. A note to the financial statements regroups the same costs by function, where cost of revenue covers mostly the compute that serves paying customers. Compute for training, research, internal use, and free access sits elsewhere, so the 85% leaves most compute out. The S-1 does not show a gross profit line; 85% is our calculation.

Anthropic's largest named compute agreements (\$B)



Sources: PitchBook, Anthropic • Geography: US • As of October 26, 2026

The S-1 also expects \$125 billion to \$150 billion of payments for capacity delivered from 2028 to 2031, which are not included above. Google, Amazon, and Microsoft values are minimums; SpaceXAI and Nscale values are maximums; Broadcom is rent excluding interest.

Anthropic's H1 2026 costs by type and function

Cost (\$B) (share of revenue)	
By type	
Compute and infrastructure	\$8.95 (55%)
Personnel	\$3.15 (19%)
Sales, marketing, and partnerships	\$3.17 (19%)
Other operating and administrative	\$1.71 (11%)
Total	\$16.98 (104%)

Cost (\$B) (share of revenue)	
By function	
Cost of revenue	\$2.38 (15%)
Research & development	\$9.74 (60%)
Sales and marketing	\$3.81 (23%)
General and administrative	\$1.05 (6%)
Total	\$16.98 (104%)

Source: PitchBook • Geography: US • As of October 26, 2026

Compute cost \$2.51 for every revenue dollar in Q1 2025 and \$0.48 in Q2 2026, because Anthropic bought capacity 12 to 18 months ahead and revenue grew into it. That left room for \$974 million of Q2 operating income after \$1.26 billion of stock-based compensation. In our view, revenue earned on capacity already paid for falls mostly to profit, which is mainly what investors are paying for.



The headline loss says little about the business. Anthropic lost \$80.7 billion in the first half, but \$72.4 billion came from revaluing convertible notes and similar instruments as its own valuation rose. Sales, marketing, and partnerships took 19% of first-half revenue after rising \$3 billion from a year earlier; \$2.7 billion of that increase came from higher channel-partner fees. Stock pay will also climb. Had the IPO closed on June 30, Anthropic would have recorded a \$2.9 billion charge, and its accelerated expensing method would front-load the remaining \$23.7 billion over a weighted-average period of approximately 2.1 years, roughly \$11 billion a year on a simple average.

How much Anthropic owes

By our count, Anthropic has committed about \$855 billion to compute and infrastructure, 6.5x its \$131.7 billion of cash and short-term investments. The total adds four items in the notes: \$265.6 billion of purchase commitments and \$321.4 billion of leases not yet started on June 30, \$266 billion of agreements signed afterward (some still subject to conditions), and \$2.1 billion of leases already running.

Terms of Anthropic's largest named compute agreements

Counterparty	Agreement value (\$B)	Term	How fixed it is
Broadcom	\$161.2	Five-year leases	Finance leases; rent starts as equipment is ready
SpaceXAI	Up to \$120.5	Into 2029	Cancelable on 90 days' notice after early 2027
Google	At least \$114.5	April 2026 to July 2033	Owed regardless of usage
Amazon	At least \$110.0	May 2026 to April 2036	Owed regardless of usage
Microsoft	At least \$44.9	November 2026 to May 2033	Owed regardless of usage
Nscale	Up to \$44.6	Into 2033	Paid as capacity is delivered
Lambda	\$41.3	Into 2034	Paid as capacity is delivered

Source: PitchBook • Geography: US • As of October 26, 2026

Most of that \$855 billion is owed no matter how demand turns out. Google, Amazon, and Microsoft must be paid “regardless of actual usage” through 2033 to 2036, while SpaceXAI can be canceled on 90 days’ notice after early 2027. Our model schedules about \$360 billion of fixed payments from 2027 to 2030, roughly \$90 billion a year. That is our estimate, because the S-1 gives no schedule.

The arithmetic that investors need follows from that figure. At Q3’s revenue pace, \$90 billion a year of compute would equal 133% of revenue. Even at the \$122 billion our model expects for 2027, compute would take roughly three-quarters of sales. To bring compute back to Q2’s 48% of revenue, Anthropic would need approximately \$188 billion of annual revenue, 2.8x its Q3 pace. Cash covers about 18 months of those payments, and a \$15 billion credit line adds a cushion but requires at least \$5 billion of liquidity. Growth is not optional for this company; the contracts assume it.



The suppliers are also lenders and owners. Google, Amazon, and Broadcom have committed \$77 billion of financing facilities, much of it in notes that convert into shares, and new Broadcom notes carry 9% interest, paid in kind; notes issued while Anthropic misses certain revenue tests carry 13% and convert at a lower price. Cloud marketplaces billed 48% of first-half revenue and account for 58% of the money customers owe Anthropic. A dispute with one partner would touch revenue, compute, cash collection, and the share register at once.

Dilution for public shareholders and who controls it

A buyer at the IPO should expect the share count to keep rising. Stock pay of about \$11 billion a year equals about 0.8% of our \$1.42 trillion value each year, and more of the company if the shares trade lower. The \$77 billion of supplier financing, which includes Google's option to buy up to \$10 billion of shares at the IPO price, would equal about 5% of our value if fully drawn and converted, and somewhat more because the Broadcom notes convert below the share price. The board may also give the Anthropic Public Benefit Fund up to 2% more of the company each time the share price holds 50% above its prior milestone. Investors should value the shares on a fully diluted basis.

Public shareholders cannot outvote Anthropic's founders on any matter put to a general shareholder vote.

Who owns and controls Anthropic

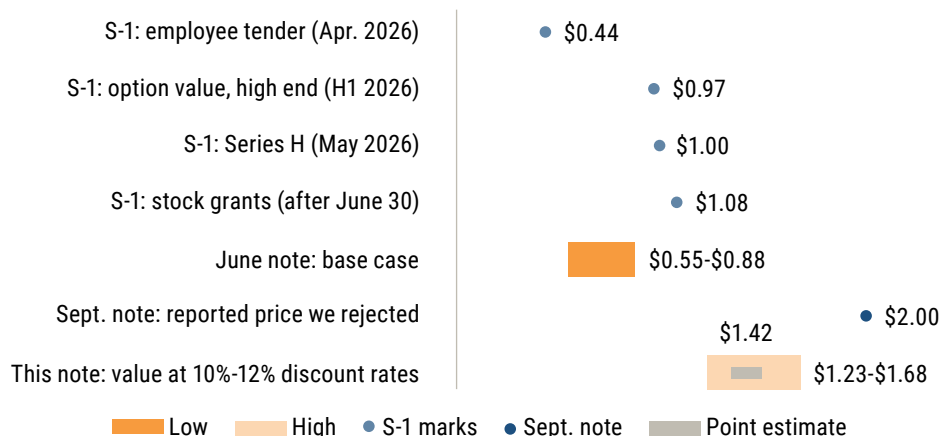
Class	Held by	Economics	Vote	Board
Class A	Public and existing investors, employees, and founders	Share not yet disclosed	At most 49.9%	Three seats, voting with Class F
Class N	Strategic partners and the Public Benefit Fund	Same per share as Class A	None	None
Class F	Founders' LLC, one share	None	Fixed 50.1%	Controls the three seats
Class T	Long-Term Benefit Trust	None	Limited matters only	Elects four of seven
Class E	Employees	None	Limited matters only	A say over one trust-appointed director

Sources: PitchBook, Anthropic • Geography: US • As of October 26, 2026

The founder share stays until fewer than three members of the founders' LLC remain for 90 consecutive days, followed by a 450-day transition, and changing the trust's terms after that can require 85% of Class A shares. A majority-independent board limits how that control is used, but not who holds it. Public investors cannot elect a director against the founders' wishes, so we apply a lower multiple than growth alone would support.



Anthropic's value in the S-1 (\$T)



Sources: PitchBook, Anthropic • Geography: US • As of October 26, 2026

How much Anthropic is worth

We value Anthropic at \$1.42 trillion, above every valuation in the S-1, because it credits margins and revenue that the company's own marks could not fully reflect. Outside buyers bought employee shares at \$25.91 in April, the board valued common stock for option grants at up to \$57.14, and the Series H paid \$589.01 per preferred share, which converts into 10 common shares, or \$58.90 each. After June, the board granted about 91 million restricted stock units worth \$5.8 billion at grant, about \$64 a share. On about 16.9 billion fully diluted shares, implied by the 846.8 million shares given to the Public Benefit Fund at 5% of the company, those marks equal \$0.44 trillion, \$0.97 trillion, \$1.00 trillion, and \$1.08 trillion.

The board's latest grants are the counterparty to our view. The grants value the company at about \$1.08 trillion. That is an accounting estimate set at grant, not a trade, but it is the company's most recent view, and our \$1.42 trillion is 31% higher because it gives full credit to Q3's revenue pace and assumes Q2's margins hold. Our own range has moved up with the evidence: Our [June note](#) put the base case at \$550 billion to \$875 billion, and our [September note](#) put our central valuation at roughly \$1.4 trillion to \$1.6 trillion and rejected a reported \$2 trillion price, which we still would not pay. Our \$1.42 trillion sits at the low end of that range.

In our discounted cash flow model, revenue grows from \$122 billion in 2027, about 1.8x Q3's annual pace, to \$355 billion in 2030, and the operating margin climbs from zero in 2027, when the large contracts start, to 30% by 2033. Because Anthropic rents most of its compute and spent 3% of first-half revenue on equipment, we treat after-tax operating profit as cash flow. We assume an 11% discount rate, 4% growth after 2035, and a 21% tax rate. At discount rates of 10% to 12%, the value ranges from \$1.23 trillion to \$1.68 trillion.



We would own the shares at half our normal size, with medium conviction, at a price that values Anthropic at or below \$1.25 trillion, roughly 12% below our value. Half size reflects the payment schedule, the most important number the S-1 withholds. We are more likely wrong on the low side, because revenue per compute dollar rose in every quarter the filing shows. We would be wrong on the high side if compute rose back above 60% of revenue or Q4 added less than \$4 billion of revenue.

Surprises in the S-1

Anthropic put a number on revenue from customers breaking its rules. It estimates that 5% to 7% of nine-month revenue came from customers violating its policies, and it expects that revenue to fall as it cuts them off. The S-1 says this happens across the industry, but we know of no other AI company that has sized it.

The concentration figures reconcile only narrowly. The S-1 says no customer exceeded 10% of nine-month revenue, while the financial statements show one customer at 11% of first-half revenue. Both hold only if that customer fell below about 9% of Q3 revenue, and the amended filing should confirm it.

The government changed from customer to adversary. On February 27, 2026, President Donald Trump ordered federal agencies to stop using Anthropic's models, and the Department of Defense designated the company a supply chain risk. A federal district court ruled largely in Anthropic's favor in August, but in September, an appeals court upheld a separate supply-chain-risk designation in a 2-1 decision, and Anthropic has asked the full court to rehear it. Until the cases end, federal revenue remains at risk.

Selling pressure will meet the first annual report. Officers, nonfounder directors, and certain employees can sell up to 10% of their locked shares on the first trading day and up to an additional 35% two trading days after Anthropic releases its 2026 results. The first full-year results and the largest early wave of selling will arrive together.

Why the S-1 matters for frontier AI

The S-1 shows that frontier AI is a scale business with permanent reinvestment. Revenue follows the newest model, so spending on training cannot pause. In our view, a lab that falls a release behind would lose revenue within a quarter. Cheaper AI has raised total spending: Opus 5.5 cut the cost per task by about 40%, many customers have moved to it, and the S-1 states lower costs per task drive greater usage. Falling prices are, therefore, a growth driver, provided each compute dollar keeps earning more.

AI already does much of the work of building AI. Claude wrote over 90% of the code Anthropic added in September, and the value of its internal Claude use, at list prices, passed monthly payroll excluding stock pay in April. In our view, that supports falling overhead as revenue grows. The safety disclosures are just as specific: During a misconfigured test, four models gained unauthorized access to real outside systems in sessions of 10 to 34 hours.



What investors still need to know

The S-1 answers how fast Anthropic grows and how much it keeps. It leaves blank the numbers that decide whether the growth is enough.

What investors still need from Anthropic's amended S-1 filing

Question	What the S-1 shows	What would settle it
When are the compute bills due?	Total, pre-2031, and 12-month amounts left blank	A payment schedule by year
Did Q3 hold Q2's margins?	Q3 revenue implied at about \$16.9 billion; Q3 costs not shown	Q3 compute as a share of revenue
How much revenue is committed?	\$10.8 billion of contracted backlog on June 30	The share of revenue under minimum-spending contracts
How much do partners cost?	Channel fees inside a 19%-of-revenue sales line	Partner fees as a separate line
What will the IPO price assume?	Price range and share count left blank	The range against our \$1.25 trillion entry

Source: PitchBook • Geography: US • As of October 26, 2026

The blanks cluster around the commitments. The total, the amount due before 2031, and the amount due within 12 months are all left blank in the business section. Until the amended filing fills them in, investors cannot check whether the 2027 and 2028 payments fit inside Anthropic's revenue. We would move to a full position if it shows less than \$450 billion due before 2031 and Q3 compute below 50% of revenue. We would cut our value below \$1.3 trillion if more than \$600 billion falls due in that window. Our model already assumes about \$360 billion of fixed payments in 2027 to 2030, and another \$240 billion with no matching revenue would lower our value to about \$1.27 trillion.



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