BIG TECH · AI INFRASTRUCTURE FINANCE

Off the books, still on the hook

Meta, Blue Owl and the $27bn Hyperion data centre: does the deal create value for Meta's shareholders?

Arthur Taylor · JMA Capital Partners · Market data as at November 2026

DEAL AT A GLANCE

Asset	Hyperion, an AI data centre campus in Richland Parish, Louisiana (planned 2GW+, later expanded to 5GW)
Announced	21 October 2025
Structure	Joint venture: funds managed by Blue Owl 80%, Meta 20%
Project cost	$27bn
Financing	$27.3bn of bonds issued by the venture (Beignet Investor) at 6.58%, rated A+
Meta's role	Builds and runs the site; leases it from 2029 on a four-year term, renewable to 20 years
Key protection	Meta guarantees the building's residual value to bondholders; disclosed maximum exposure of $46bn
Accounting	Not consolidated by Meta: the building and the debt sit off its balance sheet

Sources: Singh and Soni (2025); Weil (2025); Goldman (2025); Meta (2026c); Louisiana Economic Development (2026).

KEY TAKEAWAYS

1. **Hyperion does not pay for itself on the rent alone.** At Meta's 9.9% cost of capital, the project's 6.7% return gives an NPV of about −$5.7bn, and it stays negative in every scenario we tested.
2. **The case rests on AI.** The capacity must be worth around 36% more to Meta than the rent it pays. That value has to come from AI products and advertising, not the building.
3. **The structure keeps $27.3bn of debt off Meta's balance sheet,** but the venture's bonds cost roughly 1.4 percentage points more than Meta's own: about $370m a year.
4. **The risk has not moved.** Meta's guarantee leaves it exposed to up to $46bn, against the $5.4bn implied by its 20% stake.

01 Why Meta did it

Meta plans to spend $135–145bn on capital expenditure in 2026. That is more than the $115.8bn of operating cash flow it generated in 2025 (Meta, 2026a; 2026b). The AI build-out has outgrown what even one of the world's most profitable companies can fund from its own cash.

Hyperion is Meta's answer to that gap. Rather than paying for its largest data centre itself, in October 2025 Meta moved the project into a joint venture 80% owned by Blue Owl funds, which raised $27.3bn of bonds to pay for it (Singh and Soni, 2025; Weil, 2025).

Because Meta does not consolidate the venture, neither the building nor the debt appears on its balance sheet (Weil, 2025). Yet Meta also guarantees the building's residual value, with a disclosed maximum exposure of $46bn (Meta, 2026c), far more than the $5.4bn its 20% stake would imply. That tension is the heart of this deal: **the debt has left Meta's books, but has the risk?**

We answer two questions. First, is Hyperion a good investment in its own right? Second, does financing it through the joint venture, a variable interest entity (VIE), create value for Meta's shareholders?

02 Does Hyperion pay for itself?

We value the whole $27bn campus with a standard net present value (NPV) model, separately from how it is financed (Brealey et al., 2023). Meta does not disclose what Hyperion earns, so we use the rent Meta has agreed to pay as the value of the capacity: $12.31bn over the first four years, or about $3.08bn a year (Meta, 2025).

Meta would only pay that rent if the capacity were worth more to it, so the rent is a **floor**. If anything, our NPV is conservative.

The $27bn is spent between 2025 and 2028, with $4.3bn already contributed in 2025. The rent runs for the maximum lease term, from 2029 to 2048 (Meta, 2025). We assume 21% tax, straight-line depreciation over 20 years and no value left in the building in 2048.

For the discount rate, CAPM with a 4.99% risk-free rate (Trading Economics, 2026), a beta of 1.18 (Yahoo Finance, 2026) and a 4.41% equity risk premium (Damodaran, 2026) gives a cost of equity of 10.2%. Meta is about 95% equity-financed, so its WACC is roughly 9.9%.

Why not use the bonds' much lower 6.58% yield? Because that rate prices Meta's guarantee, not the project (Goldman, 2025). The risk that AI demand disappoints stays with Meta, so Meta's own cost of capital is the right hurdle (Brealey et al., 2023).

EXHIBIT 1: HYPERION VALUATION SUMMARY

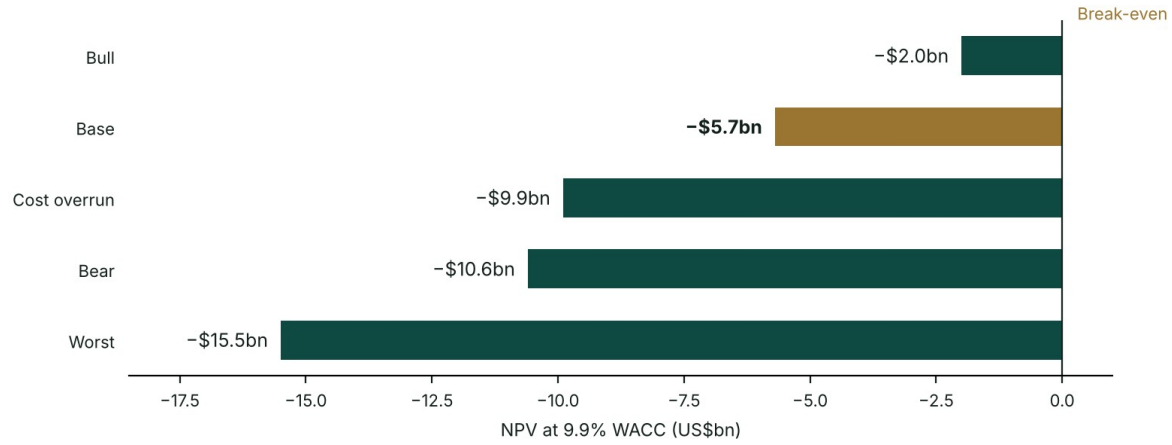
Inputs	Value
Outlay	$27bn, 2025–2028*
Annual rent	$3.08bn, 2029–2048
Cost of equity	10.2%
WACC	9.9%
Results	**Value**
IRR	6.7%
NPV, base case	**−$5.7bn**
NPV range across scenarios	−$2.0bn to −$15.5bn
Break-even rent	+36% above contracted

**$22.7bn assumed spread evenly over 2026–2028. Source: JMA calculations; inputs from Meta (2025), Trading Economics (2026), Yahoo Finance (2026), Damodaran (2026).*

The result is clear. Hyperion's 6.7% IRR falls short of the 9.9% WACC, giving an NPV of **−$5.7bn**. And the shortfall survives every scenario we tested.

EXHIBIT 2: NPV UNDER DIFFERENT SCENARIOS

Scenario	What changes	NPV
Bull	Rent grows 2.5% a year; building keeps 25% of its value	−$2.0bn
Base	**Assumptions above**	**−$5.7bn**
Cost overrun	Construction costs 20% more	−$9.9bn
Bear	Meta leaves after four years; re-let at half the rent	−$10.6bn
Worst	Meta leaves after four years; no new tenant	−$15.5bn



Source: JMA calculations.

For the NPV to break even, Hyperion's capacity would need to be worth about **36% more** to Meta each year than the rent it pays. That is the extra value Meta is betting AI will deliver.

Two things a static NPV misses make that bet more plausible:

- **Real options.** Meta can watch AI demand through the four-year lease before deciding whether to leave or expand, and it has already chosen to expand the site to 5GW (Louisiana Economic Development, 2026).
- **Spillovers.** Hyperion's computing power improves the AI behind Meta's advertising, which Meta says is already delivering substantial extra ad revenue (Meta, 2026b).

Timing has also worked against the project. The 10-year Treasury yield has risen about 0.86 percentage points over the past year (Trading Economics, 2026); at last year's rates, the NPV would be closer to −$4.5bn.

Verdict on the investment: Hyperion fails the NPV test on the rent alone. It is justified only as a strategic bet that AI will deliver the 36% of value the rent leaves out.

03 Why finance it off balance sheet?

Modigliani and Miller (1958) remind us that, in a perfect market, how a project is financed does not change what it is worth. So the VIE can only add value for Meta through real-world frictions, such as information asymmetry or credit ratings.

Cash pressure. The pecking order theory (Myers and Majluf, 1984) predicts that firms use internal cash first, then debt, then equity. With 2026 capex above operating cash flow and Q3 2026 free cash flow at −$2.12bn (Meta, 2026b), turning to outside money fits. But the fit is imperfect: Meta still returned $31.6bn to shareholders through buybacks and dividends in 2025 (Meta, 2026a). It chose to borrow; it was not forced to.

Protecting the balance sheet. Trade-off theory explains the structure better. Debt capacity is finite because more debt raises the risk of financial distress (Brealey et al., 2023). Consolidating the $27.3bn would have almost doubled the $28.8bn of debt Meta reported in September 2025 (Meta, 2025). Keeping it off balance sheet protects Meta's credit rating and preserves borrowing capacity for the rest of its capex, while the four-year lease adds an exit if AI demand fades.

> **WHAT SURPRISED US**
>
> The VIE was not a last resort. In the same month, Meta sold $30bn of bonds in its own name, with its 20-year notes priced just 88bp over Treasuries (Mercuriali, 2025). Meta used the off-balance-sheet structure as well as its own debt, not instead of it, which says the structure was about how the borrowing looks, not whether Meta could borrow at all.

04 What it costs Meta

A higher price. The venture's bonds pay 6.58% (Goldman, 2025), about 225bp over Treasuries (IFR, 2025), against 88bp for Meta's own 20-year bonds (Mercuriali, 2025). The venture pays roughly 1.4 percentage points more, **about $370m of extra interest a year**. Since Meta's rent covers the venture's debt payments, Meta ultimately bears that cost.

Risk that never left. A premium would be fair if lenders were taking on Meta's risk. They are not: the residual value guarantee exposes Meta to up to $46bn (Meta, 2026c), far above the $5.4bn its 20% stake implies. Meta pays more without shifting the risk.

A benefit that may be cosmetic. The bonds' A+ rating reflects Meta's credit, not the project's (Goldman, 2025). Weil (2025) argues the off-balance-sheet treatment rests on contradictory assumptions: that Meta lacks control, may leave after four years, and probably won't have to honour its guarantee, all at the same time. If rating agencies and investors look through the structure, the balance-sheet benefit is weaker than it seems.

Verdict on the financing: the VIE is a rational choice for management while capex outruns cash flow, but it does not create value for shareholders. Its benefits are mostly about appearance and timing; its costs, a premium and retained risk, are real. In MM terms, it changes how Hyperion is financed, not what it is worth.

05 What to watch

- **The 2033 lease decision.** The first four-year term ends in 2033. Renewal would confirm the bet; an exit would test how costly the guarantee really is.
- **Rating agencies.** Any move to treat the venture's debt as Meta's own would remove the main benefit of the structure.
- **Copycat deals.** Whether Meta and other hyperscalers keep using VIEs, and at what premium, will show whether markets price this as Meta's debt.
- **Interest rates.** Further rises lift the hurdle rate and widen the gap Hyperion has to close.

Questions we'd put to Meta's CFO

- What return does Meta expect from Hyperion's capacity, beyond the rent it pays?
- Why pay roughly 1.4 percentage points more through the venture when Meta could borrow at 88bp over Treasuries?
- Under what conditions would the $46bn residual value guarantee be called?

OUR TAKE

Hyperion fails the NPV test on the rent alone: −$5.7bn in the base case, and even the best case is −$2.0bn. Its value depends on strong AI demand. The joint venture keeps $27.3bn of debt off Meta's balance sheet, but at a premium of roughly 1.4 percentage points, with up to $46bn of risk still sitting with Meta.

The structure changes how Hyperion is funded and reported, not who bears the risk if the AI bet fails. That remains with Meta's shareholders.

Where we might be wrong: if AI lifts Meta's ad revenue as fast as management claims, the real options and spillovers could more than cover the 36% gap, and the venture will have bought Meta scarce capacity without stretching its credit rating.

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