

Not like Nortel

Why today's AI supplier financed deals are not like dot-com bubble vendor finance

October 2025

Mickey Ganguly, Senior Equity Analyst, CIBC Global Asset Management



With several financing deals announced in the world of AI in recent weeks and months, investors who lived through the dot-com bubble are likely to be cautious on the nature of these deals. The concern stems from companies like Nvidia and AMD signing deals to provide Graphics Processing Units (GPUs) to OpenAI with obscure financing terms. Investors are most skeptical on the revenue recognition aspect of these deals as the timing is unclear, and more importantly, how much demand is being pulled forward on these deals. Further fueling the anxiety are the outsized stock price moves at the mere mention of a partnership with companies like OpenAI, regardless of the execution and timing risks. However, we believe these partnerships are among financially sound and diverse companies which is in contrast to the deals in the dot-com bubble era.

How are these deals similar?

In the late-90s and early 2000s, companies such as Nortel were extensively using vendor financing to facilitate purchases of their equipment. These deals were structured in a way that inflated demand and in turn drove valuations and revenue projections higher. Current deals in the AI landscape have similar characteristics and are being structured to anticipate future purchases. For example, the recently announced Nvidia and OpenAI deal will see OpenAI deploy at least 10 gigawatts of AI data centres, representing millions of GPUs. In order to support these purchases, Nvidia has committed USD \$100 billion to OpenAI, which will be deployed progressively for each gigawatt deployed (approx. USD \$10 billion per GW deployed). This web of financing goes further, as OpenAI purchases cloud capacity from companies who use Nvidia GPUs and count Nvidia as an investor (e.g. CoreWeave).

AMD and OpenAI also recently announced a partnership to deploy 6 gigawatts of data centre power with uncertain revenue terms, but which provides OpenAI with 160 million warrants (~10% of AMD's outstanding shares) which will vest at certain milestones (first tranche to be deployed in the second half of 2026). It is uncertain if the revenue growth generated from this deal can offset the potential dilution of AMD shares.

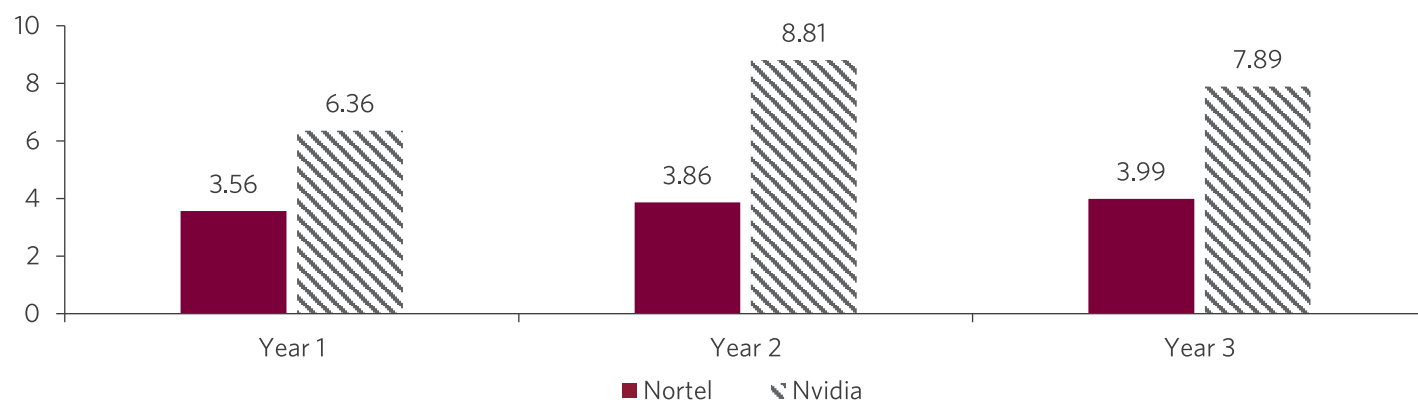
While vendor financing exists in many industries, the above mentioned deals are between some of the world's largest companies, which have valuations that are increasingly pricing in perfection. Any small misstep has the potential to cause outsized reaction to their share price. In the past, circular financing where tech companies were financing their own customers led to amplified reaction to share prices when the bubble eventually burst.

Nortel was probably the most famous of these cases where they relied heavily on vendor financing, allegedly using "cookie jar accounting" (where cash reserves are built and deployed to inflate earnings), and had to make large asset write-downs. While similarities between the current cohort of AI companies and Nortel exist, we believe there are vast differences worth noting.

How is this time different?

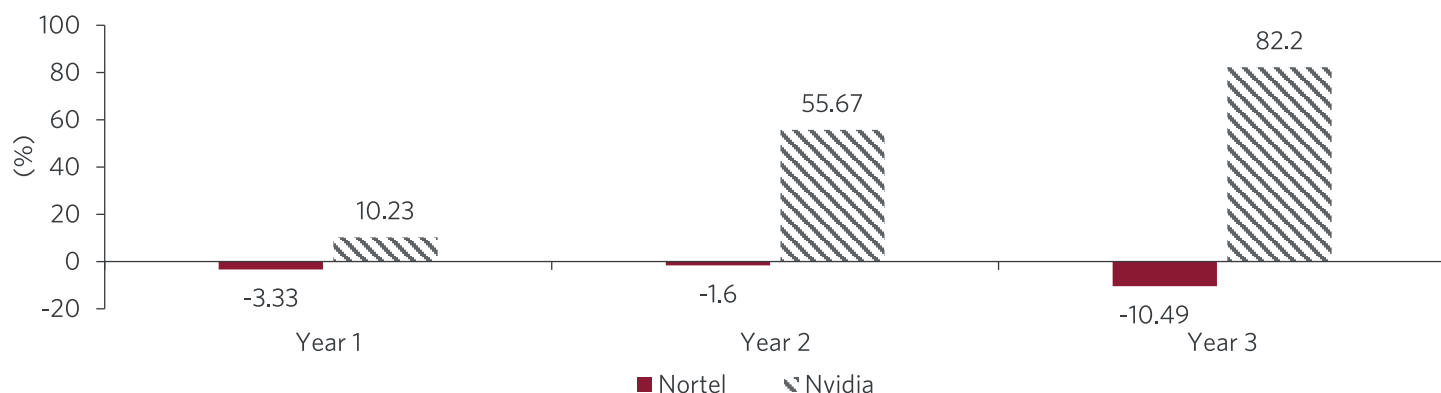
While a healthy dose of skepticism is warranted in light of these deal announcements, there are differences between the recently announced AI deals and the dot-com bubble era. For starters, Nvidia is in excellent financial health. The company has approximately USD \$56 billion in cash and generated over USD \$60 billion in free cash flow in FY2025. Importantly, the free cash flow generated covers the entirety of their liabilities on the balance sheet (USD \$41 billion). In contrast, at the height of the dot-com bubble in 2000, Nortel held cash reserves of USD \$1.6 billion and total liabilities of USD \$12 billion. Another metric that investors should focus on is accounts receivable turnover, which illustrates a company's ability to collect on their credit. For the last three years Nvidia has averaged receivables turnover ratio of 7.7 vs. Nortel's 3.8 at its peak. This is a positive indicator of Nvidia's ability to get their expected revenue from their vendors, but also illustrates the higher quality of Nvidia's customers. Similarly, to assess the health of Nvidia's balance sheet we can look at the ratio of accounts receivable to the reported revenue which currently sits at approximately 17%. At its top, Nortel was reporting approximately 30% of their revenue as accounts receivable. The final metric to highlight is Return on Assets, which investors often utilize to assess a company's health and the quality of its management team. Nortel, in its peak years, was reporting -5% on average. Nvidia has averaged a return on assets of 50% over the last 3 years.

Accounts receivable turnover



Source: Bloomberg, Company financials (as of 10/14/2025)

Return on assets



Source: Bloomberg, Company financials (as of 10/14/2025)

Apart from dissecting their financials, there are other differences in the industry and competitive dynamics. Nortel was primarily focused on B2B vendor financing in the telecom sector. Their financing was also focused on a small number of vendors and customers. Therefore, counterparty risk was higher, especially since some of their vendors were also not in a healthy financial state. When the dot-com bubble burst, the concentrated nature of the relationship compounded the underlying issues with the vendor financing relationship. In contrast, the AI ecosystem is global with vendors in multiple verticals and a broader investor base financing both public and private companies.

Nortel was also accused of opaque disclosures in practice with delayed write-downs and building up cash reserves to release opportunistically. In the current environment, companies face greater scrutiny with a relatively higher degree of transparency. Even if deal terms are not fully disclosed, investors are aware of the pull forward nature of these deals which should encourage healthier due-diligence efforts. Finally, during the dot-com bubble era, companies overbuilt capacity without weighing the demand environment. At present, due to the broad application of AI, we're seeing continued demand for AI services. The demand is so robust that multiple industries (power generation, IT hardware, software) are investing, and more importantly, showing earnings growth which provides valuation support.

A final point on valuation, at its peak Nortel was trading close to 136x P/E vs. the S&P500 at 22x. On a growth adjusted basis, Nortel was trading at 8.5x PEG ratio. In contrast, Nvidia is currently trading at 32x forward P/E vs. the S&P500 at 22.8x. Crucially, on a growth adjusted basis, Nvidia is trading at 0.6x PEG ratio vs. the S&P500 at 1.75x PEG ratio.

Final thoughts

While we acknowledge the parallels, our analysis illustrates that the current slate of companies that are investing heavily in AI are in better financial positions than the companies during the dot-com bubble were. The industry dynamics are also different with AI catering to a diverse group of end users and utilizing multiple suppliers. The recent rally in the market bears some caution and requires a more concerted effort to dig into company disclosures, but we remain confident in the health of these companies and the general AI ecosystem. In our view, at present, the similarities between the AI investment cycle and the dot-com bubble era ends with some of the financing structures we've recently seen. We remain confident in the long-term growth opportunity that AI represents and continue to invest in companies we see as secular long-term winners coming out of this cycle.

How to gain exposure

The CIBC Technology Innovation Fund strategically invests in both technology and technology-adjacent businesses, with the objective of delivering long-term returns that surpass the performance of the Nasdaq 100 Index. The portfolio maintains a significant focus on artificial intelligence, with approximately 70% to 80% of the fund allocated to AI-related themes, reflecting the sector's substantial growth potential over the next decade. In addition to the core AI holdings, the fund maintains exposure to other key sectors such as Media & Entertainment (e.g., Netflix) and Industrials (e.g., Uber), among various emerging themes. This diversified approach ensures robust participation in the evolving landscape of technology innovation.

About the author



Mickey Ganguly,

Senior Equity Analyst, CIBC Global Asset Management

Mickey Ganguly is a Senior Analyst on the CIBC Technology Innovation Fund with over five years of experience covering the North American Technology and Telecommunications sector. Prior to joining CIBC Asset Management, Mickey held roles in Capital Markets and operations management. His experience covering diverse companies across multiple sectors, with an additional 6 years of experience in operations, empowers him with a comprehensive understanding of business drivers and management quality which helps drive investment decisions. Mickey holds a BBA from the University of Guelph and an MBA from Queen's University, where he specialized in Finance.



About CIBC Asset Management

At CIBC Asset Management, we believe that every customized investment solution begins with research and rigour. We specialize in a variety of investment solutions such as equities, fixed income, currency management, liability-driven investments, asset allocation, and responsible investments.

Across a spectrum of investment solutions, we commit to best-in-class research. Dedicated sector and regional analysts focus on industry research and security-specific idea generation. Our investment professionals leverage deep and diverse expertise by sharing proprietary research across asset-class teams. By sharing insight across asset class teams, we maximize opportunities to add value to our client portfolios.

Contact us any time

To learn more about CIBC Asset Management and our investment solutions, please contact your advisor or your CIBC representative. For more insights, connect with us on [LinkedIn](#).

The views expressed in this material are the views of CIBC Asset Management Inc. as of October 2025 unless otherwise indicated, and are subject to change at any time. CIBC Asset Management Inc. does not undertake any obligation or responsibility to update such opinions. This material is provided for general informational purposes only and does not constitute financial, investment, tax, legal or accounting advice, it should not be relied upon in that regard or be considered predictive of any future market performance, nor does it constitute an offer or solicitation to buy or sell any securities referred to.

Individual circumstances and current events are critical to sound investment planning; anyone wishing to act on this material should consult with their advisor. The material and/or its contents may not be reproduced without the express written consent of CIBC Asset Management Inc. Past performance may not be repeated and is not indicative of future results.

Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or other similar wording. In addition, any statements that may be made concerning future performance, strategies, or prospects and possible future actions taken by the fund, are also forward-looking statements. Forward-looking statements are not guarantees of future performance. These statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results and achievements of the fund to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market, and business conditions; fluctuations in securities prices, interest rates, and foreign currency exchange rates; changes in government regulations; and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. CIBC Asset Management Inc. does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments, or otherwise prior to the release of the next management report of fund performance.

"Bloomberg®" is a service mark of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the indices (collectively, "Bloomberg") and have been licensed for use for certain purposes by CIBC Asset Management Inc.. Bloomberg is not affiliated with CIBC Asset Management Inc., and Bloomberg does not approve, endorse, review, or recommend any CIBC Asset Management Inc. products.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. To obtain a copy of the simplified prospectus, call [**1-888-888-FUND \(3863\)**](tel:1-888-888-FUND(3863)). Alternatively, you may obtain a copy from your advisor. Any information or discussion about the current characteristics of this mutual fund or how the portfolio manager is managing the mutual fund that is supplementary to information in the prospectus is not a discussion about material investment objectives or strategies, but solely a discussion of the current characteristics or manner of fulfilling the investment objectives and strategies, and is subject to change without notice. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer, nor are they guaranteed.

CIBC Securities Inc. is a wholly-owned subsidiary of CIBC and is the principal distributor of the CIBC Mutual Funds. Please read the CIBC Mutual Funds simplified prospectus before investing. To obtain a copy, call CIBC Securities Inc. at [**1-800-465-FUND \(3863\)**](tel:1-800-465-FUND(3863)) or ask your advisor.

® The CIBC logo and "CIBC Asset Management" are registered trademarks of Canadian Imperial Bank of Commerce (CIBC), used under license.