



IDENTIFYING FINANCIAL RISK ACROSS AI SUPPLIERS

DIGITAL REPORT



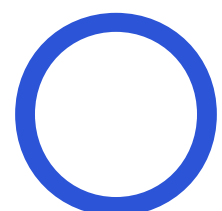


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RapidRatings CEO Charlie Minutella on why the real risk in AI infrastructure build-outs is the suppliers' financial capacity to keep up



One in five suppliers building today is already considered high risk, according to Charlie Minutella, CEO of RapidRatings. A wave of hyperscaling growth across that same supplier base, and the figure climbs to 26%, an increase

RapidRatings' own stress testing attributes not to weak fundamentals, but to the sheer cost of scaling fast enough to keep pace with demand.

For an industry already familiar with the scale of AI capital expenditure, that number is the real story. Hundreds of billions of dollars are being committed to build out compute capacity, and increasingly, hyperscalers are financing the suppliers who build it directly rather than simply buying from them. What is less understood is how exposed those suppliers, and the buyers backing them, already are.

The scale of the risk

To quantify how suppliers might cope under accelerated demand, RapidRatings modelled a scenario in which suppliers experienced 50% revenue growth while absorbing higher inflation, increased capital expenditure and greater working capital requirements.

"The answer is actually different from what you'd probably expect," Charlie reveals. "For many companies to handle that type of growth, they'd need to raise capital to do it, more debt. Between 60% and 80% of the suppliers in the stress test would require additional borrowing to fund growth."

Even suppliers already considered financially healthy saw their position weaken under the scenario, with cash reserves declining and leverage rising. The net effect was a marked increase in the proportion of suppliers classified as high risk.

“What we find, ultimately, is an increase in high-risk companies as a result,” Charlie adds. “Even with explosive growth, we saw an increase from about 18.5% to about 26% of companies becoming high risk or very high risk – roughly a 37% increase.

“So, rapid expansion doesn’t necessarily mean rapid improvement. It means there needs to be a way to fund that growth, because it doesn’t happen on day one, and that puts companies into a much more vulnerable position than they’re in today.”

The blind spot beneath chips and power

Much of the public conversation about AI infrastructure has focused on chip availability and, more recently, power capacity.

Charlie argues that both concerns, while real, obscure a deeper structural risk sitting further down the supply chain: “There’s a very deep bench of companies contributing to those broad themes. When organisations are thinking about data centre build-outs, they don’t often think about how the tier 2, 3, 4 and 5 suppliers are going to be able to deliver – not just on their own project, but on all the projects that are out there.”

That capacity constraint, he says, is not currently being reflected in how these

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Charlie Minutella
Chief Revenue Officer
RapidRatings

projects are financed: “You get to certain choke points where critical companies may not be able to do all of this at the same time, and that’s typically not being priced into the infrastructure financing agreements. We think that’s a huge blind spot for the wider AI infrastructure build-out.”

Underlining just how real that uncertainty is, Charlie points to a figure that illustrates the scale of exposure in the US market: “We know there was US\$130bn worth of data centre cancellations so far this year in the US.”

For the tier 2 and tier 3 suppliers who had scaled up to meet that demand, cancellations of that magnitude are a direct threat to revenue that had already been assumed and, in many cases, financed against.

Why hyperscalers are exposed

Much of this exposure traces back to how hyperscalers are now building AI infrastructure.

CHARLIE MINUTELLA CEO

Charlie Minutella is the CEO of RapidRatings. His expertise lies in third-party risk intelligence, fraud prevention, compliance, risk management, innovation and growth.

Charlie is deeply committed to mentoring the next generation of business leaders, volunteering his time to Marist School of Business, Ridgewood Baseball and Softball Association, and Oasis – a Haven for Women and Children.

Charlie holds a Master of Business Administration from Marist College and a Bachelor of Science in Business Administration from St. Joseph’s University.

Prior to RapidRatings, Charlie has held senior positions at Data Zoo, Tritium Partners, the London Stock Exchange Group (LSEG), The Red Flag Group and Thomson Reuters.



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For much of the past decade, the largest technology companies expanded their AI capabilities primarily through acquisition. That pattern has shifted. Rather than buying startups outright, hyperscalers are increasingly building infrastructure directly, and depending on a deep bench of specialist suppliers across power equipment, engineering, construction and logistics to deliver it.

“They’ve quickly shifted from being tech companies to commercial property developers, and that requires them to have a complex network of companies to support data centre buildouts end to end all around the world,” Charlie says.

“That complexity is exactly why the supplier relationship now matters as

much as the infrastructure investment itself. Hyperscalers know how to operate a data centre once it exists; they are less certain who the best electrical or plumbing contractors are in every market where they are building, or how financially resilient those contractors are, companies whose balance sheets are rarely scrutinised with the same rigour as the hyperscalers’ own.”

Why sponsorship is popular

One of the more significant shifts Charlie describes is in how hyperscalers and large enterprises are structuring their relationships with strategic suppliers in response to that exposure. Rather than issuing standard purchase orders,

buyers are increasingly extending terms, prepaying or directly financing supplier capacity – a model closer to sponsorship than procurement.

Asked to explain the mechanics, Charlie draws on an example from outside the data centre space entirely.

“In the automotive space, GM created a US\$4.5bn credit facility that would allow them to essentially pre-purchase critical components for vehicles without taking the full cash impact upfront,” he explains.

“I think you’re seeing more of these creative types of relationships. So, rather than a company saying, ‘We’re going to buy X amount from you for this data centre,’ it’s more, ‘What can we do to create a relationship where there’s no

conflict of interest?’ The supplier will get the component parts they need, when they need them, because they’ve created a funding mechanism that’s more compelling than simply buying from them on standard terms.”

Once a buyer has financed a supplier’s expansion or prepaid for future capacity, that buyer’s exposure to the supplier’s financial health increases substantially, a dynamic that standard vendor management processes were not designed to capture.

Private credit’s double edge

Much of the capital funding this expansion is coming not from public markets but from private credit,

a financing route Charlie describes as offering real advantages alongside real risks.

“Private credit is great for companies looking for faster turnaround on financing, more certainty and more flexibility,” he continues. “But the flip side is that it’s typically more costly, there are more covenants, more obligations and the impact of not executing on the plan could, in some instances, be catastrophic for the company.”

That risk is compounded by how quickly a private company’s financial position can shift. In the short term,

Charlie notes, a business can look healthy simply by having cash on hand. It is only over a longer horizon, if growth or profitability falls short of plan, that the burden of interest payments and covenants begins to constrain a supplier’s capacity and resilience.

This dynamic is not confined to data centres. Charlie identifies several other sectors where private credit has become similarly active, including SaaS, automotive, consumer products and distressed brands.

He adds: “It’s across a much wider set of industries, and I don’t think procurement teams are necessarily

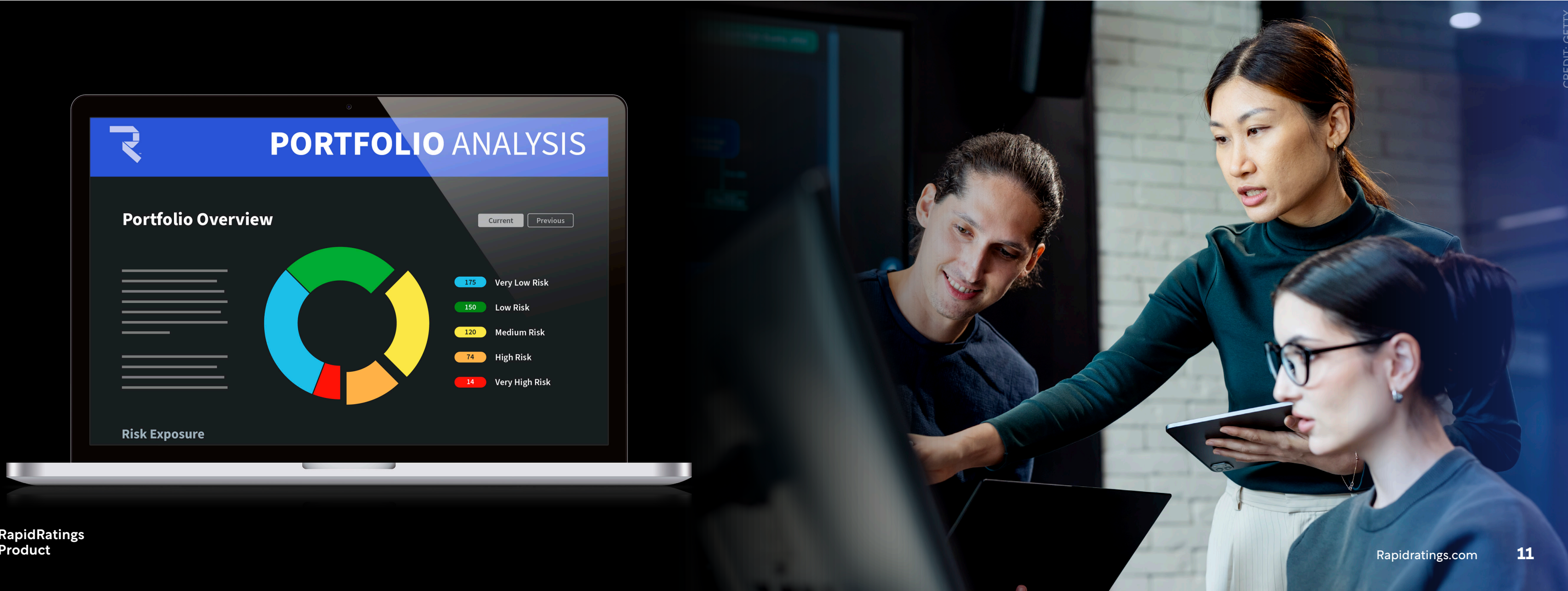
thinking about it as holistically as they could at this stage. It’s not a new concept, but it’s becoming more prevalent and more accessible to companies.”

Understanding the critical supplier base

Given that level of volatility, Charlie’s advice to procurement and supply chain leaders starts with a basic but often overlooked step: “Organisations need to understand who their most critical suppliers are. “Across our customer base, there are companies that have a really good understanding of who their critical suppliers are, and others

that have a reasonable understanding. But there’s also a subset of suppliers who, if something happened to them, it would be a problem – maybe not critical – but the impact of a disruption would be distracting. Step one is figuring out your universe of suppliers that matter; step two is developing a strategy for how you want to assess and monitor them.”

That strategy, he adds, should not default to a single approach applied across the supplier base. High-risk, deliverable-based projects may warrant quarterly review, while for most suppliers an annual assessment represents best practice.





60%-80%
of stress-tested suppliers that
would need additional borrowing
to fund 50% revenue growth

What matters most, in his view, is treating supplier financial health as an ongoing consideration rather than a one-off check performed at contract signature, and stress-testing supplier capacity before commitments are made, rather than after problems emerge.

Each of those steps maps closely onto RapidRatings’s own product set. Building an accurate universe of critical suppliers, and understanding where each one sits on the risk spectrum, is precisely what the financial health rating is designed to do, using suppliers’ own financial statements rather than surface-level indicators. Because so many of the suppliers

in question are private companies with limited public financial data, Charlie points to FastTrack as a way for procurement teams to move quickly at the onboarding stage, giving them the ability to produce more instant ratings on private companies rather than waiting on a lengthy assessment process.

Once a supplier is being tracked, RiskPulse extends that visibility between formal reviews by monitoring a company’s behaviour in the external world, helping flag emerging issues before the next scheduled assessment falls due. And where a supplier’s rating signals cause for concern, ActionPath gives buyers and suppliers a structured way to have that conversation directly, allowing the supplier to set out what it’s doing to remain strong, or what it plans to do to improve – rather than leaving procurement teams to interpret a score in isolation.

The RapidRatings model

Underpinning all of this is a straightforward mission, as Charlie describes: “Our goal is to be the global standard for business performance. We want to empower resilient, trusted and growth-oriented relationships, delivered through data-driven financial intelligence within this global, connected ecosystem.”

The FHR, FastTrack, RiskPulse and ActionPath sit within a broader model built around that mission: giving buyers and suppliers a shared, evidence-based view of financial resilience, rather than leaving either side to rely on assumption. For the private companies that make up the bulk of most supply chains, which rarely publish the financial data buyers are used to seeing

from listed suppliers, the FHR Exchange adds a further layer, streamlining the secure collection and sharing of that information so procurement teams can move faster without compromising on depth of analysis.

Rather than simply flagging financially vulnerable suppliers after the fact, RapidRatings is aiming to give both buyers and suppliers the tools to work through that vulnerability together, before it becomes a disruption further down the chain.

Building for the next 12 to 18 months

Looking ahead, Charlie says RapidRatings is investing heavily in expanding its own AI capabilities, with a number of AI-native products due for release over the next six to 12 months. But the broader message he leaves procurement leaders with is one of sustained uncertainty.

“Risk and the potential for disruption is clearly perpetual; we’re not waiting for one event to end before things stabilise,” says Charlie. “There will be consistent instability; everything going on would indicate that’s the case.”

Geopolitical volatility, economic pressure and the pace of technological change are, in his view, converging in a way that will keep reshaping supply chains for years to come, even as better data and analytics give procurement teams sharper tools to respond.

For an industry moving as fast as AI infrastructure, that combination of growing risk and improving visibility may prove decisive in determining which suppliers, and which buyers, come through the build-out intact. ●



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