# Microsoft withdraws from $12 billion deal with CoreWeave amid partnership uncertainties



Microsoft has withdrawn from a significant nearly $12 billion deal with CoreWeave, a data centre provider, which has raised questions about the future of their partnership. The withdrawal is attributed to "delivery issues and missed deadlines" that undermined Microsoft’s confidence in CoreWeave's capabilities, as reported by the Financial Times (FT).

Despite Microsoft's decision to back out of this major transaction, the tech giant still maintains a number of ongoing contracts with CoreWeave, confirming that the partnership remains important. CoreWeave, which is aiming for a potentially lucrative $2.5 billion initial public offering (IPO) in the coming weeks, responded to the FT’s claims by asserting, “All of our contractual relationships continue as planned – nothing has been cancelled, and no one has walked away from their commitments.”

In an unexpected turn of events, OpenAI, which is backed by Microsoft’s investment funds, has stepped in to assume the nearly $12 billion option for data centre capacity. This move helps CoreWeave avert what could have been a damaging setback, especially as it approaches its IPO.

Commentary from industry analysts, such as Rohan Goswami at Semafor, suggests that Microsoft's retreat is not indicative of a broader withdrawal from the AI sector. Instead, he described it as a tactical adjustment in terms of expenditure. Notably, Microsoft remains committed to investing in AI, with CEO Satya Nadella stating, “We’re good for our $80 billion.” Goswami pointed out that OpenAI's funding model remains intertwined with Microsoft, as OpenAI is effectively using funds from its largest backer to pay CoreWeave.

The situation highlights the current dynamics of the AI industry, which is said to operate as a "closed loop" dominated by a few major players. Currently, significant installations of AI technology and services are primarily financed by a limited number of companies, chiefly Microsoft and Nvidia, as noted by Goswami. This concentration of financial resources creates an environment that deprives smaller firms and medium-sized enterprises of broader investment opportunities in AI.

As CoreWeave progresses toward its IPO, the implications of these developments will be closely monitored by industry stakeholders and investors.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.techradar.com/pro/the-ai-economy-is-currently-a-closed-loop-and-thats-probably-why-openai-not-microsoft-invested-a-whopping-usd12bn-in-coreweave> - This article supports the claim that Microsoft pulled out of a nearly $12 billion deal with CoreWeave due to delivery issues and missed deadlines, and that OpenAI took over the contract, backed by Microsoft's funds.
* <https://www.datacenterdynamics.com/en/news/microsoft-denies-canceling-commitments-with-coreweave-ahead-of-ipo> - This article corroborates that Microsoft still maintains ongoing contracts with CoreWeave, despite reports of withdrawing some commitments, and CoreWeave's denial of any cancellations.
* <https://www.moomoo.com/news/post/50875811/after-another-major-sell-off-by-microsoft-this-stock-will> - This post discusses the impact of Microsoft's withdrawal from part of its $12 billion commitment to CoreWeave, affecting CoreWeave's IPO prospects and highlighting the reliance on major clients like Microsoft and NVIDIA.
* <https://www.courts.michigan.gov/492eca/siteassets/publications/benchbooks/evidence/evidbb.pdf> - Although not directly related to the AI sector or specific companies, this document provides general information on evidence and contractual agreements, which can be relevant in business disputes and partnerships.
* <https://www.justice.gov/archives/sco/file/1373816/dl?inline=> - This report is unrelated to the specific AI sector dynamics described but demonstrates how large-scale financial and operational decisions can impact various industries, albeit in a different context.