# Elon Musk’s XAI Holdings pursues $20 billion funding round amid $120 billion valuation



Elon Musk’s conglomerate XAI Holdings is in advanced discussions to secure approximately US$20 billion in funding, according to sources familiar with the matter, with the potential valuation of the company exceeding US$120 billion. The discussions are still in the early stages, and the final amount raised may surpass the US$20 billion mark, though no formal terms have been agreed upon as yet.

XAI Holdings, formed in March 2025, emerged from the merger of X—formerly Twitter—and Musk’s artificial intelligence startup, xAI. This strategic combination aims to integrate the vast social media user data from X with advanced AI technologies developed by xAI. The consolidation represents a shift from traditional social media operations toward AI-powered business models.

The proposed funding round is set to aid the company in managing the substantial debt burden incurred when Musk privatized Twitter and rebranded it as X. Current debt servicing costs are significant, with monthly payments around US$200 million and annual interest expenses projected to exceed US$1.3 billion by the end of 2024. Although X generates nearly US$1.5 billion in annual EBITDA, a sizeable proportion of operational profits is consumed by these debt obligations. Nevertheless, the company has improved its cash reserves, now nearing US$1.1 billion, up considerably from previous lows of US$120 million.

This capital injection would represent one of the largest startup financing rounds ever recorded, second only to OpenAI’s US$40 billion raise. It also mirrors an ongoing surge in global venture capital investment in artificial intelligence, which has more than doubled to over US$100 billion in 2024, an 80% increase from the previous year’s US$55.6 billion. AI-focused companies now account for approximately one-third of all global VC funding, signalling a major shift in investor priorities.

The valuation of XAI Holdings surpasses traditional market assessments for social media platforms. Prior to the merger, X was valued at roughly US$33 billion, while xAI held an estimated valuation of US$80 billion. The combined entity’s valuation at over US$120 billion underlines the premium investors are placing on AI capabilities within this merged business, largely independent of legacy social media metrics which have been challenged by recent declines in advertising revenues.

Indeed, X’s advertising revenue, once a dominant source of income, has experienced a substantial decline post-acquisition, falling from US$4.5 billion in 2021 to US$2.26 billion in 2025. The leadership at XAI Holdings is now focusing on alternative revenue streams such as data licensing and subscription services, which, for example, generated US$91 million in February alone—marking a 30% increase and reflecting a deliberate strategy to reduce dependence on advertising.

By combining X’s extensive user data with xAI’s machine learning expertise, Musk aims to build a next-generation AI platform that leverages social media insights for advanced AI training and enhanced user experiences. This approach aligns with broader industry trends where digital platforms are reevaluating their business models in the wake of AI’s growing prominence, shifting the emphasis from advertising-driven revenue to data-centric and AI-powered monetisation.

As these financing talks continue, XAI Holdings has not provided an official statement regarding the fundraising. The company aims to conclude the funding process within the coming months, which, if successful, will further entrench AI’s dominant role in shaping the future of digital platforms and underlying investment landscapes.

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

## Bibliography

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