 Name _____

Anthropic's IPO Filing: Reading the S-1

Source: Anthropic, PBC Form S-1, filed October 26, 2026, as reported in press coverage (six months ended June 30, 2026; $ billions) · sec.gov/Archives/edgar/data/0002130357/000162828026067168/anthropicpbc-sx1.htm

Anthropic, PBC
Condensed Income Statement

	Six months, 2026
Revenue	$ 16.3
Cost of revenue and operating expenses	(17.0)
Operating income (loss)	(0.7)
Change in fair value of convertible notes and similar	(72.4)
All other items, net*	(7.6)
Net income (loss)	$ (80.7)

Anthropic, PBC
Other Reported Figures

	$ billions
Revenue, six months ended June 30, 2025	$ 1.2
Revenue, full year 2025	4.6
"Adjusted" operating income (company's non-GAAP measure)	1.6
Convertible notes held by Amazon: amount lent (principal)	6.2
Convertible notes: carried at fair value	108.6
Free cash flow, six months (analyst estimates)	≈ 3.4
Long-term computing purchase commitments (not on balance sheet)	500+

BACKGROUND

An **S-1** is the document a company files with the SEC before it sells stock to the public for the first time (an IPO). It contains audited financial statements, risk factors, and management's discussion of the numbers. Anthropic makes Claude and earns revenue from API use and subscriptions.

FIND IT IN THE STATEMENTS Write the amount ($ billions) or ratio. Use parentheses for losses.

1. How much revenue did Anthropic earn in the first six months of 2026? **16.3**
2. How many times larger is that than revenue in the same six months of 2025? **≈ 13.6 times**
3. What was the operating income (loss), from the core business? **(0.7)**
4. What was the net income (loss)? **(80.7)**
5. What percentage of the net loss came from the fair value change on the convertible notes? **≈ 90%**
6. How much higher is "adjusted" operating income than GAAP operating income? **2.3**

HINTS

Revenue recognition
Record revenue when it is *earned*. Cash received before the service is delivered is **unearned revenue**, a liability.

Convertible notes
Loans that the lender can turn into the company's stock. Anthropic reports them at **fair value**: when the stock becomes worth more, the liability grows and a **loss** is recorded.

Liability
An obligation arising from a *past* event. A promise to buy services in the future is a commitment, disclosed in the notes.

Stock-based compensation
Paying employees with shares: Dr Compensation expense, Cr Additional paid-in capital. An expense, but no cash leaves.

Non-GAAP ("adjusted") measures
Management's own profit measures. They usually leave out stock compensation and one-time or non-cash items.

Accrual vs. cash
Net income records events when they happen; the cash flow statement shows the cash. Non-cash losses reduce net income but not cash.

APPLY THE CONCEPTS

7 **Revenue recognition.** On Jan 1, a customer pays **$240** for a 12-month Claude subscription.
Journal entry on Jan 1:

ACCOUNT	DEBIT	CREDIT
Cash	240	
Unearned revenue		240

Revenue earned by Mar 31: $60 Still unearned on Mar 31: $180

8 **The fair value loss.** Record the 72.4 increase in the fair value of the convertible notes ($ billions).

ACCOUNT	DEBIT	CREDIT
Loss on change in fair value	72.4	
Convertible notes payable		72.4

Effect: liabilities (increase) / decrease / no change ; equity increases / (decreases) / no change ; cash increases / decreases / (no change)

9 **Stock compensation.** Anthropic pays engineers partly in stock. The entry is Dr Compensation expense, Cr Additional paid-in capital. Does it reduce GAAP operating income? (yes) / no Does it use cash? yes / (no)

10 **Commitments.** Anthropic has signed more than $500 billion of long-term deals to buy computing capacity in future years. Is this recorded as a liability on today's balance sheet? yes / (no) Why?

A liability needs a past event. The providers have not delivered the computing yet, so it is a future commitment, disclosed in the notes.

11 **Accrual vs. cash.** Net loss was (80.7), yet analysts estimate free cash flow of about +3.4. Explain in one sentence.

Most of the loss is the non-cash fair value change (72.4): it raised a liability but no cash left the company.

*All other items, net is derived: 80.7 − 0.7 − 72.4. Figures are from press and analyst coverage of the S-1 and are rounded; check the filing before citing them. Computing commitments were reported at roughly $518–537 billion. Q7 uses made-up numbers.