

EXHIBIT 1

Anthropic financial forecast

CONFIDENTIAL: Shared with Morgan Stanley under NDA. Do not share beyond the following named individuals: Michael Grimes

Anthropic has been staying neck-and-neck with OpenAI on model capabilities despite using 5x fewer resources than them.

One simple “baseline business strategy” would therefore be to continue to release the same products as OpenAI (models with roughly the same level of intelligence) but offer them to customers at a lower price, while still maintaining a healthy margin.

This is obviously an over-simplification of the real world. There will be times when one player is ahead of the other (OpenAI has mostly been faster to market than us so far, with the exception of us releasing the Claude-v1 API before OpenAI had a ChatGPT API). And some products might develop moats or market powers that are separate from the underlying cost. Nevertheless, we believe that this provides a useful “first order approximation” of how we might develop an advantage over time.

We’ve shared a spreadsheet with you that gives a forecast of cost, efficiency and revenue over time. The sections below go into some detail about the inputs and mechanics of that spreadsheet.

Marginal cost advantage and inference efficiency

We see four key contributors to inference efficiency (aka marginal cost)

- [REDACTED]
- **Data quality** - Adding higher quality data (particularly books that aren’t publicly available on the internet) allows smaller and cheaper models to outperform larger models. We expect a large one-time boost if we are able to train on a large number of books.
- **Hardware** - We expect that both the Google TPUs and Amazon Trainium2 chips will have at least 1.5x better price-performance than NVIDIA H100s (after accounting for the opportunity cost of the delayed launch). We are optimistic that future chips from these providers will have ~3x better price-performance than H100-next.
- **Algorithmic efficiency** - We have a consistent history of discovering algorithmic improvements faster than our strongest competitors. These have been steadily reducing our inference costs over the last two years, and we estimate that we now have a [REDACTED] multiplier compared to OpenAI. [REDACTED]

[REDACTED]

Mechanics of calculating revenue based on a marginal cost advantage

We use a very simple revenue forecast with the following assumptions

1. Our products are entirely undifferentiated from our competitors. We move in lockstep on model capabilities and compete on price, not quality.
2. Our competitors are able to provide supply at exactly their marginal cost (the “competitor zero-profit price”)
3. There is unlimited demand from customers at the “competitor zero-profit price”

Additional fundraising

We assume that we will raise an additional [REDACTED] which gives us enough time to start building an even larger cluster using subsequent generation chips.

Potential flaws in this revenue forecast

The efficiency multipliers relative to our best competitors might be incorrect

These are all speculative and are simply our “best guess” at how research across the field will play out.

We might not be able to sell all inference capacity at 80% of the “best competitor price”

Competitors might be willing to take negative margins for a substantial amount of time

Competitors might build sufficient moats or product differentiation that a [REDACTED] discount is insufficient to win customers away from them

We might not see continued rapid growth in demand for AI. This forecast assumes that demand for our capacity grows at [REDACTED]

We don’t account for any other marginal costs besides compute.

We estimate that marginal costs besides compute (bandwidth, ancillary services, personnel) will be less than 5% of compute costs and they are therefore not represented in the shared spreadsheet. A more sophisticated spreadsheet model would include those costs.

We might choose a different ratio of the cluster for training vs inference

In the spreadsheet, we assume that we use [REDACTED] of the cluster for inference. That is our current best guess based but it could be an overestimate or an underestimate.