

NEWS

News: OpenAI Had A Negative 122% Non-GAAP Operating Margin In Q1 2026, and ChatGPT Growth Has Stalled

ED ZITRON / MAY 22, 2026 / 4 MIN READ

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Executive Summary:

- The Information reports that OpenAI generated $5.7bn in revenue for the first quarter of 2026 based on discussions with sources familiar with its financials.

- With adjusted negative margins of -122%, this means that for every dollar of revenue OpenAI made, it lost an additional $1.22, or around $6.95bn on a non-GAAP basis.
    - OpenAI is "on track" to hit goal of $30bn in 2026 revenue, but margins suggest losses of over $36.6bn.
- OpenAI continues to struggle converting free ChatGPT users to paying customers, and overall user growth has stalled.

New revelations about OpenAI's finances paint a dim picture for the company, as The Information reported it generated just $5.7bn in the first quarter of 2026, with an adjusted operating margin of -122%.

This means that for every dollar of revenue the company generated, it lost $1.22.

As The Information's Sri Muppidi noted, these operating margins were adjusted — and, presumably, didn't conform to GAAP (or generally accepted accounting principles) standards — and excluded certain "large line items", like stock-based compensation.

By that maths, that means that OpenAI lost $6.95 billion in the quarter, and because this is non-GAAP, it's quite possible that losses are much higher, revenues are lower, and its margins are worse. The piece does not specify if operating margin includes or excludes training costs, nor does it break down what other exclusions there may be other than stock-based compensation.

The report also claims that OpenAI is "on track" to hit its goal of generating $30bn in revenue for 2026, although if it maintains these disastrous margins, it would end up losing $36.6bn.

ChatGPT's Growth Has Stalled

Meanwhile, ChatGPT's user growth has stalled. While weekly active users hit 920m in February, the average for the quarter sat at 905m, suggesting lower numbers in either (or both) January or March. OpenAI had expected to hit 1 billion weekly active users in 2025.

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This suggests that ChatGPT's growth has stalled.

As I've noted in the past, weekly active users are a fairly novel metric, with most companies using monthly active users to represent adoption. I've also speculated that the reason why OpenAI has favored this metric is because it's easy to manipulate.

OpenAI reportedly had 55m paying ChatGPT customers at the end of Q1 — up from 47m people at the end of the year.

Assuming a userbase of 905m users, this means that OpenAI has a conversion rate of roughly 6%. It's likely worse, as monthly active users should, at least in theory, be a higher number, as it captures every weekly user in addition to less-active users over the course of a month.

Nevertheless, while this represents an improvement over the 2.583% rate in February of last year, it's likely improved as a result of cheaper ad-supported ChatGPT "Go"

subscribers at $5 or $8 a month, depending on geography. OpenAI also gave away a free annual ChatGPT Go subscription to literally every Indian subscriber in late October 2025, though I cannot confirm if they're counted in the total.

Why Is Everybody Talking About Operating Margins?

As I wrote up yesterday, Anthropic leaked (or had leaked) that it believed it would have a non-GAAP EBIT operating profit in Q2 2026 entirely as a result of Elon Musk discounting two months of compute costs for that specific quarter, and it makes me wonder why we're suddenly, in the space of 24 hours, talking about *operating margins* or *operating profits* for two companies that have hidden behind annualized revenues and obfuscated financials for several years.

If I had to *guess*, it's likely that investors have begun to demand firmer, more "real company"-adjacent numbers, and while Anthropic was able to find a clever way to manipulate them as a means of raising funding, OpenAI was forced to share numbers a little closer to reality.

What's clear is that we're in an information war between two companies that burn billions of dollars, with one of them (OpenAI) allegedly planning to file for an IPO as soon as *today*.

Anthropic clearly wants to position itself as the stable, reliable, *economically viable* alternative to OpenAI, but can only do so with a kind of financial engineering only made possible in a media climate bereft of scrutiny.

Nothing has changed about the core economics of generative AI to suddenly make things profitable, other than the ingenuity of CFO Krishna Rao and his willingness to move numbers around a spreadsheet.

Nevertheless, it's interesting that Anthropic appears to be leapfrogging OpenAI in revenue. In early May, Anthropic claimed to have $45bn in ARR. By contrast, in March,

OpenAI claimed to have topped $25bn in ARR. While OpenAI brought in a billion dollars more than Anthropic in Q1 2026, The Information couldn't get ahold of OpenAI's numbers for Q2 2026, but at $45 billion in ARR - $3.75 billion in a month - Anthropic may have taken the lead.

That is, of course, if its numbers actually line up with reality, something I've disputed multiple times.

Nevertheless, if investors become convinced that OpenAI is falling behind, it'll be much harder to raise another round at or above its current $852 billion valuation.

Perhaps that's why OpenAI is rushing to go public - it realizes it might have tapped out private investors.

If you liked this piece, you should subscribe to my premium newsletter. It's $70 a year, or $7 a month, and in return you get a weekly newsletter that's usually anywhere from 5,000 to 18,000 words, including vast, detailed analyses of NVIDIA, Anthropic and OpenAI's finances, and the AI bubble writ large. My Hater's Guides To Private Credit and Private Equity are essential to understanding our current financial system, and my guide to how OpenAI Kills Oracle pairs nicely with my Hater's Guide To Oracle.

This week, I'll publish the second part to my ongoing series ("What If...We're In An AI Bubble?") about the factors and events that will cause the AI bubble to finally pop.

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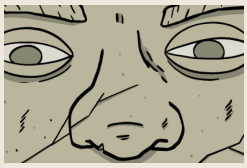

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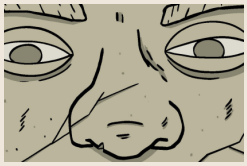

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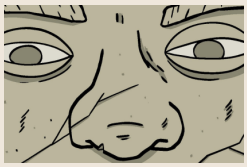

[UPDATED] News: Anthropic (Briefly) Removes Claude Code From $20-A-Month "Pro" Subscription Plan For New Users



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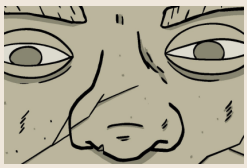
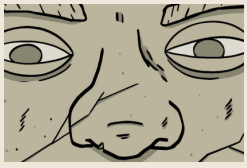
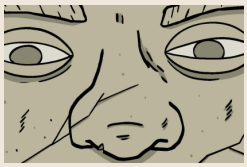


Anthropic's "Profitability" Swindle

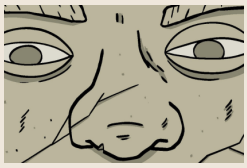
EXPLORE



Never Forgive Them



Requiem for Raghavan



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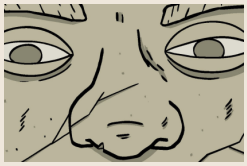
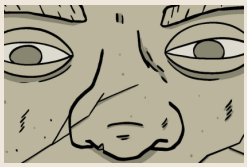
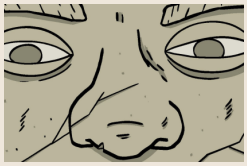


The Rot Economy



On NVIDIA and Analyslop



The NVIDIA Bubble

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Executive Summary: * Internal documents reveal Microsoft's planned rollout for token-based billing for all GitHub Copilot customers starting in

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