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RESEARCH PORTAL

EQUITY RESEARCH NOTE

Space Exploration Technologies Corp.

Published on July 24, 2026

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Investment Thesis

Rating: SELL / Speculative Value Trap

12-Month Price Target: \$90

Current Price: \$112.98 as of July 24, 2026

SpaceX is an exceptional operating franchise embedded in an unacceptable public-market security at the current valuation. Starlink has achieved genuine scale, launch economics are structurally advantaged, and the company controls a uniquely integrated stack spanning launch, satellites, spectrum, connectivity, and AI infrastructure. Those assets are real.

The investment problem is that shareholders are not purchasing a focused, cash-generative aerospace and communications company. They are funding a controlled conglomerate in which profitable Starlink economics are being redirected into Starship development, terrestrial AI data centers, Grok/X operating losses, orbital-compute ambitions, spectrum acquisitions, and related-party ecosystem transactions. The corporate perimeter can expand further without meaningful minority-shareholder control.

The latest available reported period is the quarter ended **March 31, 2026**, disclosed in the IPO prospectus. SpaceX will report its first quarter as a public company—second-quarter 2026 results—after the market closes on **August 4, 2026**. Consequently, there is not yet a public-company earnings-call transcript against which to test management's disclosure discipline, guidance accuracy, or analyst access. (ir.spacex.com)

At \$112.98, SpaceX carries approximately **\$1.49 trillion of equity value**, equivalent to roughly **77x trailing revenue** and more than **200x 2025 adjusted EBITDA**. The valuation capitalizes highly uncertain 2030s economics while giving insufficient weight to current cash burn, prospective dilution, governance concentration, lock-up releases, and the possibility that AI infrastructure becomes structurally commoditized before SpaceX earns an adequate return on its investment.

Key Actionable Takeaways

- **Profitable core, loss-making conglomerate:** Q1 2026 Connectivity generated \$3.257 billion of revenue, \$1.188 billion of operating income, and \$2.087 billion of adjusted EBITDA. Yet consolidated SpaceX reported a \$1.943 billion operating loss and a \$4.276 billion net loss because AI and Space investment consumed the Starlink surplus. (sec.gov)
- **Capital intensity is the central fact:** 2025 capital expenditures were \$20.737 billion against \$18.674 billion of revenue. Q1 2026 capex accelerated to \$10.107 billion—\$7.723 billion of which was AI capex—versus only \$4.694 billion of quarterly revenue. (sec.gov)
- **Starlink's subscriber growth is extraordinary but monetization is diluting:** subscribers reached 10.3 million, up 105% year over year, while monthly consumer ARPU fell 23% to \$66. Scale is expanding faster than revenue per user. (sec.gov)
- **Near-term technical overhang:** Q2 results on August 4 trigger the first scheduled lock-up release. Up to 20% of shares subject to the standard 180-day lock-up can become transferable on the second full trading day after results—expected to be **August 6, 2026**. (ir.spacex.com)

Valuation Snapshot

Metric	Value
Current price	\$112.98
12-month target price	\$90.00
Implied price return	-20.3%
Dividend yield	0.0%
Implied total return	-20.3%
Approximate current market capitalization	\$1.49 trillion
IPO price — June 11, 2026	\$135.00
Post-IPO intraday high	\$225.64
Price versus IPO	-16.3%
Price versus post-IPO high	-49.9%

The current price is approximately \$112.98, with the stock trading close to the bottom of its post-IPO range. (stockanalysis.com)

2. Company Deep Dive & Business Model

Business Segmentation

SpaceX now reports three economically distinct businesses:

1. Connectivity — Starlink

Connectivity is the company's economic engine and presently its only segment capable of financing material portions of the broader mission.

2025 performance:

- Revenue: **\$11.387 billion**
- Operating income: **\$4.423 billion**
- Adjusted EBITDA: **\$7.168 billion**
- Adjusted EBITDA margin: **62.9%**
- Year-end subscribers: **8.9 million**
- Average monthly ARPU: **\$81**

Q1 2026 performance:

- Revenue: **\$3.257 billion**
- Operating income: **\$1.188 billion**
- Adjusted EBITDA: **\$2.087 billion**
- Subscribers: **10.3 million**
- Monthly ARPU: **\$66**

The segment sells:

- Consumer broadband subscriptions and user terminals;
- Aviation, maritime, agricultural, construction and mobility connectivity;
- Government and defense communications;
- Direct-to-device/mobile connectivity;
- Potential wholesale capacity and carrier partnerships.

Management explicitly expects consumer ARPU to decline over the next several years as international and lower-priced plans become a larger portion of the mix. The thesis therefore depends on subscriber density, lower satellite and launch costs, enterprise mix, direct-to-device monetization, and network utilization offsetting price compression. (sec.gov)

2. Space

Space includes third-party launch, Dragon, government development programs, launch infrastructure and Starship.

2025 performance:

- Revenue: **\$4.086 billion**
- Operating loss: **\$657 million**
- Adjusted EBITDA: **\$653 million**
- Capex: **\$3.832 billion**
- Starship-related R&D: approximately **\$3.004 billion**

Q1 2026 performance:

- Revenue: **\$619 million**
- Operating loss: **\$662 million**
- Adjusted EBITDA loss: **\$351 million**
- Capex: **\$1.052 billion**
- Starship-related R&D: approximately **\$930 million**

External segment reporting understates the strategic value of launch because internal Starlink launches produce no intersegment revenue. Conversely, it can overstate the economic attractiveness of vertical integration because internally consumed launch costs ultimately appear in satellite deployment, depreciation and capex rather than as a market-priced launch expense.

SpaceX states that it has launched more than 80% of global mass to orbit since 2023 and had completed more than 650 orbital launches with a mission-success rate exceeding 99%. This is the company's clearest operational moat. ([sec.gov](#))

3. Artificial Intelligence

The AI segment includes xAI, Grok, X, advertising, subscriptions, data licensing, external compute services and AI infrastructure.

2025 performance:

- Revenue: **\$3.201 billion**
- Operating loss: **\$6.355 billion**
- Adjusted EBITDA loss: **\$1.237 billion**
- Capex: **\$12.727 billion**

Q1 2026 performance:

- Revenue: **\$818 million**
- Operating loss: **\$2.469 billion**
- Adjusted EBITDA loss: **\$609 million**
- Capex: **\$7.723 billion**
- Nameplate compute draw: **1.0 GW**

The disparity between adjusted EBITDA and operating losses is economically important. GPU depreciation is not an incidental accounting charge: accelerators are rapidly obsolescing assets whose replacement cycles may be shorter than their accounting lives. Excluding depreciation from AI profitability is therefore analytically aggressive.

SpaceX has disclosed an external compute agreement under which a customer is expected to pay \$1.25 billion per month through May 2029, after a ramp period, but either party may terminate on 90 days' notice. This contract may generate substantial near-term revenue, but its cancellation provisions materially weaken its value as recurring backlog. ([sec.gov](#))

Customer Concentration and Backlog

Backlog was **\$27.621 billion at March 31, 2026**, down from \$28.377 billion at December 31, 2025. Approximately:

- 36% is expected to be recognized within one year;
- 46% between one and three years;
- 18% thereafter.

However, backlog excludes businesses billed and recognized as delivered and should not be treated as a full representation of Starlink's recurring-revenue base. It also includes government work potentially subject to appropriations, scope reductions and termination rights. ([sec.gov](#))

Consumer Starlink has low individual-customer concentration. Enterprise customers include United Airlines, Carnival, Maersk and John Deere. Space and government activities remain exposed to a concentrated sovereign customer base, particularly NASA and U.S. defense and intelligence agencies. ([sec.gov](#))

Competitive Moat

Structural advantages

1. **Launch-cost leadership:** Reusable Falcon vehicles and high launch cadence spread fixed infrastructure costs across more missions.
2. **Vertical integration:** SpaceX designs rockets, engines, satellites, terminals, software, ground systems and network operations.
3. **Self-deployment:** Competitors must purchase launches; SpaceX can allocate launch capacity internally.
4. **Operational learning:** High cadence generates reliability data and manufacturing feedback that low-volume competitors cannot replicate.
5. **Spectrum and regulatory position:** The EchoStar transaction adds strategically valuable direct-to-device spectrum.
6. **Installed orbital base:** Approximately 9,600 Starlink satellites were in orbit at March 31, 2026.
7. **Government trust and mission heritage:** The company is deeply embedded in U.S. civil and national-security space architecture.

Limits to the moat

- Launch leadership does not automatically create pricing power when SpaceX is its own largest launch customer.
- Broadband remains vulnerable to terrestrial fiber, fixed wireless, mobile coverage and regulatory restrictions.
- AI compute has substantially weaker barriers than launch; capital, electricity and GPUs are available to hyperscalers with larger recurring cash flows.
- Spectrum is jurisdiction-specific. U.S. authorization does not guarantee equivalent European or emerging-market access.
- Starship's technological moat has not yet translated into dependable commercial economics.

Management & Governance

Operational execution under Elon Musk, Gwynne Shotwell and SpaceX's engineering organization has historically been exceptional. Falcon reuse, launch cadence and Starlink deployment materially exceeded what legacy aerospace organizations considered feasible.

Public-market governance is materially less attractive:

- Musk held approximately **84.4% of post-offering voting power**.
- The dual-class structure makes an unsolicited change of control effectively impossible.
- Musk's shares are subject to a 366-day lock-up, but his voting control is substantially insulated from ordinary shareholder pressure.

- Historical financial statements were retrospectively recast to include xAI and X under common-control accounting.
- The board has authorized a \$60 billion all-stock acquisition of Cursor, adding another Musk-adjacent strategic expansion shortly after the IPO.
- Potential equity awards and contingent shares create a considerable fully diluted overhang.

The board includes experienced venture investors, but most directors have longstanding commercial, investment or personal relationships within the Musk ecosystem. Formal independence is not the same as practical independence in a founder-controlled enterprise.

(ir.spacex.com)

Capital-structure philosophy

Management is pursuing maximal strategic optionality rather than per-share cash-flow optimization:

- \$85.7 billion of gross IPO proceeds;
- \$25 billion of newly issued long-term senior notes;
- \$17 billion EchoStar spectrum transaction;
- \$60 billion all-stock Cursor acquisition;
- continued AI and Starship capex;
- no dividend or announced repurchase framework.

This is rational if the opportunity set earns returns substantially above the cost of capital. It is destructive if management is overcapitalizing AI infrastructure at cyclical peak costs.

Sentiment Analysis

Retail sentiment remains unusually polarized. The bullish cohort treats SpaceX as an irreplaceable combination of launch monopoly, global telecom network and AI platform. The bearish cohort increasingly distinguishes the quality of SpaceX's aerospace assets from the perceived liability of absorbing xAI and X.

Institutional positioning is difficult to interpret because the company has been public for only six weeks and complete 13F reporting has not yet matured. Early filings show limited reported institutional ownership relative to total shares, while passive demand was accelerated by Russell 1000 and Nasdaq-100 inclusion. Underwriter-sponsored research is overwhelmingly positive, with many published targets above \$200, but those targets frequently depend on long-duration optionality rather than observable free cash flow. (marketbeat.com)

Short interest was approximately 110 million shares as of June 30, only 0.84% of total shares but much more meaningful relative to the initially tradable float. The borrow fee near 2% suggests shorting constraints are no longer extreme. (shortinteresttracker.com)

3. Market Dynamics & Recent Events

Key News Flow

IPO and capital raise

SpaceX priced 555.6 million primary shares at \$135, with underwriters fully exercising an 83.3 million-share overallotment. Gross proceeds totaled approximately **\$85.7 billion**, making the offering an extraordinary transfer of capital from public investors to the company. (sec.gov)

\$25 billion senior-note offering

On June 26, SpaceX issued:

Tranche	Principal	Coupon	Maturity
Senior notes	\$7.0B	5.350%	2031
Senior notes	\$6.0B	5.650%	2033
Senior notes	\$6.0B	5.875%	2036
Senior notes	\$2.5B	6.600%	2046
Senior notes	\$3.5B	6.650%	2056

Annual cash interest is approximately **\$1.46 billion**. The proceeds primarily refinanced the \$20 billion bridge facility, extending maturities but not eliminating the economic leverage created when SpaceX absorbed xAI/X obligations. (ir.spacex.com)

The securities received investment-grade ratings—Baa1 from Moody's, BBB+ from Fitch and BBB from S&P—with stable outlooks. The ratings reflect the post-IPO liquidity cushion rather than evidence that consolidated operations presently self-fund capital expenditure. (spglobal.com)

Cursor acquisition

SpaceX agreed to acquire Anysphere/Cursor for **\$60 billion in Class A shares**, with closing expected in Q3 2026. At the current share price, the consideration would imply approximately 531 million new shares before adjustments—around 4% dilution to the current share base. A lower SpaceX share price mechanically increases the number of shares issued. (sec.gov)

The earlier option arrangement contained potential cash obligations totaling \$10 billion if terminated under specified circumstances: a \$1.5 billion termination fee plus an \$8.5 billion deferred-services fee. (sec.gov)

EchoStar spectrum transaction

The \$17 billion transaction comprises up to \$8.5 billion in cash and up to \$8.5 billion in stock, alongside approximately \$2 billion of interest support for EchoStar debt. The licenses materially improve Starlink Mobile's strategic position but further consume liquidity and issue equity. (sec.gov)

Q2 results and lock-up release

SpaceX reports on August 4. Up to 20% of eligible 180-day lock-up shares become transferable on the second full trading day thereafter. The additional 10% performance-based release requires the stock to close at or above \$175.50—130% of the IPO price—for at least five of the ten trading days ending on August 4. At \$112.98, that condition is remote absent an extraordinary reversal. (sec.gov)

Stock Performance

The stock has traded between approximately **\$110.85 and \$225.64** since its June 12 debut. At \$112.98:

- It is near the post-IPO low;
- 16% below the \$135 IPO price;
- approximately 50% below its peak;
- still valued at roughly \$1.49 trillion.

This is not yet a valuation capitulation. It is the partial reversal of a scarcity-driven IPO overshoot. The stock can fall materially while SpaceX remains one of the world's most valuable companies. (stockanalysis.com)

Traditional historical-multiple analysis is impossible because SpaceX has only recently become public. Relative valuation is also compromised: no direct peer combines telecom, launch, defense, consumer subscriptions, advertising, frontier AI and data centers.

Macro Impact

The Federal Reserve's current target range is **3.50%-3.75%**, and the June projections showed a 3.8% median year-end policy rate. Long-duration equities remain highly sensitive to discount rates because most of their implied value lies in distant cash flows. ([federalreserve.gov](https://www.federalreserve.gov))

June CPI declined 0.4% month over month, while core CPI was flat and increased 2.6% year over year. Cooling underlying inflation is supportive, but SpaceX's financing costs are already locked into \$25 billion of 5.35%–6.65% debt. ([bls.gov](https://www.bls.gov))

First-quarter U.S. real GDP expanded at a 1.6% annualized rate. SpaceX has limited conventional consumer cyclicalities because much of Starlink serves structurally underserved regions, while government and enterprise demand are more durable. The principal macro exposures are instead:

- Discount rates applied to long-duration optionality;
- Electricity and data-center construction costs;
- GPU availability and obsolescence;
- Skilled-labor inflation;
- Sovereign spectrum regulation;
- Government budgets;
- Capital-market willingness to finance negative free cash flow. ([bea.gov](https://www.bea.gov))

4. Financial Statement Analysis (Forensic Detail)

Revenue & Earnings Quality

Consolidated results

\$ billions	2025	Q1 2026
Revenue	\$18.674	\$4.694
Operating income/(loss)	\$(2.589)	\$(1.943)
Adjusted EBITDA	\$6.584	\$1.127
Net income/(loss)	\$(4.937)	\$(4.276)
Capital expenditures	\$20.737	\$10.107

The gap between adjusted EBITDA and GAAP operating income is not merely technical. It reflects depreciation, share-based compensation, restructuring and impairment exclusions. For an asset-light software company, depreciation may reasonably be viewed as historical. For a satellite, rocket and GPU operator, it approximates the ongoing consumption of revenue-producing assets.

Accounting-quality concerns

1. COMMON-CONTROL RECASTING

The xAI and X transactions were accounted for as combinations of entities under common control, causing historical financial statements to be retrospectively presented as though the businesses had been combined for prior periods.

This is permitted under applicable accounting rules, but economically it obscures the sequence through which a profitable aerospace/connectivity franchise absorbed a loss-making AI/social-media complex. Investors should reconstruct standalone SpaceX, Starlink, xAI and X economics rather than relying solely on consolidated historical growth rates. ([sec.gov](https://www.sec.gov))

2. ADJUSTED EBITDA OVERSTATES AI ECONOMICS

AI's 2025 adjusted EBITDA loss was only \$1.237 billion, versus a \$6.355 billion operating loss. The difference includes depreciation on GPUs and data-center infrastructure. Given accelerated

semiconductor obsolescence, excluding those charges produces an economically flattering portrayal.

3. INTERNAL LAUNCH ECONOMICS LACK ARM'S-LENGTH PRICING

SpaceX does not report intersegment revenue for launches used to deploy Starlink satellites. This avoids artificial revenue creation, appropriately, but it also prevents investors from observing the fully loaded economic cost of network expansion.

4. BACKLOG QUALITY IS MIXED

The \$27.6 billion backlog provides visibility but includes government work subject to termination and excludes major recurring businesses recognized as delivered. It cannot be treated as SaaS-style contracted ARR.

5. AI CONTRACTS MAY BE CANCELABLE

The \$1.25 billion-per-month external compute agreement has 90-day termination provisions. Annualizing the contract into long-duration revenue materially overstates certainty.

Balance Sheet Health & Leverage

March 31, 2026

- Cash and equivalents: **\$15.852 billion**
- Gross principal debt: approximately **\$29.132 billion**
- Net debt: approximately **\$13.3 billion**
- No amounts drawn under the revolving credit facility.

After the IPO, cash rose to approximately **\$100.8 billion as of June 19, 2026**. Following the \$25 billion notes issuance and bridge repayment, pro forma gross debt is approximately \$34 billion before other changes, with net cash of roughly \$67 billion. ([sec.gov](#))

That liquidity is substantial but should not be mistaken for surplus capital. Known and prospective claims include:

- AI infrastructure capex;
- Starlink satellite and ground-network replacement;
- Starship development;
- up to \$8.5 billion cash for EchoStar spectrum;
- EchoStar interest support;
- \$1.46 billion annual interest on the new notes;
- working capital and launch infrastructure;
- potential restructuring and legal costs;
- additional acquisitions.

Debt character

At March 31, the debt stack included:

- \$20 billion unsecured bridge loan, subsequently refinanced;
- approximately \$9.1 billion of other financings;
- obligations associated with AI infrastructure recorded as failed sale-leaseback transactions;
- small residual X notes.

The newly issued notes are senior unsecured and provide a favorable maturity ladder beginning in 2031. Refinancing risk is therefore low over the next twelve months. The risk is not imminent insolvency; it is that persistent capex converts the post-IPO net-cash position into net debt before consolidated free cash flow becomes structurally positive.

Cash Flow & Capital Allocation

2025 operating cash flow was approximately \$6.8 billion, but capex was \$20.7 billion, implying roughly **negative \$14.0 billion of free cash flow**. The profitable core therefore did not self-fund consolidated investment. ([content.spacex.com](#))

Capital expenditure by segment was:

\$ billions	2024	2025	Q1 2026
Space	\$2.032	\$3.832	\$1.052
Connectivity	\$3.498	\$4.178	\$1.332
AI	\$5.633	\$12.727	\$7.723
Total	\$11.163	\$20.737	\$10.107

AI accounted for 61% of 2025 capex and 76% of Q1 2026 capex. The public equity raise is therefore principally financing AI infrastructure rather than merely accelerating Starlink or Mars-related infrastructure.

Dividend and repurchases

- No dividend;
- No credible near-term dividend capacity;
- No announced material public-market repurchase program;
- Significant prospective issuance for acquisitions and compensation.

At the current valuation, buybacks would be economically indefensible while the company is issuing equity to fund acquisitions and reporting deeply negative free cash flow.

Dilution

Potential dilution includes:

- Cursor consideration: approximately 531 million shares at the current price;
- disclosed EchoStar-related equity consideration;
- outstanding options and RSUs;
- future equity-plan reserves;
- employee issuance;
- acquisition currency;
- economic participation from Musk's restricted performance shares.

SpaceX had more than 490 million options and RSUs outstanding at March 31, excluding subsequent awards and reserved shares. The \$60 billion Cursor purchase and EchoStar consideration could add hundreds of millions more. ([sec.gov](https://www.sec.gov))

5. Valuation & Price Target

A conventional single-model DCF would produce false precision. The proper framework is a segment-based SOTP cross-checked against long-term DCF and forward enterprise-value multiples.

Method 1: Sum-of-the-Parts

Base-case segment values

Segment	Valuation framework	Base value
Connectivity	38x estimated 2027 EBITDA of \$14.0B	\$532B
Space	Strategic launch/defense value plus Starship option	\$150B
AI/X/compute	20x estimated 2027 revenue of \$22B, discounted for losses and execution	\$440B
Spectrum and other assets	Net incremental value	\$25B
Pro forma net cash	After debt, EchoStar cash and near-term burn	\$55B
Equity value		\$1.202T

Using approximately **13.7 billion diluted shares**, including a portion of acquisition and compensation dilution, produces an SOTP value of approximately:

\$88 per share

This is not a conservative breakup valuation. Connectivity receives a premium multiple, Space receives substantial credit for unmonetized Starship optionality, and AI receives a valuation substantially above current observable economics.

Method 2: Long-Term DCF

Key assumptions

- 2026 revenue: approximately \$29 billion;
- 2026–2030 revenue CAGR: approximately 37%;
- Revenue growth slows to the low-teens by 2035;
- Consolidated operating margin reaches 23% by 2032;
- Capital intensity declines materially after the current AI and Starlink buildout;
- 2035 free cash flow: approximately \$75–85 billion;
- WACC: **9.5%**;
- Terminal growth: **4.0%**;
- Net cash contribution adjusted for committed near-term investment;
- Fully diluted share count: approximately 13.7 billion.

This yields an equity value of approximately:

\$70 per share

The DCF demonstrates the embedded expectations problem: even very strong revenue growth and eventual hyperscaler-like margins do not automatically support a \$1.5 trillion present valuation when capex is front-loaded and the cash flows arrive years in the future.

Method 3: Forward EV/Revenue Cross-Check

Assume:

- 2027 revenue: **\$44 billion**;
- Premium blended EV/revenue multiple: **27x**;
- Enterprise value: approximately **\$1.19 trillion**;
- Adjusted net cash: approximately **\$55 billion**;
- Diluted shares: approximately **13.7 billion**.

Implied value:

\$91 per share

A 27x multiple is well above mature telecom, defense and infrastructure valuations and still provides a significant premium to many high-growth software and AI infrastructure companies. The model therefore does not assume conventional value-stock normalization.

Blended Price Target

Method	Per-share value	Weight
SOTP	\$88	50%
Long-term DCF	\$70	25%
Forward EV/revenue	\$91	25%
Weighted result	\$84	100%

We raise the mechanical \$84 result to a **\$90 target** to recognize:

- Scarcity value;
- passive-index demand;
- launch dominance;

- strategic value to the U.S. government;
- potential for Q2 AI-compute revenue to exceed expectations;
- a persistent “Musk premium.”

At \$90, SpaceX would still command approximately **\$1.23 trillion of diluted equity value**. The target is therefore not predicated on failure. It assumes exceptional execution but rejects the price required to capitalize essentially all long-term optionality today.

6. Risk, Catalysts, and Scenario Analysis

The Bear Case — Risks

1. AI capex fails to earn its cost of capital

Measurable trigger: AI capex remains above \$25 billion annually while segment adjusted EBITDA remains negative through 2027.

This would establish that SpaceX is using Starlink and capital-market proceeds to subsidize a structurally subscale AI platform.

2. Starlink ARPU compression exceeds unit-cost reductions

Measurable trigger: subscriber growth falls below 40% while consumer ARPU declines by more than 15%, causing Connectivity EBITDA margin to fall below 50%.

3. GPU depreciation is economically faster than accounting depreciation

If next-generation accelerators reduce the value of existing clusters, reported adjusted EBITDA will fail to translate into distributable cash flow.

4. Starship schedule and reliability slippage

Starship is critical to lower-cost Starlink deployment, lunar contracts and orbital-compute claims. Multi-year delay would undermine both operating assumptions and terminal value.

5. Lock-up-driven supply

The August 6 release and subsequent staged releases increase the float available to employees and early investors whose cost bases are far below the current market price.

6. Regulatory fragmentation

The U.S. regulatory environment is comparatively supportive, but Europe is considering spectrum frameworks favoring European infrastructure. International restrictions would impair direct-to-device economics. ([lemonde.fr](https://www.lemonde.fr))

7. Government-customer and key-person risk

The company's strategic position depends on U.S. government confidence and security clearances. Musk-related political or conduct controversies could create contract, regulatory or recruitment consequences.

8. Related-party and corporate-perimeter risk

There is no strong legal or economic barrier preventing SpaceX from purchasing additional Musk-associated assets or entering further related-party arrangements, subject to board approval.

9. Acquisition dilution

At lower SpaceX prices, the fixed \$60 billion Cursor value requires more shares. This creates a reflexive mechanism: a falling price increases dilution.

The Bull Case — Catalysts

1. Q2 revenue inflection from external AI compute

If the disclosed compute arrangements ramp as expected, AI revenue could increase sharply before corresponding infrastructure spending peaks.

2. Connectivity margin expansion

Starlink V3, increased launch density, terminal-cost reductions and enterprise mix could offset consumer ARPU decline.

3. Direct-to-device monetization

The EchoStar spectrum portfolio could create a wholesale or direct mobile business with materially higher revenue per satellite than consumer broadband.

4. Starship reaches dependable orbital cadence

A reusable Starship architecture would lower network deployment cost, expand payload capacity and support lunar, defense and orbital-compute opportunities.

5. Government contract expansion

National-security demand for resilient communications, launch, missile tracking and sovereign space infrastructure could materially increase backlog.

6. AI capex peaks earlier than expected

If 2026 represents peak terrestrial AI construction and operating utilization rises quickly, consolidated free cash flow could inflect in 2027 rather than 2028–2029.

Scenario Analysis

Scenario	Conditions	12-month target
Bear	Q2 disclosure reveals continued \$10B+ quarterly capex, weak compute utilization, Connectivity margin below 55%, lock-up selling and delayed Starship milestones	\$55
Base	Starlink remains strong, AI revenue ramps but capex and dilution remain elevated; market awards premium valuation but demands evidence of FCF	\$90
Bull	AI compute revenue annualizes above \$18B, Starlink subscribers exceed 16M with stable segment margins, Starship achieves repeatable orbital reuse and capex guidance peaks	\$175

The bull case returns the stock above its IPO price but still below the \$225.64 post-IPO high. A return to that high requires the market to capitalize multiple unproven businesses simultaneously.

7. Red Team Analysis (Devil's Advocate)

The Sell thesis may be catastrophically wrong because conventional valuation methods are poorly suited to a company that has repeatedly transformed impossible engineering objectives into dominant infrastructure.

First, the analysis may understate the economic value of launch dominance. SpaceX is not merely the lowest-cost launch provider; it controls the transportation layer required by every orbital industry. If Starship becomes rapidly reusable, SpaceX could own the equivalent of railroads, undersea cables, cloud infrastructure and logistics for the space economy. Assigning only \$150 billion to Space may be absurdly low.

Second, Starlink could become a global communications utility rather than a rural broadband provider. Ten million subscribers represent a small fraction of the 3.3 billion people within serviceable markets. Even with declining ARPU, 100 million consumer lines at \$40 per month would generate \$48 billion of annual consumer service revenue before enterprise, maritime, aviation, defense or mobile. The company may rationally sacrifice near-term ARPU to establish a global network monopoly.

Third, the AI segment's reported losses may be the accounting footprint of building infrastructure ahead of revenue. The \$1.25 billion-per-month compute contract implies that third parties already value SpaceX's deployed capacity. If similar agreements are signed, today's

“cash burn” could become tomorrow’s contracted infrastructure revenue. The market may be valuing a vertically integrated AI utility rather than Grok’s current software economics.

Fourth, the post-IPO capital raise may eliminate financing risk for the decisive buildout period. Approximately \$100.8 billion of cash plus investment-grade access to debt capital means SpaceX can continue investing through a recession while smaller launch, satellite and AI competitors retrench. The balance sheet may be a weapon, not a vulnerability.

Fifth, dilution through Cursor could be accretive if Cursor’s developer distribution, revenue growth and coding-agent product become the application layer that monetizes SpaceX’s compute. The acquisition may convert idle infrastructure into high-margin software demand.

Sixth, the stock has already fallen approximately 50% from its peak. The upcoming lock-up may be known, underwriter research remains strongly positive, and near-term bearish positioning is crowded relative to the float. Better-than-feared Q2 results could cause a violent re-rating.

Finally, the valuation framework may be too anchored to contemporary comparables. There is no listed equivalent to a company that simultaneously:

- Controls the dominant reusable launch fleet;
- Operates the largest LEO communications constellation;
- Owns valuable direct-to-device spectrum;
- Serves consumer, enterprise, government and defense customers;
- Builds gigawatt-scale AI infrastructure;
- Possesses a founder willing to pursue projects with decade-long horizons.

The strongest rebuttal to the Sell is therefore simple: SpaceX’s historical pattern is to appear economically irrational during infrastructure deployment and overwhelmingly advantaged after deployment. If Starship, Starlink Mobile and AI compute each work, \$1.5 trillion may prove to be an early-stage valuation.

The counter-rebuttal—and the basis of the recommendation—is that public shareholders are paying today for all three to work, while accepting negative free cash flow, near-absolute founder control, prospective dilution, related-party expansion and no current mechanism for returning capital. Operational greatness does not suspend valuation discipline. At \$112.98, the security still offers an unfavorable distribution of outcomes: limited tolerance for execution slippage and substantial downside if even one major pillar fails to achieve hyperscale economics.