



# The SpaceX IPO Update: The Aftermath of the Dumbest Market Ever



\$2 trillion.... \$3 trillion.... \$5 trillion... \$10  
trillion?

# IPO Update and Other Thoughts

I rarely publish “follow-up” articles or videos, but the few days following the SpaceX IPO on Friday have been **quite eventful**.

Also, I wanted to **answer** a few of the dozens of great comments and questions we got about the SpaceX valuation.

# IPO Update and Other Thoughts

I will discuss the **IPO performance** and **Google / Cursor** deals here, Damodaran's valuation, and my own **process** for picking apart and valuing SpaceX.

Also, I will value **OpenAI** or **Anthropic** once their S-1's are out; SpaceX + these will eventually be in our **VC course**.

# IPO Update and Other Thoughts

You can get the written version and various sources via the link below (**pinned in the comments**):

[https://mergersandinquisitions.com/space  
x-ipo/](https://mergersandinquisitions.com/space-x-ipo/)

# SpaceX IPO Update: Lesson Plan

- **Part 1:** IPO Update, Google, and Cursor **2:04**
- **Part 2:** Other Valuations: Damodaran and Morningstar **4:48**
- **Part 3:** My Modeling Process (Starting Points, Starlink) **7:53**
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# Part 1: IPO Update, Google, and Cursor

- **Valuation:** Up to over \$200 / share, putting it at over \$2.5 trillion – mostly surprised it's not closer to \$5.0 trillion by now



- **Predictions:** Could turn into more of a “volatility stock,” like Tesla (or maybe even merge? It is the dumbest market ever)



- **Google Compute Deal:** Already assumed a big increase in Compute Rental Revenue; maybe a ~\$50B increase if you're optimistic (boosts the lower-end valuations)



- **Cursor:** If we assume that AI Revenue reaches \$200B by Year 20 rather than \$100B, valuation is up by a net amount of ~\$50B



# Part 2: Other Valuations

## Our Valuation (“Optimistic” Case)

## Damodaran’s Valuation

## Morningstar’s Valuation

2036 Total  
Revenue

- \$211 billion

- \$420 billion

- \$198 billion

2036 Op.  
Margins

- 43% (\$90 billion)

- 38% (\$160 billion)

- 45% (\$89 billion)

2036  
“Reinvestment”

- \$19 billion

- \$14 billion

- N/A, but likely lower than ours

Discount Rate

- ~14% → ~8 – 10%

- 8.37% → 8.25%

- N/A, but likely lower than ours

Expansions /  
“Moonshots”

- Not factored in

- \$100 billion Revenue in 2036

- Likely \$100 billion+ in 2036

Implied Equity  
Value

- \$165 – \$1,085 billion

- \$1,200 – \$1,300 billion

- \$380 – \$1,900 billion

# Part 2: Other Valuations

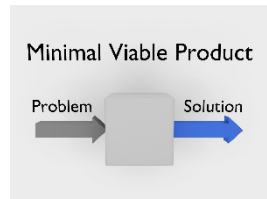
- **OVERALL:** They're clearly more bullish than I am, though by different degrees (Morningstar is closer to my view)
- **Biggest Issues:** Damodaran doesn't go into detail on unit economics, market size/share, etc., which are critical here
- **Also:** No scenarios, sensitivities, different cases, so hard to judge
- **Morningstar:** More defensible approach (though I don't like probability-weighting), but would like to see more unit/market data and the Discount Rate(s) used





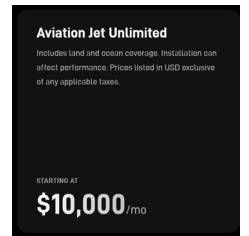
# Part 3: My Modeling Process (Starlink)

- **QUESTION:** “I feel overwhelmed by the amount of assumptions and how everything is interconnected. How do you approach this process and craft a narrative?”
- **TIP #1:** Don't pick this type of company if you're new!
- **TIP #2:** If you do pick this company, start with **the smallest part that is still useful OR the most important part**
- **Here:** From looking at the financials for 5 seconds, I knew **Starlink** would be the most important to get right *and* require the most data, so I started there



# Part 3: My Modeling Process (Starlink)

- **INITIAL Idea:** Use # Subscribers \* ARPU, but this didn't work since there's also the Commercial division
- **Next Steps:** S-1 had limited info., so I found quotes for prices up to ~\$10K per month and backed into the customer count
- **Sanity Check:** Does this imply a reasonable number of vessel customers, if there are ~150 – 200K worldwide? Yes, maybe...
- **Bounding:** The end markets can't grow at high rates, but the market penetration can, so how do you "bound" it?



# Part 3: My Modeling Process (Starlink)

- **SOLUTION:** Gather sets of telecom public comps and see what type of long-term market penetration they achieve

| Company:                                                                            | # Subscribers: | Country / Region: | % Market Penetration |
|-------------------------------------------------------------------------------------|----------------|-------------------|----------------------|
|    | 668 million    | India             | ~45%                 |
|    | 313 million    | Africa            | ~20%                 |
|   | 335 million    | Latin America     | ~50%                 |
|  | 142 million    | U.S.              | ~40%                 |

# Part 3: My Modeling Process (Starlink)

- **So:** Decided to make the final market share range from ~20% to ~40% across the cases based on this
- **Similar Process:** EBITDA Margins, CapEx, etc., but no variability across cases; also made the “Control” tab direct everything
- **OVERALL GOAL:** Want to see reasonable valuation differences in the cases, but not extreme ones (e.g., \$100B vs. \$200B vs. \$300B, but not \$1T vs. \$5T) because *this is just one division*
- **Cases:** Focus on varying or sensitizing just 1 – 2 key assumptions; too difficult to calibrate “everything”

20%

40%



# Part 4: Process for the Other Segments

- **AI:** Felt the Market Share / Market Size assumption still made sense because **data center / compute supply** is driving most of this, and SpaceX has only a small share currently
- **Also:** Constrained by physical limitations, power limits, construction budgets, timelines, etc., so you can't just assume 500% growth
- **Space:** Did **not** use a Market Share / Market Size approach because they effectively own the market, and it's not growing quickly since there isn't much external demand



# Part 5: AI Usage in Modeling

- **CONFESSION:** I used the premium version of Grok as an “experiment” (I was valuing the company that makes it)
- **Recommendation:** Use these tools to *dig into companies*, do research, and cross-check ideas/numbers, not to “think for you”
- **My Experience:** People who say they use AI to do their Excel work, but “check it” afterward do **not** actually check or understand much (some exceptions)
- **Results:** It did save me some time and suggest a few companies and data sources I hadn’t thought of



# Part 6: 1-Year Predictions

- **So Far:** It has pretty much matched my expectations: SpaceX is worth perhaps \$200 – \$500 billion, so it's pumping to more like \$5 trillion as I record this
- **Real Test:** Where will it be in 1 – 2 years?
- **Uber Valuation in 2019:** Felt more comfortable saying, “Don’t buy” since the markets were slightly more rational
- **Tesla / SpaceX Merger:** Buckle up! Could be the “January 2000 AOL / Time Warner merger” moment



Uber



SPACEX

# Recap and Summary

- **Part 1:** IPO Update, Google, and Cursor



- **Part 2:** Other Valuations: Damodaran and Morningstar



- **Part 3:** My Modeling Process (Starting Points, Starlink)



- **Part 4:** Process for Other Segments



- **Part 5:** AI Usage in Modeling



- **Part 6:** 1-Year Predictions and Uber Comparison

