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SpaceX | North America

2Q Earnings Preview: Approaching Max Q?

Revenues, EBITDA, Starlink subs, ARPU, AI pricing, Cursor ARR, FY capex guide… all of these matter. But with SPCX shares down nearly 50% from its highs and nearly 20% below IPO price investors are far more focused on the short term technical overhang. A window has opened for longer term investors.

Please see here for our SpaceX Initiation: **SpaceX: AI's Final Frontier; Initiate at Overweight, PT $300 (7 Jul 2026)**

In rocketry, 'Max Q' stands for maximum dynamic pressure, the exact point during a rocket's launch when the physical aerodynamic stress on the airframe reaches its highest peak. Dynamic pressure depends on air density and the speed of the rocket squared (q = 1/2pv^2). We believe Max Q is analogous to what SpaceX shares are experiencing heading into its first reported quarter as a public company. The dynamic stress on the stock price from an unprecedented amount of unlocked shares following 2Q results. We'll see >930mn shares on Aug 6th (approximately $100bn worth) the first of 8 tranches that will see nearly 4bn shares unlocked through January of 2027.

Stock price implications for 2Q results: We anticipate 2Q results to neither significantly change near-term consensus expectations or the long term story, leaving the share price largely at the mercy of technical forces (lockup expiry), investor positioning (cautious) and macroeconomic factors.

SPCX at ½ a Walmart multiple discounting the AI opportunity for free? At $100, SPCX would trade at 18x EV/EBIT (FY28). Zero to negative implied AI value, with space & connectivity results materially below our ests. At $100, SPCX would trade at 16x FY28 PE, more than a 50% discount to WMT (33x FY28 PE) and a 40% discount to TJX (26.5x FY28 PE). See our What's In the Price analysis **here.** *Walmart is covered by Simeon Gutman. TJX is not covered.*

Investor Thoughts, Concerns, & Sentiment Into the Print

- While still active, our conversations overall have been quieter than we would have expected. Despite no clear fundamental changes to the story over the past few weeks, bears appear to have become gradually more convicted while bulls have become resigned to waiting past the initial lockup releases to avoid any potential wall of selling. Sentiment follows the share price.
- Most investors see the first concrete potential upside catalyst as Starship Flight 14 (late Aug/early Sept) where the company will attempt a catch of the Starship upper stage, i.e. "the Ship", in a demonstration of progress towards reusability.
- Most investors significantly discount Grok & Cursor and view the bulk of AI

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SpaceX (SPCX.O, SPCX US)

Space Technology | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$300.00**
Shr price, close (Jul 27, 2026)	$113.50
52-Week Range	$225.64-108.66

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS ($)**	(1.69)	0.28	2.18	6.29
Prior EPS ($)**	-	-	-	-
P/E	NM	400.9	52.0	18.0
EPS ($)§	-	(0.43)	0.61	3.12
Div yld (%)	-	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	(0.18)	-	(0.84)a	-	0.54
Q2	(0.34)	-	(0.35)	-	0.55
Q3	(0.36)	-	0.27	-	0.54
Q4	(0.80)	-	0.45	-	0.56

e = Morgan Stanley Research estimates, a = Actual Company reported data

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monetization opportunity as neocloud. *"What is the AI business and what multiple do I pay for it?"* remains arguably the number one question for the direction of the stock price over the next year. Many ascribe zero or even negative value for AI given the high capex requirements relative Space & Connectivity, largely uncertain economics, and the degree of management time devoted to the business.

- Across our recent meetings, >2/3 of the room on average was bearish SPCX shares through year end. Longer-term (12-18 months) is much more split. Bears are undoubtably much louder than bulls during dinner debates.
- Many investors have asked *"Does this quarter matter?"* - most expect commentary and general tone to be much more impactful than quarterly numbers. Most do not expect any major story-altering announcements.

Key Numbers for the Print

- **Revenue:** $6.9bn (Cons), $6.75bn (MS)
- **EBIT:** -$1.6bn (Cons), -$1.7bn (MS)
- **Adj EBITDA:** $2.1bn (Cons), $2.0bn (MS)
- **Consumer Starlink Subs:** 12.1mn (Cons), 12.0mn (MS)
- **Consumer Monthly ARPU:** $65.5 (Cons), $65.5 (MS)
- **End of Period (2Q) Compute:** 1.4 GW (Cons), 1.4 GW (MS)
- **Adj Diluted EPS:** -$0.32 (Cons), -$0.35 (MS)
- *Consensus sourced from Visible Alpha. Only including consensus published after 7/6/2026.*
- For 2026, investors will notice quite a wide skew in consensus likely due to different assumptions on share count, inclusion/non-inclusion of announced and reported neocloud deals, as well as Cursor. Outside of major surprises, we think that management commentary will be much more relevant to the stock than quarterly numbers for the next few quarters. *More details below.*

Key Milestones & Expected Outlook

- Similar to the style of Tesla earnings calls and the public investor marketing materials pre-IPO, we'd expect fairly limited explicit/quantitative guidance - especially given how much the economic profile of the AI business has shifted with the recent neocloud deals and Cursor. Most likely guidance, if any, is full year capex (we expect $48bn) and year-end compute deployed (we expect 2 GW).
- Expect high-level timelines for future Starship test launches, compute deployment cadence, v3 sat deployment, future Grok/Cursor model releases.

Key Commentary to Watch for the Call

- **AI**
  - We expect AI to get the most air time of the three businesses.
  - We do not expect explicit financial color on Cursor given the deal is expected to be closed later this quarter and the lack of detail provided thus far. However, we would expect some commentary on joint SpaceXAI and Cursor work on future model releases. For reference, Elon

Musk recently posted that Grok 4.6 is coming on August 7th, Grok 4.7 'a few weeks later'. We expect Grok 5 in late 3Q or 4Q - all likely leverage proprietary Cursor coding data similar to Grok 4.5.
    - Given the challenges in tracking Grok usage (tokens through X and Cursor are not captured by OpenRouter to our knowledge), we would hope for commentary on Grok 4.5 adoption and usage trends within the Cursor platform. Initial benchmarks were promising, but actual usage matters over all.
- **Starlink**
    - Expect color on recent drivers of Starlink broadband adoption and new enterprise connectivity deals, but do not expect explicit subscriber or ARPU guidance.
    - Expect most commentary on Starlink Mobile to be around technical details of the mobile V2 satellites, partnerships with global MNOs, and near term geographic expansion. Do not expect specific commentary on future business model of Starlink Mobile (partnership vs. go alone) and detailed plans for use of EchoStar spectrum.
- **Starship**
    - Expect management to reiterate expectation to launch operational payloads on Starship before the end of the year, and give general expectations for the mission profiles of next few test launches.
- **Compute.**
    - Expect a walk through of terrestrial compute scale out through at least the rest of the year in Memphis, and general pathway beyond 2 GW next year.

Most likely potential upside surprises: Plans for more than 2 GW of new (incremental) compute deployed next year (both MS and Consensus estimate - each incremental GW is a potential $10-50bn in AI ARR), new chunky neocloud deals (talks with Reflection and the DoW are reported but nothing officially announced), Grok usage trends on Cursor showing material share gains vs. other frontier models, Cursor ARR showing acceleration from the $4bn reported beginning of June (we model $7bn for end of 3Q)

Most likely downside surprises: Capex projections materially above the ~$50bn that we model in 2026, commentary that suggests additional funding raises are expected before year-end, plans to prematurely end/renegotiate current neocloud deals, Starlink subscriber figures suggesting a deceleration in adoption.

Exhibit 1: 2Q26 MS & Consensus: Income Statement

SPACEX Income Statement ($mn)	2Q26 Actual	Cons	MSe
Space	To be Announced	871	831
Connectivity		3,949	4,033
AI		2,104	1,882
Total Revenue		**6,924**	**6,747**
Y/Y Growth		*70.1%*	*65.7%*
Cost of Revenue		3,174	3,091
Gross Profit		**3,750**	**3,655**
% Gross Margin		*54.2%*	*54.2%*
R&D		4,434	4,482
% of Sales		*64.0%*	*66.4%*
SG&A		929	856
% of Sales		*13.4%*	*12.7%*
Other Expense		0	0
% of Sales		*0.0%*	*0.0%*
Space EBIT		(773)	(814)
% Margin		*-88.7%*	*-98.0%*
Connectivity EBIT		1,418	1,387
% Margin		*35.9%*	*34.4%*
AI EBIT		(2,214)	(2,256)
% Margin		*-105.2%*	*-119.8%*
Operating Income (EBIT)		**(1,570)**	**(1,683)**
% Margin		*-22.7%*	*-24.9%*
Stock-Based Comp		727	728
Depreciation & Amortization		2,951	2,971
Restructuring, Impairment & Other		0	0
Adj. EBITDA		**2,108**	**2,015**
% Margin		*30.5%*	*29.9%*
Interest Expense		645	757
Interest Income		282	178
Net Interest Expense		364	579
Other Income / (Expense)		(97)	0
Pre-Tax Income		**(2,030)**	**(2,262)**
Income Tax		51	0
% Tax Rate		*-2.5%*	*0.0%*
Net Income		(2,082)	(2,262)
Less: Preferred Div. & Other		0	0
Net Income to Common		**(2,082)**	**(2,262)**
% Net Margin		*-30.1%*	*-33.5%*
GAAP Diluted EPS		**($0.32)**	**($0.35)**
Diluted Shares Out. (mn)		6,501	6,501
Cash from Operating Activities		(445)	(450)
Capital Expenditures		17,149	20,487
Free Cash Flow		**(17,594)**	**(20,937)**

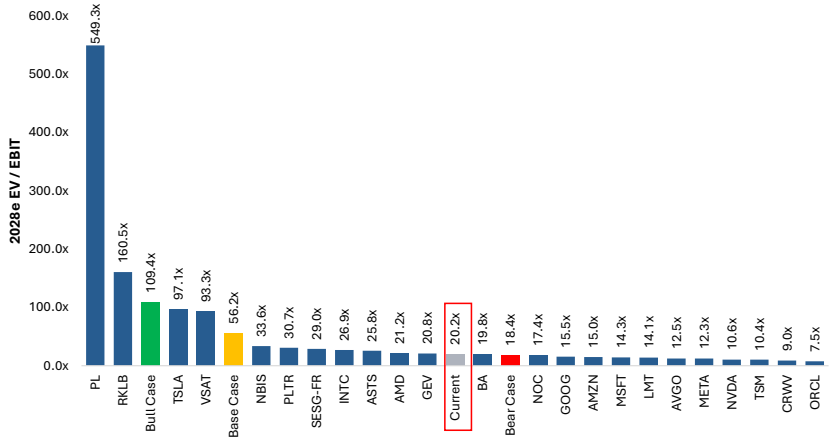
Source: Visible Alpha Consensus, Morgan Stanley Research

Exhibit 2: 2Q26 MS & Consensus: Segment Detail and Key KPIs

SPACEX Segment Detail & KPIs	2Q26	Cons	MSe
Starlink Subs & ARPU	TBA		
Consumer Subs (000s)		12,072	11,951
Consumer ARPU ($/mo)		$65.47	$65.48
Connectivity Revenue ($mn)			
Consumer & Business		2,490	2,476
Government & Enterprise		1,274	1,380
Mobile		185	178
Total Connectivity Revenue		3,949	4,033
Total Broadband		3,764	3,856
AI Revenue & Compute ($mn)			
Advertising Revenue		277	249
AI Solutions & Infrastructure		1,828	1,634
Total AI Revenue		**2,104**	**1,882**
End of Period Compute (MW)		**1,400**	**1,397**
Rev / Watt (Avg Compute, Annualized, $)		*$7.14*	*$6.39*

Source: Visible Alpha Consensus, Morgan Stanley Research

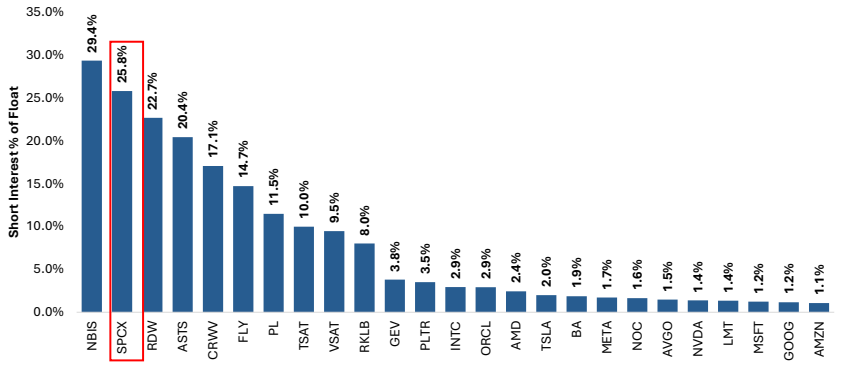
Exhibit 3: 2028 EV/EBIT: SpaceX vs. Key Comps



Note: Market data as of 7/27/2026

Source: FactSet (consensus for all but SPCX), Morgan Stanley Research estimates

Exhibit 4: Short Interest vs. Key Comps



Note: Market data as of 7/27/2026

Source: FactSet, NASDAQ, Morgan Stanley Research

Exhibit 5: Historical Stock Performance of Notable IPOs on Lockup release [T-30, T+30]



Source: Morgan Stanley Research

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Valuation Methodology and Risks

SpaceX (SPCX.O)

Sum-of-the-Parts by Segment: Space, Connectivity, AI (Divided into X & Grok and Enterprise AI)

- $300 Price Target = sum of Space ($8), Connectivity ($128), X & Grok ($12), Enterprise AI ($152)

2040 ending forecast period

6/30/2027 valuation date

11.1% WACC; 11.9% Cost of Equity

50% Enterprise AI valuation discount for execution risk

TGR of: 4.0% Space, 4.5% connectivity, 3.0% X & Grok, 5.0% Enterprise AI

Equates to 0.41 EV/EBIT/Growth

Risks to Upside

- Faster Starship reuse progress
- Faster Starlink capacity growth
- Stronger DTC / enterprise adoption
- More neocloud wins
- Cursor ARR acceleration
- Lower AI infrastructure time to power and cost

Risks to Downside

- Slower Starship reuse cadence
- Slower Starlink subscriber growth
- Weaker enterprise AI monetization
- Higher capex / cost per watt of compute
- Longer time-to-power
- Greater funding needs / dilution
- Regulatory delays

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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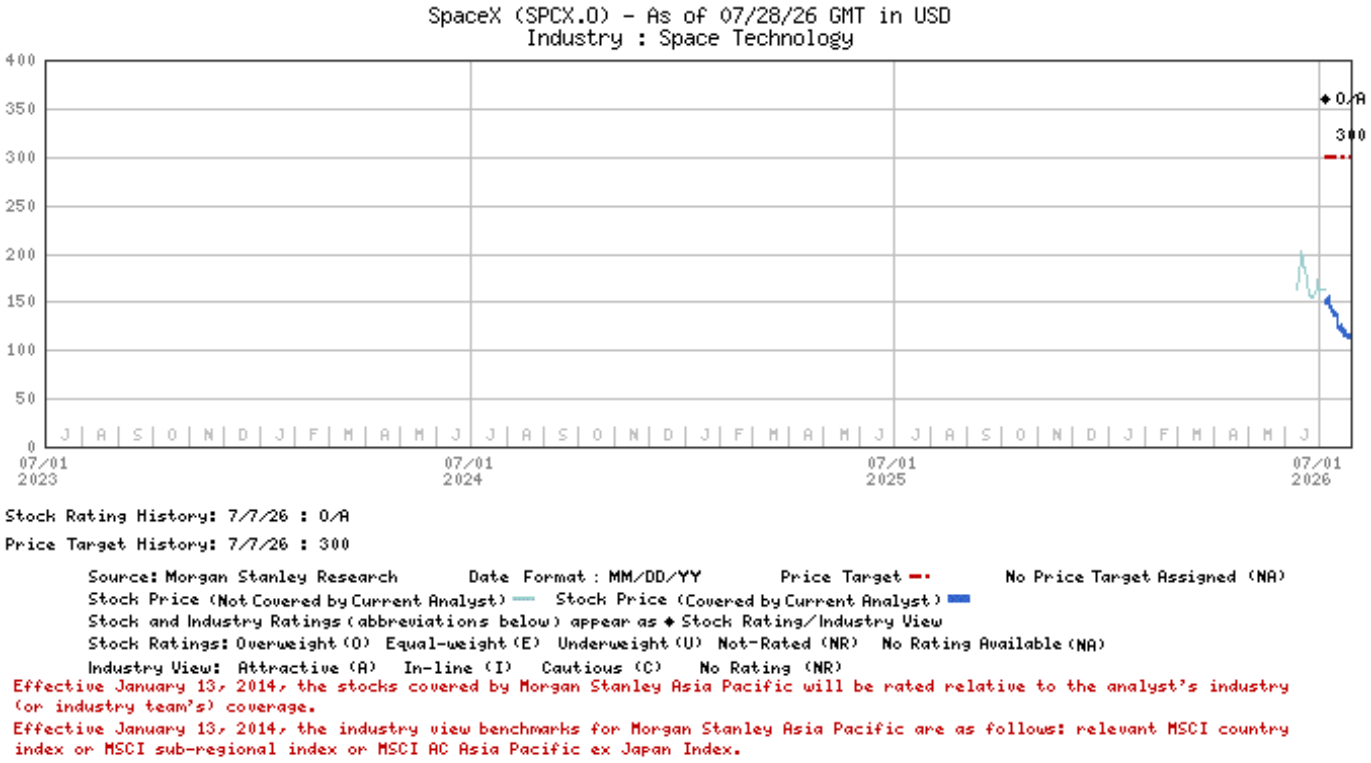
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INDUSTRY COVERAGE: Space Technology

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/27/2026)
Adam Jonas, CFA		
SpaceX (SPCX.O)	O (07/07/2026)	$113.50
Justin M Lang		

Gogo Inc (GOGO.O)	E (08/14/2025)	$3.99
Iridium Communications Inc (IRDM.O)	E (01/16/2026)	$45.96
MDA Space Ltd (MDA.TO)	O (01/16/2026)	C$42.18
Viasat Inc (VSAT.O)	E (12/15/2017)	$74.87
Kristine T Liwag		
Firefly Aerospace Inc (FLY.O)	E (09/02/2025)	$19.88
HawkEye 360 Inc (HAWK.N)	O (06/01/2026)	$19.78
Planet Labs PBC (PL.N)	E (01/22/2023)	$21.00
Rocket Lab USA Inc (RKLB.O)	O (01/16/2026)	$66.94
Virgin Galactic Holdings Inc (SPCE.N)	U (11/22/2023)	$2.53
Voyager Technologies Inc (VOYG.N)	U (07/15/2026)	$26.25

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