October 4, 2026 11:34 PM GMT

SpaceX | North America

SPCX $159: Cheap and Getting Cheaper

Adjusted for growth, SpaceX is one of the cheaper ways to play the strong optionality of the Space and Intelligence Economy. Investors still have a few weeks to 'catch' the opportunity before Flight 15.

Most of what follows from here is our marked-to-market valuation framework on SpaceX following recent tweaks to the model and recent price moves. But before we get into that, I just wanted to draw your attention to Elon Musk's recent engagements in DC and increasingly frequent collaborations with his AI semi partner Jensen Huang. Check out Gavin Baker's White House interview with the two just a few days ago. When Elon Musk is asked what the greatest priorities are for the US to maintain leadership in the Super Intelligence Economy (SIE), he breaks it down into just 2 things:

1. **Power supply**
2. **Chip supply (logic + memory)**

> "So the really central challenge, I think, long term is going to be how do you generate enough power and how do you ensure that we have enough logic and memory fabrication capacity in the United States or in a safe region?" - *Elon Musk, at America.gov's AI event with Jensen Huang and Gavin Baker*

From the broadest perspective of the AI capex trade, are there any 2 factors that pose as great a risk (or opportunity) to the outlook as these do? The measure of progress in the Intelligence Economy is the conversion of energy into intelligence at scale and the conversion of that intelligence into digital and physical agents that do useful, meaningful work while providing opportunities for hundreds of millions of households. You can't have GPUs without BTUs. And we can't build a long-term Intelligence Economy in the US without a rebalancing/rearchitecting of the supply chain - no matter how long it takes. ***We expect developments over the next few months will help investors better appreciate the role of SPCX in addressing the critical bottlenecks of power and chip making, potentially unlocking earnings growth and multiple expansion for the stock.***

OK, back to the 'boring' stuff of valuation... SPCX shares have oscillated around ~ $150/share since early August. We think that over the next few weeks (ahead of Flight 15), investors can take advantage of a unique opportunity to buy shares that,

Adam Jonas, CFA
Equity Analyst
Adam.Jonas@morganstanley.com +1 212 761-1726

William Tackett, CFA
Research Associate
William.Tackett@morganstanley.com +1 212 761-6028

Devin Roser
Research Associate
Devin.Roser@morganstanley.com +1 212 296-4539

SpaceX (SPCX.O, SPCX US)

Space Technology | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$300.00**
Shr price, close (Oct 2, 2026)	$158.96
52-Week Range	$225.64-104.83

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS ($)**	(1.69)	0.55	2.54	6.01
Prior EPS ($)**	-	-	-	-
P/E	NM	290.5	62.5	26.4
EPS ($)§	-	(0.02)	1.78	4.75
Div yld (%)	-	0.0	0.0	0.0

framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates

QUARTERLY EPS ($)

Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	(0.18)	-	(0.84)a	-	0.68
Q2	(0.34)	-	(0.09)a	-	0.63
Q3	(0.36)	-	0.19	-	0.59
Q4	(0.80)	-	0.57	-	0.63

investors should be aware that th

Research as only a single factor i
decision.

**For analyst certification and oth
refer to the Disclosure Section, l
report.**



while expensive on any trailing metric, look unusually cheap on the forward. At $159, SpaceX looks expensive on headline EV/EBIT (~30x 2028e vs. ~16x for other mega cap AI enablers). However, adjusted for y/y growth, SpaceX trades at just ~0.3x 2028e EV/EBIT/Growth, ~40% below the ~0.5x mega cap median. Even at our $300 price target, SpaceX would trade at ~0.6x EV/EBIT/Growth, roughly in line with Amazon (0.5x) and below Alphabet (0.7x) and Meta (0.8x).

The sound of silence... Our conversations have been incrementally positive, albeit still relatively quiet. I regularly present to large groups of clients and ask the room: "Who here owns SPCX shares? Show of hands. Don't everybody raise at once." Last night, when I did that in front of 40 clients, not a single hand went up. Sometimes it's 1 or 2 hands. Rarely more. While far from a scientific study, please remember SPCX is the only publicly traded stock that I cover and we are constantly in the market on the name with published/collaborative reports. It's been really, really quiet on SPCX lately.

Investors have generally had trouble poking new holes in the business performance since the initial negative sentiment into the lockup expiries - which have largely proved to be a non-event. Common themes persist such as Grok performance vs. other frontier models, access to spectrum for Starlink Mobile, etc. However, we believe these are well priced into the stock at this stage.

- **SpaceX is a conglomeration of many tightly interlinked businesses in sectors where, to fully appreciate any of them, investors have to understand all of them - or at least understand them in concert.** That is a challenging ask during a highly volatile AI market. Add in the fact that only a select handful of people in the world understand the engineering challenges with Starship's heat shield or the inner workings of a full-flow staged combustion rocket engine to properly judge the testing path. Fewer still can say where compute pricing is heading as agentic token demand grows. The highly uncertain variables of quantity and price ($/watt) of compute can swing even next year's revenue by potentially a multiple. We are sympathetic to the investor that approaches SPCX from one angle, such as Telcos or A&D or AI in isolation. Doing so would make the stock look quite expensive. *Our message to investors is that valuing SPCX is more of an 'and' problem than an 'or' problem. The unusual dimensionality that makes it challenging to value the stock, in and of itself, gives the stock its value.*
    - To appreciate the magnitude: Visible Alpha consensus currently models $17.6/watt on 4.1 avg GW, meaning each incremental $10/watt adds > $40bn in consensus revenue (>1/3 of total cons FY27 rev) with no change in compute deployed.
    - We believe SpaceX's recently announced short-term neocloud contracts (least value-add of all AI businesses) are at $30-50/watt - with the supply/demand for compute headed tighter into year-end based on industry pricing.
- **What do investors NOT believe?** From our conversations: significant penetration with Starlink Mobile (we are also relatively bearish on the DTC offering), success as a major provider of frontier AI models & services capable of taking material share (outside of neocloud), any amount of orbital

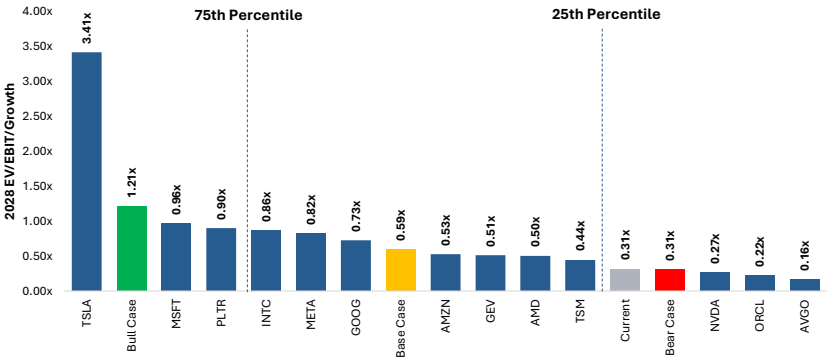
compute in any time horizon, full and rapid Starship reusability within the next few years, broader physical AI opportunity, neocloud compute pricing holding next year at $30-50/watt for new deals, compute capacity much higher than 5 GW by YE27 (vs. Musk's "closer to 10 than 5 GW").

- ***At these levels, we think the risks of upside surprises far outweigh those on the downside.***
  - At the current $159/share, we believe SpaceX stock prices in most or all of the Space & Connectivity opportunity ($127/share in our model), leaving just $32 for AI - equivalent to a ~3x 2028 EV/Sales (MSe) neocloud-type multiple for the AI business.
  - Outside of the macro, in our view, SPCX stock testing $100 within the next 12 months would require a clear and obvious slowdown in AI progress (compute build or model development), a severe turn with Starship testing, or a material dilutive event.
  - On the flip side, we believe future AI product releases, Starship progress, and additional neocloud contracts showing continued pricing around $30-50/watt are all upside-skewed catalysts that can push the stock closer to our $300/share price target.

Exhibit 1: What's in the Price at $150/share?

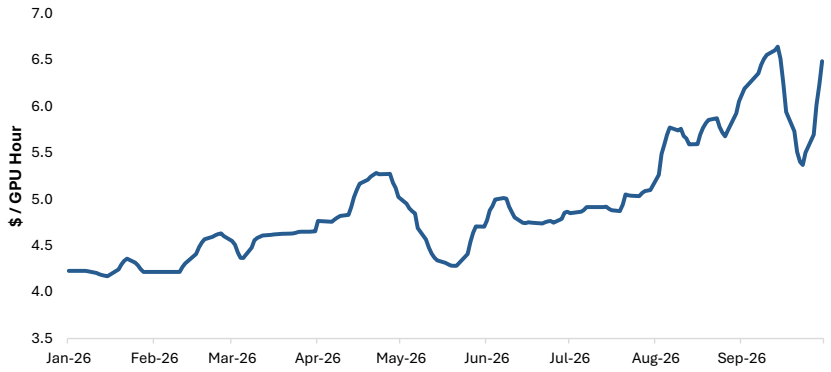
AI EV / Sales (2028 MSe) \ Space & Connectivity EV / EBITDA (2028 MSe)	5.0x	10.0x	20.0x	30.0x	40.0x	50.0x	60.0x	61.4x	71.4x
-3.0x	-19	-9	11	32	53	73	94	96	117
-2.0x	-9	1	22	42	63	83	104	107	127
0.0x	12	22	43	63	84	104	125	128	148
1.0x	22	32	53	74	94	115	135	138	158
1.5x	27	38	58	79	99	120	140	143	164
2.0x	33	43	63	84	104	125	145	148	169
3.0x	43	53	74	94	115	135	156	159	179
4.0x	53	64	84	105	125	146	166	169	190
5.0x	64	74	94	115	136	156	177	179	200
6.0x	74	84	105	125	146	166	187	190	210
7.0x	84	95	115	136	156	177	197	200	221
8.0x	95	105	126	146	167	187	208	211	231
10.0x	116	126	146	167	187	208	228	231	252
12.0x	136	147	167	188	208	229	249	252	273
14.0x	157	167	188	208	229	249	270	273	293
16.6x	184	194	215	235	256	276	297	300	320
18.0x	199	209	229	250	270	291	311	314	335
20.0x	219	230	250	271	291	312	332	335	356
22.0x	240	250	271	291	312	332	353	356	376

Exhibit 2: 2028 EV/EBIT/Growth



Note: Bear and bull case on respective case EBIT, base & current price on base case EBIT.

Exhibit 3: The Compute Desk NVIDIA Blackwell B300 Pricing Index (Tracker of Neocloud 1-Year Rental Contracts) is now up >50% YTD

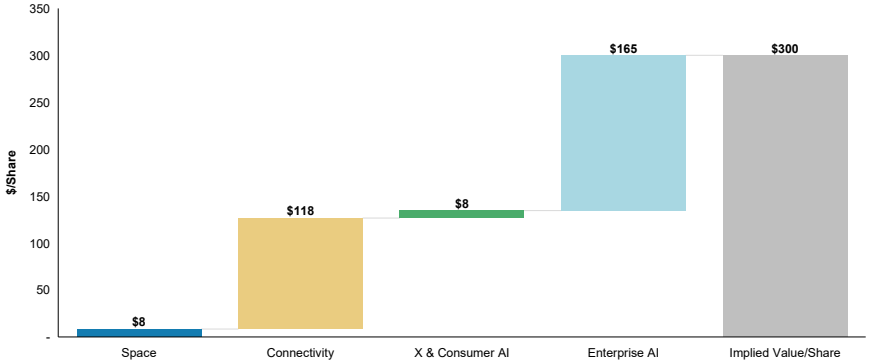


Catalysts to watch?

- **Starship Flight 15 (Expected Late Oct/Early Nov):** Awaiting confirmation from the SpaceX team on whether or not a ship (Starship upper stage) catch will be attempted. A ship catch could be the biggest positive catalyst since the IPO.
- **3Q Earnings (Expected Late October):** Potentially the first real look at the economics and adoption rates of SpaceX's internal AI services including Cursor and Grok Bot - acquired and launched this quarter.
- **Starship Flight 16 (Expected Before Year-End):** Potential first catch if not attempted on Flight 15. If a catch is attempted and successful on Flight 15, we could see first catch of both ship and booster on the same flight.
- **Grok 4.8, 4.9 & 5.0 Releases (Expected Before Year-End):** On September 14, Elon Musk posted on X that Grok 4.8 "will be a noticeable improvement [to 4.7]", 4.9 "is probably [current frontier models] class", 5.0 "maybe better than anything. We shall see".
- **Further Neocloud Deals:** From recurring company comments around the 1-year payback period on compute from recent neocloud deals, it's clear to us that supply/demand for compute remains considerably tight into next year. In our model, SpaceX's YE compute rises from ~2.1 GW to ~5.0 GW in 2027,

opening the door to further deals if internal use slows.

Exhibit 4: MSe Base Case SpaceX Sum of the Parts



Note: "Space" refers only to the external launch business (vast majority of launches used internally and captured in Connectivity or AI).

"Mega cap AI enablers" referred to in this note: MSFT, NVDA, TSM, META, INTC, GEV, AMD, AVGO, GOOG, ORCL, AMZN, PLTR, TSLA

For Further Reading:

- SpaceX: Flight 14 Report Card: Starship Goes Operational, but with an Asterisk (29 Sep 2026)
- Rowdy Robot: I Barely Drive Anymore (28 Sep 2026)
- Robotics: RoboFest California Preview: Bots by the Bay (16 Sep 2026)
- SpaceX: Doom Hedging: SpaceX a Defensive AI Stock? (15 Sep 2026)
- SpaceX: Prometheus Shrugged (11 Sep 2026)
- SpaceX: Rockets on the Bayou: SpaceX's $100bn Louisiana Launch Complex (26 Aug 2026)
- SpaceX: Cursor Deep Dive: Can SpaceX Leap to the AI Frontier? (10 Aug 2026)
- SpaceX: AI's Final Frontier; Initiate at Overweight, PT $300 (7 Jul 2026)

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 ($118), X & Grok ($8), Enterprise AI ($165)

2040 ending forecast period

6/30/2027 valuation date

11.2% 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 0.46 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