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SpaceX | North America

3Q Earnings Preview: The PIE That Ate the World

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SpaceX's underappreciated value to investors is its central role in building the Physical Intelligence Economy (PIE). We believe the PIE is ultimately multiples of global GDP while also consequential for national sovereignty. The direction of the SPCX stock will depend less on (fine) 3Q results and more on any 'crumbs' from a PIE that's still baking in Elon's oven.

Stock price implications for 3Q results: Where are investors positioned into earnings? Sentiment has been such a roller coaster that it's become challenging for us to pin down. We think investors lean positive on the numbers: compute pricing has only moved higher, and expectations may not fully reflect Cursor, Grok Bot, or the announced neocloud deals. However, overhangs outside the scope of the quarterly results appear to be keeping a large subset of investors from turning more constructive. ***It's very telling that SPCX shares had a volatile roughly two-week run from less than $150 to $172 and back on relatively little news, and the volume of all investor questions combined over that time was comparable to what we received Friday around the earnings release timing.***

- **What to do with the stock?** Complacency is opportunity. The rest of the year is setting up to be a rich, upside-skewed catalyst path, beginning with Flight 15 and a possible ship catch (first half Nov) - potentially the largest catalyst since IPO and de-risking the broader TAMs across each major business. At the current $146/share, we believe SpaceX stock prices in most or all of the Space & Connectivity opportunity ($127/share in our model), leaving just $19 for AI – equivalent to a ~2x 2028 EV/Sales (MSe) neocloud-type multiple for the AI business.

Investor Thoughts, Concerns, & Sentiment Into the Print

- Lack of investor belief in the "closer to 10 than 5 GW" of YE27 compute capacity given inability to pinpoint future datacenter sites, access to power, and pace of construction vs. industry. Sell-side consensus is 6 GW; we model 4.9 GW. Buy-side expectations feel similar.
- Many investors still focus on one business in isolation based on their background (A&D, Internet, Telecom) and are just beginning to appreciate the interconnections (*see our recent note: "Why?"*). Very few investors outside a select few closest to Elon Musk companies have seriously brought up physical AI as a future opportunity despite it, in our minds, being the most obvious TAM expansion opportunity for AI and sat comms.
- Any Terafab questions remain constrained to sizing the company's near-term capex burden.
- Revenue/Watt is arguably the most important variable for SPCX earnings

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 16, 2026)	$146.03
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	266.9	57.5	24.3
EPS ($)§	-	(0.02)	1.79	4.70
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 the firm may have a conflict of

Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

beyond the next couple quarters, but is also the most challenging to model given the short-term (6 month contractual) nature of the company's neocloud deals and unclear inference economics on internal models. We believe recent Neocloud deals are at $30-50/watt with industry pricing indexes heading higher into year-end, although the >30 GW of expected incr. compute capacity in 2027 from hyperscalers + neoclouds should help balance out supply/demand.

- Investors are no longer fixated on the staggered lockup releases as they've been a relative non-event thus far. 1.3bn shares release after 3Q earnings, and 2.4bn total through year-end. However, >20% of that would be absorbed by passive index buying (potentially more than the shares actually sold).
- Need for additional financing remains a key overhang for sentiment, especially given the recent neocloud debt saga. We model $60bn, $80bn, and $90bn of issuance in 2027/28/29. Expect vanilla IG at this time, but SpaceX has a range of options at its disposal. This is the biggest risk to our model, and we do not want to downplay it – although a hypothetical world where SpaceX cannot raise financing likely has much broader implications for the economy and the rest of an investor's portfolio.
- Nothing on the new TSLA/SPCX Roadster (outside of pointing out how undeniably impressive the demo was), the first major SpaceX & Tesla co-designed product – a major demonstration of each's engineering talent and collaboration potential.
- Why did SpaceX schedule its earnings date with just 2 business days notice? We do not have a good answer at this time.

Key 3Q Numbers for the Print

- **Revenue:** $12.8bn (Cons), $13.0bn (MS)
- **EBIT:** $2.36bn (Cons), $2.36bn (MS)
- **Adj EBITDA:** $6.8bn (Cons), $6.9bn (MS)
- **Consumer Starlink Subs:** 14.3mn (Cons), 14.3mn (MS)
- **Consumer Monthly ARPU:** $66.7 (Cons), $63.6 (MS)
- **End of Period (2Q) Compute:** 1.7 GW (Cons), 1.6 GW (MS)
- **Adj Diluted EPS:** $0.16 (Cons), $0.19 (MS)

Expected Outlook

- Expect updates to prior outlook given verbally on the 2Q call: 4Q capex (expect ~similar to 3Q), year-end GW ("above 2 GW") and end of 2027 GW (initially provided 5-10 GW and Elon's "closer to 10 than 5").
- Expect color on Starship Flight 15 date and objectives.
- Additional color on cadence of Starlink V3 roll-out launching on Starship. Each launch represents 1-2+ months of Falcon 9 Starlink capacity depending on fill %.

Key Commentary to Watch for the Call

- **AI**

- A number of key AI milestones occurred during 3Q26, such as the closing of the Cursor acquisition, Grok Bot release, and a much improved Grok 4.6 and 4.7 which put the company closer to the model frontier. This quarter may be the first where investors can get a real look at inference economics.
- Watching for commentary on Grok and Cursor adoption such as user growth, token volumes, and potential new enterprise deals, including onto existing Cursor customers (2/3 of the Fortune 500).
- We estimate SpaceX could be leasing up to ⅔ of its 2 GW YE26 compute capacity for neocloud with the announcement of 2 new deals at 2Q earnings and later at an industry conference. Watch for additional deal announcements as the company ramps YE27 compute capacity to 5 or more GW.

- **Compute.**
  - Expect a reiteration of the 5-10 GW of compute by year-end 2027. SpaceX continues to be on track for >2 GW of compute by year-end. Visible Alpha consensus shows 6 GW for YE27. Buyside feels similar to slightly lower, in the range of 4-6 GW. We have not heard any clients make a firm pitch for closer to 10 GW despite Elon Musk's comments on the last earnings call.
- **Starlink**
  - We expect SpaceX to give more details on the V3 satellite roll-out (10x downlink capacity per sat) after the first 26 were deployed on Flight 14, including planned cadence, balance with V2 mobile sats, etc.
  - SpaceX recently announced the purchase of 800 MHz spectrum from Grain Management, subject to FCC approval. The company's direct-to-cell business model is relatively uncertain, and we expect incremental color on the company's plans - although we expect these to be intentionally open-ended for the time being to preserve optionality.
- **Starship**
  - More clarity on mission objectives for Starship Flight 15 (expected early November), specifically whether or not a ship catch will be attempted. A ship catch could be the stock's biggest catalyst since IPO and a major proof point for reusability as the company pushes to ramp up cadence into 2027.
  - Expect general expectations for future flights, albeit without clear timelines, such as the first catch of both the Ship and Booster on the same flight, first launch from Florida, and plans for additional Starlink satellite deployment.

Future catalysts to watch?

- **Starship Flight 15 (Expected 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.
- **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:** Given 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 GW in 2027, opening the door to further deals.

Exhibit 1: 3Q26 MS & Consensus: Income Statement

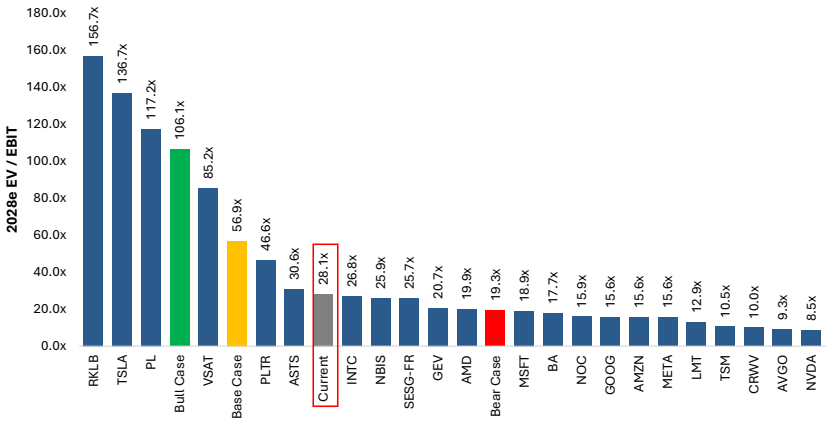
SPACEX Income Statement ($mn)	Cons	MSe
Space	1,458	1,570
Connectivity	4,917	4,857
AI	6,435	6,578
Total Revenue	**12,810**	**13,005**
Y/Y Growth	*129.7%*	*133.2%*
Cost of Revenue	5,181	5,677
Gross Profit	**7,629**	**7,328**
% Gross Margin	*59.6%*	*56.3%*
R&D	4,426	3,929
% of Sales	*34.6%*	*30.2%*
SG&A	1,070	1,036
% of Sales	*8.4%*	*8.0%*
Other Expense	1	0
% of Sales	*0.0%*	*0.0%*
Space EBIT	(291)	(507)
% Margin	*-19.9%*	*-32.3%*
Connectivity EBIT	1,870	1,866
% Margin	*38.0%*	*38.4%*
AI EBIT	777	1,005
% Margin	*12.1%*	*15.3%*
Operating Income (EBIT)	**2,356**	**2,363**
% Margin	*18.4%*	*18.2%*
Stock-Based Comp	861	752
Depreciation & Amortization	3,825	3,815
Restructuring, Impairment & Other	(205)	0
Adj. EBITDA	**6,837**	**6,931**
% Margin	*53.4%*	*53.3%*
Interest Expense	338	590
Interest Income	603	750
Net Interest Expense	(265)	(160)
Other Income / (Expense)	(439)	0
Pre-Tax Income	**2,183**	**2,523**
Income Tax	88	76
% Tax Rate	*4.0%*	*3.0%*
Net Income	2,094	2,447
Less: Preferred Div. & Other	0	0
Net Income to Common	**2,094**	**2,447**
% Net Margin	*16.3%*	*18.8%*
GAAP Diluted EPS	**$0.16**	**$0.19**
Diluted Shares Out. (mn)	12,769	12,667

Exhibit 2: 3Q26 MS & Consensus: Segment Detail and Key KPIs

SPACEX Segment Detail & KPIs	Cons	MSe
Starlink Subs & ARPU		
Consumer Subs (000s)	14,293	14,288
Consumer ARPU ($/mo)	$66.74	$63.64
Connectivity Revenue ($mn)		
Consumer & Business	2,886	2,894
Government & Enterprise	2,031	1,963
Total Connectivity Revenue	**4,917**	**4,857**
AI Revenue & Compute ($mn)		
Advertising Revenue	691	699
AI Solutions & Infrastructure	5,744	5,879
Total AI Revenue	**6,435**	**6,578**
End of Period Compute (MW)	**1,700**	**1,620**
Rev / Watt (Avg Compute, Annualized, $)	*$16.61*	*$17.42*

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



Note: Market data as of 10/15/2026

Exhibit 4: 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

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