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SpaceX | North America

SPCX Getting Even Cheaper: Cash Flow Positive 4 Years Earlier

Just 4 months since our initiation, we've nearly doubled our 2027 revenue and EBIT estimates, while pulling forward FCF break-even by four years (to 2031) and cutting ~$280bn from our projected debt issuance. On FY28, SPCX trades cheaper than the S&P500. Interesting.

In less than 4 months (and just 2 reported quarters) since our SpaceX Initiation, our financial forecasts have improved significantly:

- **Revenues:** FY27 and FY28 revenues have been revised up 93% and 84% to $175bn and $289bn respectively.
- **Operating Income:** Our FY28 EBIT forecast has been revised up 72% to $119bn.
- **Free Cash Flow:** At the time of our initiation, we had expected SPCX to be FCF negative until 2035. Today, we forecast the company to achieve positive FCF by 2031 - a 4 year pull-forward FCF break-even.
- **Expected Borrowing:** At initiation, we anticipated SPCX would raise a combined $670bn of external funds (IG borrowing) through the 2035 time horizon. Today, we forecast a combined $390bn of borrowing through 2031.

Exhibit 1: Revenue: Initiation vs. Today

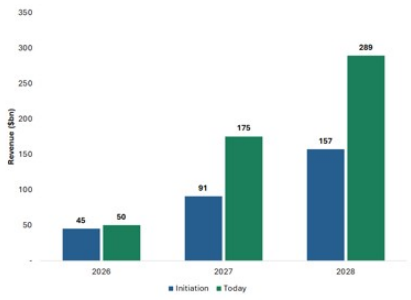
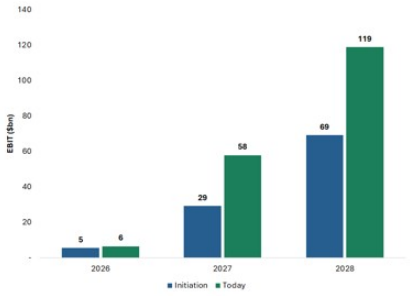


Exhibit 2: EBIT: Initiation vs. Today



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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 (Nov 2, 2026)	$136.37
52-Week Range	$225.64-104.83

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS ($)**	(1.69)	0.58	3.95	9.91
Prior EPS ($)**	-	-	-	-
P/E	NM	237.2	34.5	13.8
EPS ($)§	-	0.32	3.50	8.55
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	-	0.86
Q2	(0.34)	-	(0.09)a	-	0.87
Q3	(0.36)	-	0.35a	-	0.98
Q4	(0.80)	-	0.44	-	1.24

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.

Exhibit 3: FCF: Initiation vs. Today

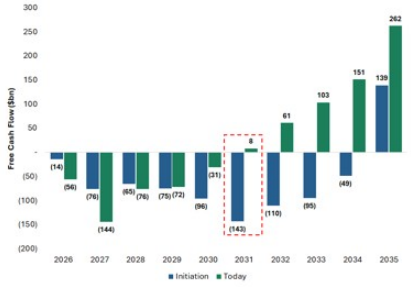
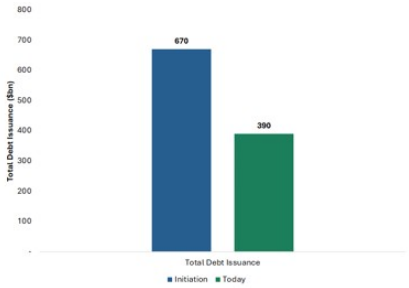


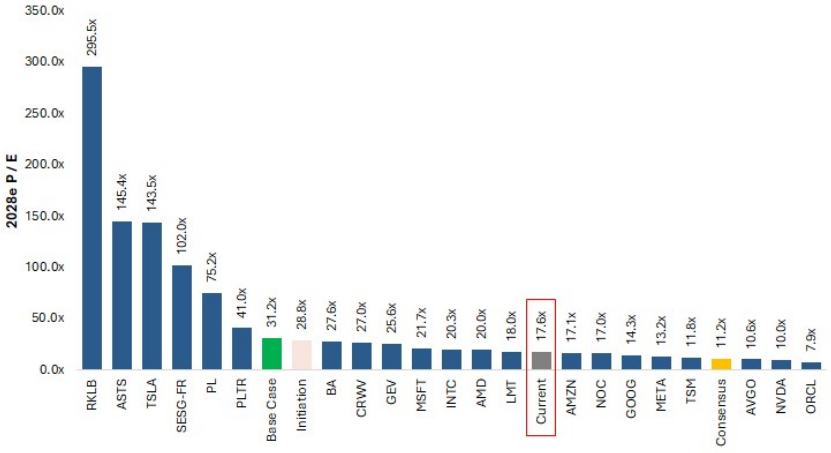
Exhibit 4: Total Debt Issuance: Initiation vs. Today



What to do with SPCX stock

- **Flight 15 Ship + Booster Catch: One of the Most Significant Catalysts in SpaceX's 20+ Year History.** Flight 15, expected this month, is shaping up as SpaceX's biggest test of Starship reusability, derisking TAMs across the broader business. Management confirmed on the recent earnings call that it will attempt to catch both the booster and the ship, and Musk said success is "more likely than not". We think investors have a unique opportunity to "revisit" SPCX ahead of the attempt, with fundamentals accelerating across all major business lines.
- **At our new 2028 earnings (adj.) of $109bn and the current market cap of $1.91tn ($140 a share), SPCX would trade at 17.6x P/E, cheaper than the S&P500 2028 forward P/E of 17.7x (MSe), while growing earnings at a ~150% CAGR from 2026-2030e.**
- **Investors still value SpaceXSI as a standard neocloud, not a vertically-integrated, full-stack AI player.** At ~$140/share, we believe SpaceX stock prices in most or all of the Space & Connectivity opportunity ($123/share in our model), leaving just $17 for AI – equivalent to a ~1x 2028 EV/Sales (MSe), below a neocloud-type multiple for the AI business. Our $300 price target for SPCX now implies a <10x Price/Sales multiple for AI from a mid-teens multiple before.

Exhibit 5: 2028 P/E: SPCX Looking Relatively Cheap on 2028 PE (excludes tax benefit from valuation allowance release)



Note: Base & current price on base case earnings (adj.) of $109bn, other companies on their consensus FY28 EPS, including SpaceX.

Exhibit 6: Headline estimate changes since our initiation

SPACEX	2026e			2027e			2028e		
Income Statement ($mn)	**Current**	**Initiation**	**Δ**	**Current**	**Initiation**	**Δ**	**Current**	**Initiation**	**Δ**
Revenue									
Space	5,182	4,691	10.5%	7,173	7,228	-0.8%	6,715	7,445	-9.8%
Connectivity	18,823	18,106	4.0%	26,154	27,864	-6.1%	43,282	49,070	-11.8%
SI	26,373	22,140	19.1%	142,107	55,834	154.5%	239,110	100,701	137.4%
Total Revenue	**50,377**	**44,936**	**12.1%**	**175,434**	**90,926**	**92.9%**	**289,107**	**157,215**	**83.9%**
Y/Y Growth	*169.8%*	*140.6%*	*29.1%*	*248.2%*	*102.3%*	*145.9%*	*64.8%*	*72.9%*	*-8.1%*
Gross Profit	**28,516**	**27,659**	**3.1%**	**108,055**	**57,064**	**89.4%**	**181,707**	**98,700**	**84.1%**
% Gross Margin	*56.6%*	*61.6%*	*-4.9%*	*61.6%*	*62.8%*	*-1.2%*	*62.9%*	*62.8%*	*0.1%*
Operating Income (EBIT)	**6,481**	**5,417**	**19.6%**	**57,886**	**29,182**	**98.4%**	**118,857**	**69,146**	**71.9%**
% Margin	*12.9%*	*12.1%*	*0.8%*	*33.0%*	*32.1%*	*0.9%*	*41.1%*	*44.0%*	*-2.9%*
EBIT by Segment									
Space	(1,351)	(2,045)	34.0%	1,043	1,227	-15.0%	1,195	940	27.2%
% Margin	*-26.1%*	*-43.6%*	*17.5%*	*14.5%*	*17.0%*	*-2.4%*	*17.8%*	*12.6%*	*5.2%*
Connectivity	7,669	6,902	11.1%	11,253	12,340	-8.8%	22,804	25,496	-10.6%
% Margin	*40.7%*	*38.1%*	*2.6%*	*43.0%*	*44.3%*	*-1.3%*	*52.7%*	*52.0%*	*0.7%*
SI	163	561	-71.0%	45,591	15,615	192.0%	94,858	42,710	122.1%
% Margin	*0.6%*	*2.5%*	*-1.9%*	*32.1%*	*28.0%*	*4.1%*	*39.7%*	*42.4%*	*-2.7%*
Adj. EBITDA	**26,975**	**21,688**	**24.4%**	**119,747**	**56,950**	**110.3%**	**200,868**	**109,477**	**83.5%**
% Margin	*53.5%*	*48.3%*	*5.3%*	*68.3%*	*62.6%*	*5.6%*	*69.5%*	*69.6%*	*-0.2%*
Pre-Tax Income	**5,099**	**2,905**	**75.5%**	**53,608**	**29,179**	**83.7%**	**108,779**	**66,536**	**63.5%**
Income Tax	(108)	289	-137.5%	2,680	1,255	113.6%	(21,756)	(15,104)	-44.0%
% Tax Rate	*-2.1%*	*10.0%*	*-12.1%*	*5.0%*	*4.3%*	*0.7%*	*-20.0%*	*-22.7%*	*2.7%*
Net Income to Common	**5,208**	**2,616**	**99.1%**	**50,927**	**27,924**	**82.4%**	**130,535**	**81,639**	**59.9%**
% Net Margin	*10.3%*	*5.8%*	*4.5%*	*29.0%*	*30.7%*	*-1.7%*	*45.2%*	*51.9%*	*-6.8%*
GAAP Diluted EPS	**$0.58**	**$0.28**	**103.1%**	**$3.95**	**$2.18**	**81.2%**	**$9.91**	**$6.29**	**57.6%**
Diluted Shares Out. (mn)	9,056	9,239	-2.0%	12,882	12,798	0.7%	13,171	12,983	1.5%
Cash from Operating Activities	27,847	34,454	-19.2%	137,458	52,880	159.9%	208,629	117,286	77.9%
Capital Expenditures	83,782	48,057	74.3%	281,596	128,756	118.7%	284,321	182,464	55.8%
Free Cash Flow	**(55,934)**	**(13,603)**	**-311.2%**	**(144,138)**	**(75,876)**	**-90.0%**	**(75,692)**	**(65,179)**	**-16.1%**

Exhibit 7: KPIs and segment estimate changes since our initiation

SPACEX	2026e			2027e			2028e		
KPIs and Segment Detail ($mn)	**Current**	**Initiation**	**Δ**	**Current**	**Initiation**	**Δ**	**Current**	**Initiation**	**Δ**
Starlink Subs & ARPU									
Consumer Subs (000s)	15,849	16,839	-5.9%	25,248	28,773	-12.3%	37,104	42,189	-12.1%
Consumer ARPU ($/mo)	$65.50	$60.66	8.0%	$51.71	$51.78	-0.1%	$45.63	$45.70	-0.1%
Connectivity Revenue ($mn)									
Consumer & Business	11,283	10,688	5.6%	14,209	15,770	-9.9%	19,012	21,668	-12.3%
Government & Enterprise (Inc. Mobile)	7,539	6,652	13.3%	11,945	10,821	10.4%	24,270	22,469	8.0%
Total Connectivity Revenue	**18,823**	**18,106**	**4.0%**	**26,154**	**27,864**	**-6.1%**	**43,282**	**49,070**	**-11.8%**
SI Revenue & Compute ($mn)									
Advertising Revenue	1,989	2,613	-23.9%	3,665	4,772	-23.2%	5,827	7,588	-23.2%
SI Solutions & Infrastructure	24,383	19,527	24.9%	138,442	51,061	171.1%	233,283	93,113	150.5%
Total SI Revenue	**26,373**	**22,140**	**19.1%**	**142,107**	**55,834**	**154.5%**	**239,110**	**100,701**	**137.4%**
End of Period Compute (MW)	**2,580**	**1,980**	**30.3%**	**8,300**	**4,150**	**100.0%**	**13,960**	**7,960**	**75.4%**
Rev / Watt (Avg Compute, Annualized, $)	15.90	$16.29	-2.4%	26.12	$18.22	43.4%	21.48	$16.63	29.2%

For Further Reading:

- SpaceX: SpaceX/Tesla and SI's Next Act (23 Oct 2026)

- SpaceX: What? (21 Oct 2026)
- SpaceX: 3Q Results: Next Stop... MARS (Manufacturing, Autonomy, Robots, Space) (21 Oct 2026)
- SpaceX: SPCX/TSLA Roadster: 8 Thoughts & Questions (16 Oct 2026)
- SpaceX: Why? (13 Oct 2026)
- SpaceX: Why Starship Flight 15 Really Matters (11 Oct 2026)
- SpaceX: Tera'Merica (7 Oct 2026)
- SpaceX: SpaceX and US Jobs (6 Oct 2026)
- SpaceX: SPCX $159: Cheap and Getting Cheaper (4 Oct 2026)
- SpaceX: Doom Hedging: SpaceX a Defensive AI Stock? (15 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 ($111), X & Grok ($11), Enterprise AI ($170)

2040 ending forecast period

9/30/2027 valuation date

11.3% WACC; 12.1% 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 0.33 EV/EBIT/Growth on 2028

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

