

FT Alphaville **Goldman Sachs Group**

Ready for a SpaceX IPO?

Alexandra Scaggs OCTOBER 13 2017

Ha ha, just kidding, the company denied it had [plans for an IPO](#) back in May.

But that hasn't stopped Morgan Stanley's Adam Jonas from sizing up SpaceX with a valuation.

The company is planning some capital-intensive projects — a [speedier pace of satellite launches](#), as reported by the WSJ — so “it seems reasonable to consider whether the company could look to ... public markets,” he writes in a note.

And why not?

Public markets have a near-masochistic willingness to fund Elon Musk's other company, Tesla. And unlike Tesla, SpaceX [reportedly](#) posted an operating profit several years in a row (from 2011-2014).

Of course, before an IPO could happen, banks and investors would be tasked with trying to figure out how much the company is worth.

And, well, this is a start, I guess:

For this report, we built a hypothetical DCF range for SpaceX, valuing the company **somewhere between ~\$5 bn and \$120 bn+**, with a Base Case of ~\$50 bn.

What a range!

Part of this depends on whether SpaceX actually does reinvent itself into a satellite-internet company, as Morgan Stanley predicts. (The \$5bn figure is their ballpark valuation if it doesn't.)

The rest of the “hypothetical DCF-based valuation range” analysis is screen-grabbed below:

Exhibit 38:

Hypothetical DCF-Based Valuation Range for SpaceX

BEAR CASE		DCF VALUATION		BULL CASE	
Satellite Launch		Satellite Launch		Satellite Launch	
Terminal Value	10,019	Terminal Value	3,283	Terminal Value	3,283
NPV of Terminal Value	1,119	NPV of Terminal Value	367	NPV of Terminal Value	367
NPV of Cash Flows	2,182	NPV of Cash Flows	627	NPV of Cash Flows	627
NPV of Satellite Launch	\$3,301	NPV of Satellite Launch	\$993	NPV of Satellite Launch	\$993
		Satellite Internet		Satellite Internet	
		Terminal Value	215,126	Terminal Value	455,815
		NPV of Terminal Value	24,025	NPV of Terminal Value	50,905
		NPV of Cash Flows	32,150	NPV of Cash Flows	79,868
		Less: Investment	(12,500)	Less: Investment	(12,500)
		NPV of Satellite Internet	\$43,675	NPV of Satellite Internet	\$118,273
Add: Cash		Add: Cash		Add: Cash	
1,350		1,350		1,350	
NPV	\$4,651	NPV	\$46,018	NPV	\$120,616
DCF Assumptions:		DCF Assumptions:		DCF Assumptions:	
% WACC		% WACC		% WACC	
10.0%		10.0%		10.0%	
% Terminal Growth Rate		% Terminal Growth Rate		% Terminal Growth Rate	
1.5%		3.0%		3.0%	

Source: Morgan Stanley Research, Wall Street Journal. For Satellite Launch, @ 1 / Week in 2019 + 1 / Month Thereafter @ ~\$10M / Launch - 9% CAGR Thereafter, with 25 yrs of Annual Margin Expansion from 0.5% in 2017 to 6.0% in 2040. For Satellite Internet, Incremental Revenue Opportunity for Broadband @ 50% + 35% for Satellite + Autonomous Cars, Aviation Connectivity, Connected Aircraft, and Maritime + 30% for SpaceX with ~40% Adjusted EBITDA Margins in 2017 + 1.5% of Annual Margin Expansion Through 2024 + 70% Incremental Adjusted EBITDA Margins Thereafter.

Mars missions don't appear to factor into their model.

But the note **does** spend 133 words on the analysts' belief that "SpaceX is serious about attempting a mission to Mars".

Now, we got the usual assurances the separation of equity research and investment banking from Jonas.

But we'd be remiss if we didn't point out that Morgan Stanley was one of the lead underwriters on that [\\$1.8bn bond offering](#) from Tesla in August.

The other lead underwriter was Goldman Sachs, which set off the space-analysis race [back in April](#). They did a comprehensive analysis of the industry, but didn't include any analysis of Musk's company (at least that we could find in their 98-page report).

So... your move, Goldman?

Find the Morgan Stanley note in [the usual place](#).

Related link:

[‘While the psychological barrier to mining asteroids is high...’](#) — FT Alphaville

[Copyright](#) The Financial Times Limited 2021. All rights reserved.