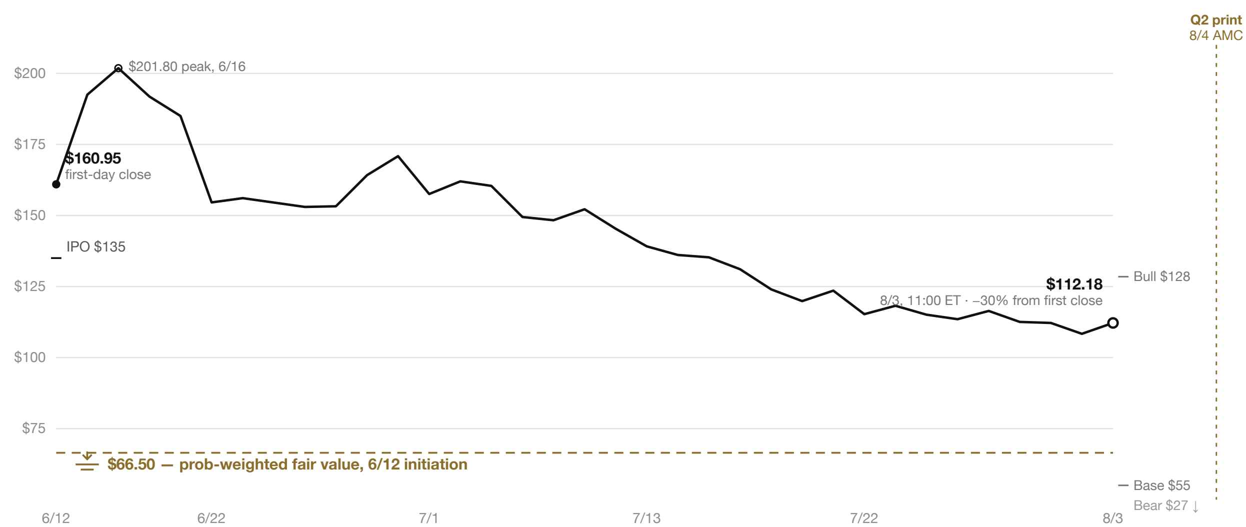
The First Print: What $111 Still Has to Believe

SpaceX reports earnings tomorrow for the first time in its 24-year history. The stock has fallen 31% from its first-day close toward our $66.50 fair value — and even after that descent, tomorrow's print has to carry 86% of our full bull case to hold the current price. Hanging over the call: whether the first solo print is also the last — the Tesla merger question, which the falling stock is quietly repricing against SPCX holders every week.

3 August 2026 · prices as of ~11:00 ET · initiation: *AVOID, FV $66.50*, 12 June 2026 · Q2 print: Tue 4 August, after the close · consensus EPS –$0.16



SPCX daily closes, 12 June – 31 July 2026, plus the 3 August tick (11:00 ET). The gold line is the $66.50 probability-weighted fair value published at initiation, before the first trade settled.

We are not changing anything tonight. The recommendation remains AVOID and the fair value remains $66.50 (bull $128 / base $55 / bear $27, weighted 25/50/25) — exactly as published on 12 June, when the stock closed its first session at $160.95. Data shows the stock at $112.18 this morning: –30% from that close, –44% from the 16 June peak, and

−17% below the $135 IPO price itself. We believe none of that descent is evidence. It is repricing without information — not one operating number has been published since the S-1. Tomorrow night that changes: the first income statement SpaceX has ever reported to public shareholders, and the first test either side of this trade gets to grade.

This note does one thing before the tape opens on the print: it inverts the question. Not *what will the quarter show* — nobody outside Hawthorne knows — but *what must it show* for the price that still stands. The answer is the story.

THE DESCENT SO FAR

Seven weeks, −31% — and the IPO top-ticked the whole space trade

Data shows the drawdown is not purely idiosyncratic — and honesty about that matters for scoring the call. The listing itself marked the top of the entire space complex: the day SPCX priced, Rocket Lab fell 13% open-to-close and AST SpaceMobile 15%, as the market made room for $1.8 trillion of newly listed space equity (the IPO's $1,765B capitalization at $135), and none of them have recovered since.

SINCE 6/12 CLOSE	SPCX	RKLB	ASTS	UFO	ARKX
Return	**−30%**	−32%	−23%	−14%	−7%
Today, into the print (8/3, ~11:00 ET)	+3.5%	+6.6%	+7.7%	+3.4%	+2.8%

Two readings coexist. The sector reading: a capital-absorption event de-rated everything with a rocket in its deck, and SPCX merely fell with its own gravity. The valuation reading — ours — is that the complex was priced off the anchor at the top of it, and when the anchor slipped, everything moored to it slipped too. Either way, the scoreboard to date: the stock has closed below the $135 IPO price for twelve consecutive sessions, touched its all-time low ($104.83) this morning, and at $112.18 still sits 69% above our fair value. The call is just over half the way — 52% — from the first-day close to $66.50. Today the whole complex is bid into the print — the market leaning toward a relief quarter.

THE BURDEN OF PROOF

What $111 still has to believe

Strip the descent out and the arithmetic is still severe. This section anchors at $111 — the round number the tape has been negotiating; at this morning's $112.18 every figure below is fractionally heavier (87% of bull, $83B), so the anchor is the generous reading. At $111, SpaceX carries a $1,451B equity value; net of the model's $79.5B cash, a $1,372B enterprise. Set against the sum-of-the-parts we published in June, that number has a precise meaning: **it is 86% of our full bull case** — the scenario we assigned a one-in-four chance — **and 2.1× our base case.** A stock that has fallen 31% is still priced for nearly everything going right, on all three businesses at once.

SEGMENT	WHAT $111 CAPITALIZES*	OUR BASE CASE	OUR BULL CASE	THE MULTIPLE THAT IMPLIES
Starlink (connectivity)	**$557B**	$280B	$650B	78× FY25 segment adj. EBITDA ($7.17B) — with ARPU down at every disclosed mark, $99 → $66
Launch (Falcon + Starship)	**$429B**	$180B	$500B	657× FY25 segment adj. EBITDA ($0.65B) — a segment that just printed **–$351M**, its first negative quarter since 2018
xAI	**$386B**	$180B	$450B	≈1,900× its ~$0.2B of FY25 partial-period revenue
Net cash (6/12 model)	$79.5B	$79.5B	$79.5B	
Equity · 13.076B shares	**$1,451B → $111**	$720B → $55	$1,680B → $128	

*Allocation assumption: today's enterprise value ($1,372B at $111) spread across the three segments in our bull-case proportions — the allocation most generous to the stock. Any other split forces one segment's implied multiple even higher. Segment financials: S-1/A, acc. 0001628280-26-040364, periods through Q1-2026.

$82B

Steady-state annual free cash flow a $111 share price capitalizes at a 10% discount rate and 4% terminal growth

−$15.7B

Actual free cash flow in Q1-2026 — one quarter — as the xAI compute buildout drove $16.7B of investing outflows

86%

Share of TON618's full bull-case sum-of-the-parts the current price still requires, after a 31% drawdown

The cash-flow version of the same burden: a $1,372B enterprise at a 10% discount rate and 4% terminal growth capitalizes roughly $82B of steady-state annual free cash flow. The company generated *negative* $12.8B in FY2025 and negative $15.7B in the first quarter of 2026 alone. The distance between the run-rate and the requirement is about $145B a year. And at 71× trailing revenue ($19.3B TTM), the de-rate from the IPO's 90× has repaired only a fraction of the multiple. That is what "down 31%" buys you here: from priced-for-perfection to priced-for-almost-perfection.

> The stock did not get cheap by falling 31%. It went from needing everything to go right to needing 86% of everything to go right.

FIVE GAUGES FOR TOMORROW NIGHT

What the print must show — the checklist we will score against

These are the five numbers that adjudicate between $128, $55, and $27. We publish them the night before, so the scoring after the print is honest.

1 · Starlink ARPU has to stop falling.

Blended ARPU has fallen at every disclosed mark — \$99 → \$91 → \$81 across FY23–FY25, and \$86 → \$66/month year-over-year in Q1 (−23%) — as growth shifts to lower-priced tiers and markets. Subscribers doubled to 10.3M (Q1, +106% YoY) — the bull case needs *both*: a subscriber print near ~12M *and* ARPU stabilizing in the \$60s. Growth that arrives only by giving away the margin is the base case, not the bull.

2 · Launch segment EBITDA must go back above zero.

The segment printed −\$351M adjusted EBITDA in Q1 — its first negative quarter since 2018 — as Starship development costs ran through it. A second negative quarter turns the "launch monopoly funds the moonshots" narrative into a third mouth to feed. \$429B of implied value is riding on this line.

3 · xAI has to become a revenue line, not a KPI.

The S-1 gave xAI ~\$0.2B of partial-period revenue and a "nameplate compute" metric. At \$111, the segment carries an implied ~\$386B. The print needs a real revenue number with a growth rate, and disclosure on the GPU financing arrangements funding the buildout. A compute-capacity slide without a revenue ramp is the bear's exhibit, not the bull's.

4 · The burn has to show a peak.

Q1 investing outflows were \$16.7B against \$1.0B of operating cash flow. This print delivers the first post-IPO balance sheet. What we want is management's first statement on when capex crests — without one, the \$82B steady-state question has no bridge at all.

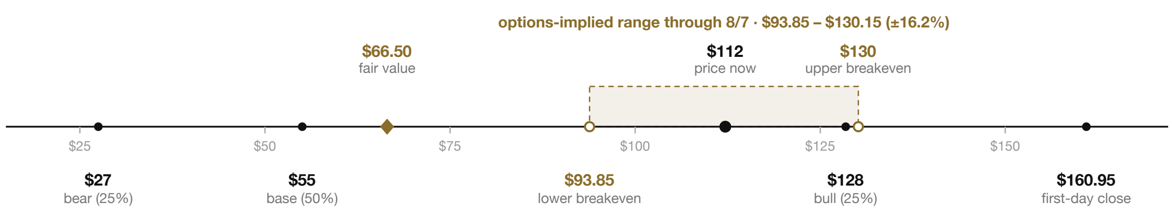
5 · The guide is the event.

Consensus expects −\$0.16 EPS — roughly a \$2.1B net loss. We believe the EPS print itself is nearly meaningless against merger accounting; the first-ever guidance, and whether management guides FY26 at all, will move the stock more than the quarter does.

What would move us *toward* the bull case — stated in advance: gauges 1 and 2 both clearing (ARPU flat sequentially with subs ≥12M, launch EBITDA positive), plus any credible capex-peak timeline. That combination would force our base-case Starlink and launch values up, and we would say so in the post-print note. Conviction maintained is not evidence ignored.

The options market is pricing a ±16% move with zero history to price it from

Tomorrow is a first print with no base rate: no prior earnings reactions, no event-IV history, nothing to anchor the vol surface. Data shows the front-expiry (8/7) $112 straddle at $18.15 — a ±16.2% implied move through Friday, at roughly 189% implied volatility. That is 3.3× the stock's own 20-day realized volatility (57%), and the implied move is larger than all but the single biggest day the stock has ever traded (+19.6%, its second session). Sellers have no base rate either — that symmetry *is* the trade's character.



Every price that matters, on one line. The options market's entire priced range sits above every house scenario except the bull case — and the bull case ($128.44) falls $1.71 short of the straddle's upper breakeven. Marks as of ~11:00 ET, 3 August.

Two facts from that map travel further than any forecast. First: the straddle's **lower** breakeven, $93.85, sits 41% *above* our fair value and 71% above our base case — the most violent downside the options market entertains this week still lands far from where we think the business is worth. Second: a move straight to our full bull case would *lose the call buyer money* — $128.44 is below the $130.15 upper breakeven. Priced this rich, the straddle needs an outcome outside our entire scenario set to pay.

SPCX AT 8/7 EXPIRY	MAPS TO	STRADDLE P&L / CONTRACT PAIR
$66.50	house fair value	+$2,735
$93.85	lower breakeven	$0
$112.00	strike / spot	–$1,815 (max loss)
$128.44	house bull case	–$171
$130.15	upper breakeven	$0
$160.95	first-day close	+$3,080

Long 8/7 $112 straddle at the 11:00 ET marks (call $9.05, put $9.10; $18.15 combined). Maximum loss is the premium paid. Greeks at the marks: net delta +0.08, combined theta –$2.15/day per pair, combined vega $0.095. Open interest 982 calls / 2,161 puts. The Fund holds no options position in SPCX; this is observation, not a recommendation.

THE MERGER QUESTION

Is a Tesla merger ahead? The descent is repricing the answer in real time

The question hangs over tomorrow's call because the precedent is sitting in the S-1: xAI was folded into SpaceX by all-stock merger months before the IPO — weighted average shares jumped from 2.93B to 3.88B in a single quarter as the consideration landed. Data shows the consolidation playbook exists, is recent, and used stock. The market's next question — *is Tesla the next fold-in?* — is one the S-1 does not answer and the first earnings call is the first public venue where management can be asked.

The arithmetic explains why the question has urgency *now*, in both directions. The case for sooner: SPCX paper is expensive — 76× trailing sales buying TSLA's $103.6B of real revenue at 12× would be the classic conglomerate multiple-arbitrage move, and it only works while the multiple lasts. The case against: both currencies are deflating at once. TSLA printed its own 52-week low ($297.38) five days ago; SPCX printed its all-time low ($104.83) this morning. And the descent is shifting the terms measurably: at today's prices an all-stock deal is 2.87 SPCX shares per TSLA share — 11.3B new shares, handing Tesla holders 46% of the combined company. Had SPCX held its first-day close, the same deal would have cost 7.9B shares and 37%. **Seven weeks of tape moved nine percentage points of the combined entity from SpaceX holders to Tesla holders.** Every further leg down makes the deal more expensive for the acquirer — an argument for urgency if Musk wants it, and for impossibility if SPCX keeps falling toward $66.

TTM, INDICATIVE	SPCX	TSLA	COMBINED
Revenue	$19.3B	$103.6B	$122.9B
Net income	–$8.7B	$3.8B	**–$4.9B**
Market capitalization	$1.49T	$1.27T	$2.76T
Price / TTM sales	76×	12.3×	22×
Trailing P/E	n/m (loss)	334×	n/m (loss)
Shares outstanding	13.27B	3.95B	24.6B pro forma

Indicative all-stock combination at 3 Aug prices (SPCX $112.18, TSLA ~$322): exchange ratio 2.87 SPCX shares per TSLA share; 11.3B new SPCX shares issued (+85% to the count); Tesla holders receive 46% of the combined company. All ratios in this table computed on end-of-period shares outstanding and market cap ÷ TTM net income (TSLA's diluted-EPS-basis P/E is lower, ~289×). No purchase accounting, synergies, or premium assumed. TSLA TTM from reported quarters through Q2-2026 (period end 6/30); SPCX TTM from the S-1/A through Q1-2026. Share counts: current outstanding (SPCX 13.27B post-IPO, vs the 13.08B S-1 count used in the valuation sections above).

What the table says plainly: the combined Musk complex would be a $2.75T company *losing* $4.9B a year on $122.9B of revenue, at 22× sales — a multiple that would still need years of flawless execution to grow into. There is no valuation rescue in the combination; it would be a strategic consolidation (one AI compute stack, one robotics program, one balance sheet behind Starship) priced almost entirely on narrative.

We believe the probability of an announced SPCX–TSLA combination within 12 months is real but modest — we put it near 15% — and skewed toward moments of SPCX strength, not weakness, because the exchange-ratio math above punishes the acquirer for every dollar of descent. That estimate is opinion, not data. What to listen for tomorrow night: any "unified AI roadmap" language, related-party disclosures involving Tesla, and how management frames Optimus/Grok/Dojo overlap. A full CFA-standard pro-forma merger balance sheet and income statement requires two things that do not exist this morning — deal terms, and

SpaceX's first public balance sheet. The second arrives tomorrow night. If the question stays live after the print, the full pro-forma is the follow-up note in the 8/5–8/7 window.

THE STANDING CALL

The scenarios stand until the evidence arrives

SCENARIO	PROBABILITY	PER SHARE	FROM $112.18	KEY ASSUMPTION
Bull	25%	$128	+14%	Starlink toward $650B, Starship cadence economics prove out, xAI revenue materializes
Base	50%	$55	–51%	Starlink grows into maturing ARPU; launch stays structurally thin; xAI a capital sink near-term
Bear	25%	$27	–75%	ARPU compression persists, Starship slips, AI capex outruns any disclosed revenue
Prob.-weighted	100%	**$66.50**	**–41%**	Unchanged from the 6/12 initiation — the print, not the tape, is the first real evidence

Recommendation: AVOID, unchanged. Probability-weighted fair value $66.50; expected return from $112.18 is –41%. The Fund holds no position, long or short — per mandate, SPCX is neither a BTC-correlated holding nor currently a hedge instrument. Triggers to revisit are the five gauges above; we will publish the scored version of this exact checklist in the analysis window, 5–7 August. If the print clears gauges 1, 2, and 4 together, expect the fair value to move up — and if it doesn't, expect the same discipline pointed the other way.

Appendix — sources & method

Prices. SPCX exchange official daily closes, 12 Jun – 31 Jul 2026, via brokerage market-data feed; live marks pulled 3 Aug 2026 14:55 UTC (10:55 ET, rounded to ~11:00 ET in the text): SPCX $112.18, RKLB $69.25, ASTS $63.55, LUNR $12.97, RDW $9.38, PL $21.43, ARKX $31.45, UFO $45.28. SPCX session low $104.83 (all-time since the 12 Jun listing) from the 3 Aug intraday session, same pull. Peer returns measured from 12 Jun official closes (RKLB $102.39, ASTS $82.41, UFO $52.92, ARKX $33.78); the 12 Jun peer intraday moves are open-to-close from that session's daily bars (RKLB $118.02 → $102.39, ASTS $97.00 → $82.41).

Options. 8/7 $112 contract mid-marks pulled 3 Aug 2026 14:55 UTC: call $9.05 (IV 187.8%, OI 982), put $9.10 (IV 191.0%, OI 2,161). Straddle = call + put = $18.15; breakevens = strike ± straddle ($93.85 / $130.15); implied move = straddle ÷ spot = 16.2%. Realized volatility = √252 × root-mean-square of daily log returns on official closes: 57% over the trailing 20 sessions, 92% over all 33 returns since listing. Largest single-day move to date: +19.6% (15 Jun). Greeks as quoted at the same timestamp.

SPCX financials. SpaceX Form S-1/A, filed 3 Jun 2026, SEC accession 0001628280-26-040364, periods through Q1-2026: revenue, segment adjusted EBITDA (Connectivity $7,168M FY25; Space/Launch $653M FY25, −$351M Q1-26), blended ARPU ($99 FY23 / $91 FY24 / $81 FY25 / $86 Q1-25 / $66 Q1-26), subscribers (5.0M Q1-25 → 10.3M Q1-26), operating and investing cash flows, weighted-average shares (2,926M FY25 → 3,884M Q1-26). Free cash flow = operating cash flow − investing outflows: FY25 $6.785B − $19.57B = −$12.8B; Q1-26 $1.047B − $16.7B = −$15.7B. TTM revenue $19.3B = FY25 $18.674B − Q1-25 $4.067B + Q1-26 $4.694B.

Model. [TON618 SPCX initiation, 12 Jun 2026] (sum-of-the-parts 70% / DCF 30%): segment EVs bear/base/bull — Starlink $150/280/650B, Launch $70/180/500B, xAI $60/180/450B; net cash $79.5B; shares 13.076B (S-1 basis); scenario prices $27.49/$55.03/$128.44; probability-weighted fair value $66.50 at 25/50/25. Reverse-DCF: implied steady-state FCF = EV × (WACC − g) at WACC 10%, terminal growth 4%. Reverse-SOTP allocation: today's EV spread across segments in bull-case proportions (stated in the table footnote). Assumption flagged at initiation and still open: total debt estimated at $20B pending full balance-sheet extraction; the net-cash figure carries that uncertainty. Prior note: *TON618 SPCX Tech-Equity Valuation*, 12 Jun 2026 (research/SPCX/2026-06-12), with Phase-0 data snapshot 2026-06-12-212244.

TSLA. Reported quarterly financials through Q2-2026 (period end 30 Jun): TTM revenue $103.6B (Q3-25 $28.10B + Q4-25 $24.90B + Q1-26 $22.39B + Q2-26 $28.24B); TTM net income $3.80B. Fundamentals as of 3 Aug 2026: shares outstanding 3.95B, market cap $1.27T, 52-week low $297.38 (29 Jul 2026). Table P/E = market cap ÷ TTM net income; the diluted-EPS-basis trailing P/E (~289×) is lower, as footnoted.

Earnings calendar. Company-verified: Q2-2026 report Tue 4 Aug 2026, after market close; consensus EPS −$0.16 (≈ $2.1B net loss on 13.08B S-1-basis shares).

Method notes. The burden-of-proof section anchors at $111 (the generous round number); at the live $112.18 the same figures are 87% of bull, 2.2× base, $83B implied FCF. Percentages against fair value use fair value as the base ($112.18 is 69% above $66.50; reaching $66.50 from $112.18 is −41%). The merger discussion is scenario analysis of a hypothetical combination — no transaction has been announced by either company, and the 15% probability is house opinion, not data. Option marks refresh continuously; all options figures are as of the pull time above and will differ by publication time.

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