TM SDL UK Buffettology Fund

Monthly Insights – June 2026

Can't fathom the SpaceX valuation? Try inverting it

Invert, always invert, was a favourite saying of legendary investor Charlie Munger who borrowed it from German mathematician Carl Jacobi. It is a principle that investors should apply when trying to make sense of this month's SpaceX IPO.

Rather than attempting to value the business, as the great and good of Wall Street have been doing, Munger would suggest investors reverse engineer the now $2.8tn price tag and ask themselves the question: "what do I need to believe for this valuation to stack up?". We follow this same discipline in our own process as a sense-check to ensure that we are paying a reasonable price when we buy into a business.

Any approach to valuation has an element of subjectivity, but anyone who believes in mean reversion will look to history as a starting point. The long-run average price-earnings multiple of the S&P500 index is roughly 20x. At certain times, such as now, it trades higher; at other times it is lower. But 20x is as useful a starting point as any and implies an earnings yield of 5%, or a slight premium to the 10 year US treasury "risk free rate".

What this means is that, at some point in the foreseeable future, investors must think SpaceX is capable of delivering ballpark earnings of around $140bn per annum for that $2.8tn price tag to make sense. For the purposes of this analysis, we view the year 2030 as representing the foreseeable future.

Next, let's turn to sales which are forecast by brokers this year to be anywhere between $25bn and about $40bn. That in itself is an extraordinarily high deviation given we are almost halfway through the year. Of the companies we follow, we would expect full year broker forecasts to converge within around 5% of each other by mid-year. Whilst a large part of the base revenue is made up of the established Starlink low orbit satellite business, the delta is mostly accounted for expectations of how quickly the AI division ramps up. Again, it is worth examining what investors need to believe for this to stack up.

Based on current market expectations, the average 2030 EV/Sales ratio of the Magnificent 7 technology stocks in the US is around 5x. Applying that multiple to the SpaceX valuation implies that SpaceX's revenues need to grow to around $550bn by 2030, or nearly 30 times their level in 2025. That would require a roughly doubling each year between now and then. Another way to look at it is this would take SpaceX less than five years to become the size of what took Amazon, widely regarded as one of the most successful and fastest growing businesses on the planet, 29 years.

This leads to something else that investors must buy into. For SpaceX to truly justify its valuation, its future needs to lie beyond this planet. Never has sci-fi featured more heavily in an IPO filing. Whilst orbital AI data centres might seem like a natural extension of the existing Starlink network, some of the more fanciful suggestions include mining asteroids for their minerals and colonising Mars with at least a million inhabitants. Mars contains no breathable oxygen, something humans cannot survive without for longer than a few minutes, not to mention the lack of protection from solar radiation. Even Elon Musk, as the saying goes, cannot change the laws of physics.

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Space exploration is not renowned for being cheap and investors should not forget that their returns are ultimately driven by the underlying company's profitability – or more accurately its free cash flow which can be used to fund dividends or return capital through share buybacks. Unsurprisingly, SpaceX is expected to be hugely cash consumptive until the early 2030s, so the final thing investors need to get comfortable with is the company's ability to raise new money in the future. This is the Achilles heel. Investor sentiment towards tech, AI and space travel is currently about as rosy as it has ever been. What are the chances that backdrop is as supportive and enthusiastic when it needs to raise capital again?

Eric Burns

Lead Fund Manager

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