


# SpaceX-xAI Strategic Merger: Building an Orbital AI Infrastructure Platform

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## Transaction Summary

Announcement Date	February 2, 2026
Transaction Size	\$250 Billion (Implied Enterprise Value of xAI)
Premium / Discount	~8.7% Premium
Deal Structure	All-stock transaction
Consideration	0.1433 SpaceX shares per xAI share

## Acquirer Profile – SpaceX, Inc.

 World's leading private aerospace company founded by Elon Musk. Aiming to make humanity multi-planetary, it transformed spaceflight with reusable Falcon rockets.

Founded Year	2002
HQ	Brownsville, Texas (Starbase)
Sector	Aerospace & Defense / Telecommunications
Market Cap	\$1.25 Trillion
LTM Revenue	~\$15.5 Billion
LTM EBITDA	~\$8.0 Billion
EV/LTM EBITDA	~125x (based on \$1T pre-merger valuation)
Advisor	Gibson, Dunn & Crutcher LLP

## Target Profile – xAI Co.



An AI research and development company focused on building advanced, "truth-seeking" AI systems to better understand the universe.

Founded Year	2023
HQ	Palo Alto, California
Sector	Artificial Intelligence / Software
Market Cap	\$250 Billion (Acquisition valuation)
LTM Revenue	~\$3.8 Billion (Consolidated with X business)
LTM EBITDA	(\$12 Billion)
EV/LTM EBITDA	N/A
Advisor	Sullivan & Cromwell LLP

## Precedent Transaction

Date	Target	Acquirer	Transaction Value	LTM EBITDA	EV/EBITDA	EV/Revenue
03/2025	Wiz	Alphabet (Google)	\$32.0B	NA	NA	32.0x
11/2023	VMware	Broadcom	\$69.0B	\$4.7B	14.7x	5.4x
03/2022	Nuance Communications	Microsoft	\$19.7B	\$0.276	71.4x	13.3x
Mean			\$40.2B	\$2.5B	43x	16.9x
Median			\$32B	NA	NA	13.3x

## Deal Background

SpaceX has acquired xAI in an all-stock deal, merging Musk's most valuable private assets into a single entity. The transaction integrates xAI's Grok into Starlink's infrastructure, creating a vertically integrated platform for orbital edge computing. As a standalone division, xAI will streamline cross-platform resources, positioning SpaceX as a dominant AI-driven technology leader ahead of its anticipated IPO.

## Synergies & Upsides

**Operations:** SpaceX leverages Starship to deploy a million-satellite constellation, aiming for 1,000 GW of compute capacity annually. By utilizing 24/7 solar power and vacuum cooling, the deal bypasses terrestrial energy bottlenecks to deliver the **lowest cost per unit of AI compute** in history.

**Finance:** The merger uses Starlink's stable cash flow to fund xAI's R&D, lowering WACC and reducing external financing needs. This strategic pivot rebrands SpaceX as a high-multiple AI platform to **maximize IPO valuation and tax efficiency** through R&D shields.

## Potential Risks

**Governance: RPT & legal risks.** Lack of independent oversight in \$250B valuation. Relocating to Nevada to bypass Delaware's precedent (Tesla/SolarCity) invites post-IPO litigation.

**Finance: Cash flow asymmetry.** SpaceX's \$8B EBITDA diluted by xAI's \$13B burn. \$1.5T IPO targets an extreme 94x revenue multiple to sustain the AI compute race.

**Execution: Cultural & talent friction.** 50% loss of xAI founders. Musk's fragmented focus and a 2-year Starship delay leave the "orbital data center" premise unverified.

## Our Team Insights

**Strategic AI Transformation:** This merger transforms SpaceX into a high valuation AI platform by anchoring xAI's software to Starlink's global infrastructure. The deal captures exclusive physical-world data for AGI training and secures a first-mover advantage in orbital edge computing.

**Valuation & Financial Risk:** The \$1.5 trillion IPO target implies a ~62x FY2026E Revenue multiple (based on Pitchbook's projection of \$24B forward revenue). Any delay in Starship's high-frequency launch cadence could compress these multiples and trigger a liquidity crunch within xAI's capital-intensive R&D cycle.

**Leadership & Execution Risk:** The risk is the Key-man Risk and potential brain drain from xAI's core researchers after integration. AI labs merged into hardware-driven cultures like SpaceX often face cultural friction. Preserving the technical velocity of xAI's founders is crucial to proving the Orbital Data Center model amid competition from Microsoft and Amazon Kuiper.