



Investing in SpaceX: Public vs Private

In the world of business, few names resonate as strongly as Elon Musk. The visionary entrepreneur consistently garners attention with his various ventures, and it's understandable that investors are excited about the prospect of a public listing of one of his most ambitious ventures – SpaceX.

Founded by Musk in 2002, soon after selling PayPal to eBay, Space Exploration Technologies Corp (SpaceX) remains a private company with Musk reportedly holding around 55% of the company. Over the years, SpaceX has raised substantial capital with the robust and active private equity market, especially for large US-based technology businesses, negating the need for the company to list on the public equity market.

Private companies, compared to publicly listed ones, have fewer and more "selected" shareholders. Typically, this includes the founders and selected private equity or venture capital funds through various rounds of capital raises. There is no definitive formula for when, or even if a private company should list its shares on the public markets. The decision often depends on a combination of further capital requirements, founders and early investors wanting to take profit by selling down their initial holdings, and potentially increased publicity.

Remaining private for longer than traditionally expected means that most investors have limited or no access to quality investments like SpaceX.

Space X's ultimate mission is to aim for Mars, but currently focuses on manufacturing spacecraft, providing launch services and satellite communications. The company has secured various payload agreements with NASA, including a recent \$843 million deal to build the vehicle that will decommission the International Space Station (ISS) from its longtime orbit around Earth.

Embedded in the company is subsidiary, Starlink, which has achieved phenomenal success through its fleet of over 6,000 low Earth orbit satellites, providing internet connectivity across the world to hard-to-reach areas. With over 2.5 million internet subscribers, Starlink announced in late 2023 that it was breaking even on a cash flow basis. There are plans to list Starlink separately sometime in the future.

In 2020, SpaceX raised \$1.9 billion at a valuation of \$46 billion. The valuation increased to \$74 billion in 2021, \$127 billion in 2022 and \$180 billion by the end of 2023. In their latest tender offer, where insiders can sell shares to new and/or existing (i.e. selected) shareholders, the price was set at \$112/share. This values the company closer to \$210 billion, making it one of the world's most valuable private companies.

Private equity investors who have invested at various stages, include venture capital firm Founders Fund, Alphabet's Google Ventures, Fidelity Investments and Edinburgh-based fund manager, Baillie Gifford.

Baillie Gifford manages the UK-listed investment trust Scottish Mortgage, which focuses on growth businesses. The closed-end nature of the trust allows it to invest in both listed and unlisted businesses, including SpaceX. A long-time Musk supporter, the fund took an initial stake in SpaceX over 5 years ago and has seen this investment compound at over 40% per annum.

SpaceX now ranks among their top 10 holdings, and both of the Seed Global Funds hold investments in Scottish Mortgage.

[More on the Seed Global Funds HERE](#)



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If you have any questions, Ian and our team would love to hear from you on global@seedinvestments.co.za.

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