



WATSON CAPITAL | SPACE & COMMUNICATIONS INFRASTRUCTURE

SpaceX: The Infrastructure Advantage

The favorable case for a business connecting reusable launch, recurring connectivity, and next-generation capacity.

Our long-term perspective on SpaceX's competitive position, Starlink's commercial engine, and the milestones that can turn engineering progress into durable economic value.

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Executive View

A powerful business is taking shape across orbit and Earth.

SpaceX deserves serious attention because it is building several capabilities that become more valuable together: access to orbit, satellite manufacturing, global connectivity, and the next generation of space transportation.

Watson Capital's view is favorable. We see a compelling long-term business thesis in a company that can build infrastructure, deploy it through its own launch system, and sell services delivered by that infrastructure. The attraction is the potential to capture value at several points in the same economic chain.

Watson Capital Thesis

SpaceX's strongest advantage is the relationship between its businesses. More effective launch capacity can improve satellite deployment; a better satellite network can expand useful connectivity; recurring customer demand can support further infrastructure investment.

The important distinction is between a compelling enterprise and an attractive entry price. Our favorable view concerns competitive positioning and long-term commercial potential. A security's prospective return still depends on valuation, financing, dilution, and execution. The analysis below separates reported evidence from Watson Capital's interpretation.

Latest Evidence

The investment conversation now has a stronger financial foundation.

SpaceX's August 4 release reports second-quarter 2026 revenue of \$7.814 billion, a \$541 million net loss, and \$3.538 billion of adjusted EBITDA. Connectivity generated \$4.291 billion of revenue and \$1.656 billion of operating income; Starlink ended June with 12 million subscribers, versus 6 million a year earlier. Consolidated capital expenditure was \$18.369 billion, including \$15.828 billion in AI. These are quarterly figures; adjusted EBITDA is a non-GAAP measure and is neither net income nor free cash flow.¹

Reported Q2 2026 evidence, from SpaceX's results release

Measure	Reported result	Research question
Consolidated revenue	\$7.814 billion	How durable is growth?
Connectivity operating income	\$1.656 billion	Can profitability scale?
Starlink subscribers	12 million	What drives retention?
Consolidated capital expenditure	\$18.369 billion	When does investment earn cash returns?

For our research process, the next step is to connect growth to the capital required to sustain it. We favor an analysis that follows customer economics, replacement investment, financing requirements, and cash generation over time. Revenue growth can justify investment, but the quality of that investment determines the strength of the eventual shareholder outcome.

Launch Economics

Reusability changes the industrial equation.

SpaceX describes Falcon 9 as a reusable, two-stage launch vehicle. Its explanation of reusability is economically straightforward: flying expensive rocket components again can reduce the cost of reaching space.²

Our investment interpretation starts with asset utilization. In an industrial business, expensive equipment becomes more productive when it can serve more customers over its useful life. Applying that principle to launch requires careful attention to refurbishment, reliability, turnaround time, insurance, and the cost of each mission. Reuse creates an opportunity; efficient repeat operation realizes it.

A lower internal cost structure also gives management choices. It can compete on price, retain more margin, deploy more infrastructure for its own network, or use some combination of all three. Those choices make a cost advantage strategically useful even when published customer pricing does not fall in direct proportion to engineering improvements.

We would assess this advantage through successful repeat missions and dependable delivery. Customers purchase access to orbit with a schedule, a payload requirement, and consequences if

that delivery fails. A business that earns trust while improving productivity can gain an advantage that extends beyond the hardware itself.

Starlink

Connectivity gives space infrastructure a recurring commercial purpose.

Starlink's 2025 progress report says it added more than 4.6 million active customers during that year and expanded service into 35 additional countries, territories, and markets. The report describes customers on land, in the air, and at sea.³

For Watson Capital, the favorable interpretation is that useful space infrastructure can earn revenue repeatedly. A communications network provides an ongoing service. If customers continue to find that service valuable, the relationship can extend well beyond an initial equipment purchase or installation.

That recurring character matters because it gives the investment thesis a commercial mechanism. The relevant questions become familiar: what does it cost to acquire a customer, how long does that customer stay, what service quality is required, and what cash remains after maintaining the network? Those questions are more useful than treating every new connection as equally profitable.

We see particular strategic appeal where connectivity supports an activity with meaningful economic value: keeping a business site operating, connecting a vessel, supporting remote work, or improving passenger service. This is an analytical view of potential demand, not a claim that every application earns the same margin.

Geographic expansion also creates room for differentiated pricing and partnerships. The strongest commercial outcome would combine broader access with sustainable economics at the customer level. We would look for evidence that service quality, retention, and returns on network investment improve alongside adoption.

Integrated Advantage

Control of the chain can compound operating progress.

Consider the relationship among three capabilities: producing satellites, transporting them to orbit, and selling the services those satellites enable. An operator that controls more of this chain can coordinate product design and deployment around the same business objective. This is the central reason we view SpaceX's architecture favorably.

Integration can reduce the number of handoffs between independent suppliers and align engineering decisions with commercial needs. A satellite design may be evaluated in light of available payload capacity, deployment timing, network demand, and expected service life. That coordination can be valuable when a network requires continuous renewal and improvement.

It can also make competition demanding. A challenger may develop an excellent satellite or a promising communications service while still depending on external manufacturing, launch access, financing, and distribution. Matching one component does not automatically reproduce the economics of the full system.

This is our assessment of a potential competitive advantage, rather than proof of permanent market control. Integration creates management complexity and concentrates operational dependencies. Its investment value should be judged by the improvements it produces for customers and by the

returns earned on the capital committed.

Starship

The next opportunity is more productive infrastructure deployment.

On September 28, 2026, SpaceX reported that Starship Flight 14 reached orbit and delivered 26 Starlink V3 satellites. That is a meaningful development milestone. It does not, by itself, establish routine operations, full reusability, or a proven commercial cost per launch.⁴

Our favorable Starship thesis begins with a practical question: can a larger and increasingly reusable transport system deploy useful capacity more effectively? If the answer becomes yes through repeat performance, the consequences could extend to network upgrades, satellite design choices, and the range of commercially viable payloads.

Greater launch capability can make different engineering tradeoffs possible. Designers may have more room to optimize a payload for service performance instead of working around tight transport constraints. The economic benefit would need to appear in deployment cost, usable capacity, customer experience, and replacement efficiency.

We would treat each milestone as evidence that changes the probability of future outcomes. Repeated orbital delivery, reliable recovery, and efficient turnaround would carry more weight than a distant target date. A favorable outlook can acknowledge the size of the opportunity while requiring demonstrated progress before assigning it full financial value.

There is also an appealing strategic sequence: use improved transportation to strengthen an existing commercial network, then evaluate additional markets as the system matures. This is a more concrete basis for our thesis than requiring the investment case to depend on the immediate commercialization of every long-range ambition.

Mobile Connectivity

An additional distribution channel can broaden the opportunity.

Starlink Mobile describes service for existing LTE phones with a view of the sky and relationships with mobile operators. Its published product description distinguishes current app-based capabilities from future native calling and expanded broadband ambitions.⁵

We view the partnership model as commercially interesting. A mobile operator already has customer relationships, billing systems, and distribution. Satellite connectivity that makes those relationships more useful could create value without requiring a new provider to rebuild every part of the consumer sales process.

The underwriting question is who retains that value. Partner economics, spectrum access, service availability, network capacity, and the price customers will pay all matter. We would avoid turning a theoretical reachable population into a revenue forecast.

Our favorable case is based on incremental usefulness: extending communications into places and circumstances where the customer otherwise lacks adequate coverage. The size of the eventual opportunity should be established through actual usage, reliable service, and commercial agreements. Future capabilities remain development objectives until delivered.

Valuation & Capital

Exceptional capabilities deserve disciplined financial underwriting.

A positive view of the business should sharpen the valuation work. We would build the analysis from the economics of each activity, account for shared infrastructure and corporate costs, and avoid counting the same strategic benefit twice. The launch system's value to Starlink, for example, should not be recognized in full in both segments without reconciling the underlying cash flows.

For established operations, useful inputs include customer retention, revenue quality, operating profitability, replacement capital, and cash conversion. For newer activities, we would use scenarios with explicit probabilities and capital requirements. A large potential market is a starting point for research; customer willingness to pay and achievable returns must complete the case.

The AI opportunity requires its own underwriting. We would examine utilization, contract quality, energy and equipment costs, competitive pricing, and the pace of technological replacement. Potential interaction with space infrastructure is an additional scenario to evaluate, rather than an automatic justification for any level of spending.

Financing is equally consequential. An enterprise can create valuable assets while delivering a less attractive per-share result if new investment requires expensive capital or substantial dilution. Our preferred framework follows the claim owned by shareholders through the full funding cycle.

We therefore favor SpaceX's strategic position while reserving judgment on any particular entry price until valuation and security-specific terms are assessed. This publication makes no price target, return forecast, or representation that Watson Capital holds a position.

What We Are Watching

The next evidence should connect capability to cash returns.

Watson Capital's forward research agenda

Area	Evidence that strengthens the thesis	Evidence that would weaken it
Launch and Starship	Repeat successful delivery; more effective reuse and turnaround	Persistent disruption or costs that prevent useful scale
Starlink	Customer retention, service quality, and improving cash economics	Weak retention or spending that outruns customer value
Mobile and enterprise	Repeat usage and commercially durable partnerships	Adoption dependent on incentives or unattractive partner terms
Capital allocation	New investment produces measurable returns	Financing or dilution absorbs the operating gains

Additional risks in our framework include launch reliability, regulatory and spectrum permissions, orbital safety, competitive responses, cyber and service resilience, and dependence on key decision makers. They matter because they can interrupt the pathway from engineering achievement to

customer value and shareholder cash flow.

Our conclusion remains favorable: SpaceX has an unusually compelling combination of capabilities with the potential to reinforce one another. The investment opportunity lies in turning that combination into durable, productive infrastructure. We will judge progress by repeat execution, customer usefulness, and returns on capital—the evidence that can make a strong strategic thesis a stronger financial one.

Source Notes

Evidence and interpretation

Sources reviewed October 6, 2026. Figures and mission milestones above are attributed to company publications. Competitive assessments, economic reasoning, valuation criteria, and the forward research agenda are Watson Capital analysis. Company ambitions are distinguished from demonstrated capabilities.

1. [SpaceX, second-quarter 2026 results](#). August 4, 2026. Company release, reproduced in the filing archive; quarterly financial and subscriber figures.
2. [SpaceX, Falcon 9](#). Vehicle description and explanation of reuse.
3. [Starlink, 2025 progress report](#). Historical customer additions and geographic expansion; 2025 figures are not presented as current totals.
4. [SpaceX, Starship Flight 14](#). September 28, 2026. Company mission account; orbital delivery milestone.
5. [Starlink Mobile](#). Product description distinguishing current features, partnerships, and future capabilities.

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