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POLICY ALPHA RESEARCH
INSTITUTIONAL MACRO · POLICY TRANSMISSION SERIES

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POLICY TRANSMISSION SERIES – ISSUE 01

The Musk Stack: *From Code to Cosmos*

Policy Transmission and the Infrastructure Economics of the AI Economy – A Three-Segment DCF Analysis with Monte Carlo Simulation

AUTHOR	PUBLISHED	ASSET	IPO TARGET
Elena Zhang	June 2026	SpaceX (pre-IPO, SPCX)	USD 1.75 Trillion

DCF IMPLIED (BASE)
USD 83 / Share

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01 Executive Summary

The SpaceX IPO — targeting a USD 1.75 trillion valuation and Nasdaq listing under ticker SPCX as early as June 2026 — is best

understood not as a technology offering, but as a structured exposure to six interdependent layers of AI infrastructure, each carrying distinct and correlated policy risk.

This report applies a policy transmission framework to quantify how regulatory variables — US Bureau of Industry and Security (BIS) export controls, Federal Communications Commission (FCC) spectrum rulings, Inflation Reduction Act (IRA) energy tax credits, Nuclear Regulatory Commission (NRC) licensing timelines, and the EU AI Act — transmit through the Starlink, Space, and AI segments of the SpaceX ecosystem, affecting revenue, margins, and ultimately equity value.

Our three-segment discounted cash flow (DCF) model, probability-weighted across four policy scenarios and stress-tested via 5,000-iteration Monte Carlo simulation, produces a base-case implied share price of approximately **USD 83**, representing a 57% discount to the S-1 reference price of USD 195. Only 6.4% of Monte Carlo simulations yield a share price above USD 195.

THREE CORE CONTRARIAN VIEWS



1. xAI is not a software business. The market prices xAI at software multiples, implying revenue growth is a function of product quality. We argue it is a compute-access arbitrage whose revenue ceiling is set by BIS licensing schedules, not engineering milestones.

2. Starlink's moat is ~40% regulatory. The FCC's April 2026 block of additional spectrum acquisition and SpaceX's USD 17B EchoStar purchase reveal that spectrum is as strategic as satellite hardware — and regulatory moats are narrower and more reversible than technological ones.

3. BIS controls are accelerating the wrong competitor. Huawei's Ascend 950DT roadmap, SMIC capacity expansion to 60,000 wafers/month, and

DeepSeek's compute-efficiency breakthrough demonstrate that export controls are creating the incentives for China to close the gap faster than the policy intended.

IPO TARGET VALUATION

\$1.75T

USD – LARGEST IPO IN WALL STREET HISTORY

SpaceX S-1 filed May 2026. Reference price USD 195/share. Ticker: SPCX on Nasdaq.

DCF IMPLIED SHARE PRICE

Base Case (WACC 12%)

\$83

57% DISCOUNT TO S-1 REFERENCE PRICE

Probability-weighted across 4 scenarios: **Bull 20%** · **Base 50%** · **Bear 25%** · **Tail 5%**

KEY RISK FACTOR

BIS Export Controls

The single variable with the largest impact on implied share price in both sensitivity and Monte Carlo analyses. A BIS tightening event transmits to xAI TAM, Starlink B2B pipeline, and Tesla Energy simultaneously.

SOURCE: STARLINK S-1

2025 Segment Performance

Revenue: **USD 11.4B**
Operating Profit: **USD 4.4B**
Margin: **38.6%**
Subscribers: **10.3 million**
ARPU: **USD 66/month**

02 **The Policy Transmission Framework**

Most analyses of the Musk ecosystem begin and end with valuation multiples. This report takes a different entry point: how do specific policy variables transmit through each layer of the AI infrastructure stack, and what does that imply for risk-adjusted returns?

The critical analytical insight is not that each layer carries regulatory risk — that is trivially true. It is that a single policy shock transmits non-linearly across multiple layers simultaneously. A BIS tightening (Layer 2) raises training costs (Layer 1), slows the autonomy software stack (Layer 4), and reduces the data centre buildout that generates Starlink's B2B total addressable market (Layer 5). These transmission channels are largely absent from consensus sell-side models.

LAYER 1	<p>INTELLIGENCE</p> <p>xAI / Grok — Foundation models, enterprise API, inference infrastructure</p>	NIST · OSTP · EU AI Act
LAYER 2	<p>COMPUTE</p> <p>AI accelerators (H100/H200/Ascend), HPC clusters, Colossus data centre (Memphis)</p>	BIS / Commerce
LAYER 3	<p>ENERGY</p> <p>Power generation, liquid cooling, grid integration, SMR offtake, Tesla Megapack</p>	DOE · FERC · NRC · State PUCs
LAYER 4	<p>PHYSICAL AI</p> <p>Tesla FSD fleet, Optimus humanoid robotics, autonomous vehicle data moat</p>	NHTSA · EU AI Act · State liability
LAYER 5	<p>CONNECTIVITY</p> <p>Starlink LEO broadband, ~10,000 satellites, Direct-to-Cell (D2D), EchoStar spectrum</p>	FCC · ITU · WRC-27
LAYER 6	<p>INFRASTRUCTURE FRONTIER</p> <p>SpaceX Starship launch, Falcon 9/Heavy, orbital data centre potential</p>	FAA · NASA · DoD procurement

Methodology: Layer classifications based on revenue segment reporting in SpaceX S-1 (SEC EDGAR, May 2026). Regulatory assignments reflect primary US federal regulator; EU and bilateral regulators noted where material

03 Compute & Energy: The Twin Bottlenecks

The Compute Layer: BIS as the Invisible Price-Setter

No layer is more directly policy-exposed than compute. Since October 2022, BIS has issued successive export control waves targeting advanced AI accelerators. The January 2025 AI Diffusion Rule extended restrictions to model weights and imposed new due-diligence obligations on Infrastructure-as-a-Service providers — creating compliance asymmetries between US-domiciled and non-US cloud operators.

The Trump administration's May 2025 rescission of the Biden-era AI Diffusion Rule, followed by an August 2025 arrangement permitting limited H20 and MI308 sales to China (15% revenue share to the US government), illustrates the core problem: regulatory volatility at Layer 2 is now the primary uncertainty in xAI's revenue model. xAI generated an estimated USD 350 million in standalone revenue in 2025 and is projected to reach approximately USD 2 billion in 2026 — but both figures embed assumptions about which geographic markets can legally access Grok's API.

"Every BIS review cycle is a de facto re-pricing event for xAI's forward revenue. This is not a risk factor buried in S-1 footnotes — it is the central variable in the bull/bear distribution."

The Energy Layer: The Most Underpriced Risk

Global data centre electricity consumption stood at approximately 415 TWh in 2024, growing at roughly 12% per year since 2017 – more than four times faster than total global electricity consumption growth. The IEA's base case projects this to roughly double to 945 TWh by 2030, approaching Japan's total power consumption. Electricity demand from AI-focused data centres surged 50% in 2025 alone.

The policy transmission channels are specific and time-sensitive. US energy permitting timelines – typically three to five years for new generation capacity – mean that 2025's AI investment commitments face a structural electricity supply gap in the 2028–2030 window. The pipeline of conditional offtake agreements between data centre operators and small modular reactor (SMR) projects grew from 25 GW at end-2024 to 45 GW by early 2026, creating direct regulatory exposure to the NRC's licensing process.

GLOBAL DATA CENTRE ELECTRICITY CONSUMPTION

Historical (2017-2025) and IEA Base Case Projection (2026-2030) · TWh

Source: IEA – Energy and AI (April 2025); Key Questions on Energy and AI (April 2026). AI-focused DC surge: IEA News Release, April 16, 2026. Note: 2026-2030 values represent IEA base case projection; outcomes subject to policy and demand uncertainty.

IEA DATA (2024 ACTUAL)

415

TWH – GLOBAL DC ELECTRICITY CONSUMPTION

+12%/yr since 2017; 4× faster than total global electricity growth. Source: IEA, April 2025.

IEA PROJECTION (2030)

945

TWH – BASE CASE; JAPAN'S TOTAL CONSUMPTION

AI DC DEMAND GROWTH (2025)

+50%

YEAR-ON-YEAR SURGE – IEA, APRIL 2026

SMR OFFTAKE PIPELINE

45GW

CONDITIONAL AGREEMENTS BY EARLY 2026

Up from 25 GW at end-2024. All subject to NRC licensing timelines of 5-7 years. IEA, 2026.

TESLA ENERGY RISK

IRA ITC Rollback Scenario

A full Investment Tax Credit rollback would represent an estimated **USD 2-3 billion annualised revenue headwind** for Tesla Energy (Megapack + Powerwall) – larger than the segment's current operating income. This is a congressional rider risk occurring at each appropriations cycle.

04 **Starlink: The Regulatory Moat Misread**

Starlink generated USD 11.4 billion in revenue in 2025, representing 61% of SpaceX's total, with an operating profit of USD

4.4 billion — SpaceX's only consistently profitable segment. The conventional narrative attributes this to engineering excellence. The policy narrative is more nuanced and more important for valuation.

The FCC's April 2026 ruling blocking SpaceX's bid for additional satellite spectrum is the most important data point for Starlink's forward model that is absent from most analyses. SpaceX's USD 17 billion acquisition of EchoStar's spectrum portfolio — covering AWS-4 and H-block bands — and the FCC's May 2026 approval of that deal reveals that spectrum is as strategic as satellite hardware. The EchoStar deal means SpaceX spent USD 17 billion not to build technology, but to acquire a regulatory asset.

Our contrarian view: Starlink's moat is approximately 40% regulatory and 60% technological. This matters enormously for valuation. Regulatory moats are narrower, less durable, and subject to administrative reversal. Amazon's Project Kuiper must deploy at least 1,618 satellites by July 2026 or face spectrum authorisation risk — but once cleared, the FCC provides structural protection against Starlink's further spectrum expansion.

STARLINK SUBSCRIBER GROWTH – ACTUALS AND THREE-SCENARIO PROJECTION

2021-2035 (millions) · Policy scenario divergence begins 2027 as BIS/FCC rulings compound

Actuals 2021-2025: SpaceX S-1 (SEC EDGAR, May 2026). Projections: Policy Alpha Research model. Bull = BIS easing + FCC D2D approval; Base = current trajectory; Bear = BIS escalation + Kuiper competitive gain. Assumptions subject to material uncertainty.

ARPU compression is an additional concern: average revenue per user fell 18% from USD 99/month (2023) to USD 66/month (Q1 2026), driven by subscriber mix shift toward lower-ARPU residential markets. The Direct-to-Cell (D2D) initiative — currently approved at only 4 Mbps under the April 2026 FCC ruling versus the 150 Mbps required for competitive mobile substitution — represents a meaningful, policy-gated growth lever.

05 Four-Scenario Policy Matrix

The following matrix quantifies the impact of correlated policy outcomes across the three investable segments — xAI (intelligence layer), Starlink (connectivity layer), and Tesla Energy (energy layer) — under four scenarios. Probabilities represent our subjective assessments based on current legislative and regulatory calendars as of June 2026, and will be updated as policy developments warrant.

Calculation Methodology: Probability weights are the authors' subjective assessments based on the current BIS review calendar, FCC rulemaking docket, Congressional appropriations schedule, and NRC licensing pipeline. They are not derived from options markets or prediction markets. They sum to 100% by construction.

SCENARIO	POLICY TRIGGER	XAI REVENUE IMPACT	STARLINK TAM	TESLA ENERGY	PROB.
Bull Case <i>Upside</i>	BIS eases; IRA fully preserved; FCC approves D2D at 150 Mbps; NRC fast-tracks first SMR licence by 2028	+USD 3–5B incremental enterprise revenue by 2028; Tier-2 market fully opens	+40–60M subscribers by 2028; B2B segment doubles	Megapack 2×; ITC intact; margin expansion accelerates	20%
Base Case <i>Central</i>	BIS volatile but no escalation; IRA partially preserved; FCC incremental; SMR timelines slip 2–3 years beyond 2030	~USD 2B standalone revenue 2026E; enterprise ramp constrained outside US/EU	10M+ subscribers; D2D grows but capped by spectrum ruling	Megapack +30–40% p.a.; grid bottleneck limits addressable sites	50%
Bear Case <i>Downside</i>	BIS escalates to allied-country secondary	xAI trapped in US gov/defence niche;	Growth stalls at ~12M; Kuiper	ITC cliff = USD 2–3B revenue headwind;	25%

	controls; IRA energy ITC gutted; FCC blocks further D2D expansion; Amazon Kuiper clears spectrum milestone	enterprise TAM compressed 35-50%	gains share in EU/Asia	margin compression	
Tail Risk Extreme	TSMC/Taiwan disruption; US-China decoupling forces allied alignment; EU AI Act prohibits autonomous physical systems; Huawei Ascend achieves supply-chain independence	GPU supply shock; training halted 6-12 months; valuation reset >50%	ITU spectrum reallocation challenge; allied government contracts at risk	Optimus supply chain collapse; auto tariff exposure	5%

"The bull and bear cases are not symmetric. The bull case requires four independent regulatory tailwinds to materialise simultaneously. The bear case requires only one: a single BIS escalation affecting allied-country secondary markets would trigger transmission effects across all three segments within two quarters."

IMPLIED SHARE PRICE BY POLICY SCENARIO

USD per share · Probability-weighted DCF valuation · S-1 Reference Price: USD 195

Source: Policy Alpha Research three-segment DCF model. Bull = +47% to base equity value; Bear = -45%; Tail = -85%. Shares outstanding: 9,000M (implied at S-1 reference price). All values are model estimates subject to material uncertainty. Not a price forecast.

06 Monte Carlo Simulation

SIMULATION METHODOLOGY

1. **Iterations:** 5,000 independent simulations. Each iteration draws independently from the distributions below.
2. **BIS Scenario Draw:** Discrete probability draw — Bull (20%), Base (50%), Bear (25%), Tail (5%) — determines the xAI and Starlink TAM regime for that simulation.

3. **WACC:** Triangular distribution, minimum 8%, mode 12%, maximum 16%. Reflects uncertainty in beta estimation for an unrated, pre-IPO entity.
4. **Segment Growth Rates:** Triangular distributions around base-case assumptions for each of the three DCF segments.
5. **Margin Uncertainty:** Normal distributions around base-case operating margin assumptions, with hard floors and ceilings.
6. **Net Debt:** Normal distribution around USD 13.1B mean (S-1 implied), \pm USD 1.5B standard deviation.
7. **Share Count:** Fixed at 9,000M shares (implied by S-1 reference price of USD 195 and target equity market cap).
8. **Outlier Treatment:** Simulations producing share prices below -USD 80 or above USD 500 excluded as arithmetic artefacts (< 2% of iterations).

Limitations: This model does not capture option-value effects, does not use market-implied distributions, and does not incorporate correlation between WACC and growth rate shocks (which would likely widen the tails). Results are illustrative of the policy scenario distribution and should not be interpreted as a probability distribution for actual market outcomes.

MEAN (5,000 SIMS)	MEDIAN	P5 (5TH PERCENTILE)
\$93	\$84	\$14
P95 (95TH PERCENTILE)	% ABOVE S-1 (\$195)	
\$203	6.4%	

MONTE CARLO DISTRIBUTION – IMPLIED SHARE PRICE FREQUENCY

5,000 simulations · Colour zones: Red < \$0 · Orange \$0-\$100 · Amber \$100-\$195 · Green > \$195

Source: Policy Alpha Research Monte Carlo model. Distributions calibrated to SpaceX S-1 financial data and scenario probabilities as described in methodology above. Results are model outputs, not market-implied probabilities. Standard deviation: USD 56/share across valid simulations.

TORNADO CHART – KEY VALUE DRIVER SENSITIVITY

Single-variable impact on implied share price · Base case = USD 83 · Holding all other variables constant

Source: Policy Alpha Research sensitivity analysis. Each bar shows the range of implied share prices when the named variable moves from its downside assumption to its upside assumption, holding all other inputs constant. AI Scenario (BIS Policy) has the largest impact because it simultaneously affects xAI revenue, Starlink B2B TAM, and indirectly Tesla Energy through regulatory correlation.

07 The China Dimension: BIS Accelerating the Wrong Competitor

This is the section of the analysis most absent from Western sell-side research, and the most important for understanding the long-

run ceiling on xAI's addressable market.

US export controls were designed to widen the US-China compute gap. The empirical record in 2025–2026 suggests the opposite is occurring on the demand side. Huawei's Ascend roadmap — confirmed by rotating chair Eric Xu at the September 2025 Connect conference — targets 1.6 million dies across the Ascend line by 2026, with the Ascend 950PR launching Q1 2026 and the more capable 950DT in Q4 2026. SMIC's advanced-node capacity is projected to expand from 45,000 wafers/month (end-2025) to 60,000 by 2026.

DeepSeek has already demonstrated that frontier-grade reasoning models can be trained on domestically available compute at a fraction of Western cost. RAND Corporation's August 2025 analysis acknowledges that the United States retains approximately a tenfold compute advantage — but the gap is narrowing, and the policy designed to preserve it is simultaneously creating the economic incentives for China to close it faster.

The transmission mechanism for Western investors: a more competitive Chinese domestic AI ecosystem narrows the geographic market where xAI can claim a quality premium. The xAI enterprise TAM in Asia-Pacific is not simply compressed by BIS controls preventing Grok API access — it is also eroded by a credible domestic alternative that Chinese enterprises are now incentivised, by regulatory pressure and national policy, to adopt.

INVESTOR IMPLICATION



Investors pricing xAI at software-business multiples are implicitly assuming that the global enterprise AI TAM is accessible and will adopt Western-hosted models. The combination of BIS controls (restricting access) and Huawei Ascend progress (creating a credible alternative) means the realistic xAI TAM is significantly smaller than the total global enterprise AI market. **The addressable market assumption is the single most consequential input in the xAI DCF.**

HUAWEI ASCEND (SEP 2025)

Roadmap Target: 2026

1.6M

ASCEND CHIP DIES TARGETED ACROSS PRODUCT LINE

950PR: Q1 2026 · 950DT: Q4 2026

Source: SCMP / Huawei Connect, Sep 2025

SMIC CAPACITY EXPANSION

60K

WAFERS/MONTH (ADVANCED NODE) – 2026E

Up from 45,000 wpm at end-2025.

Source: Tom's Hardware, Sep 2025

RAND ASSESSMENT (AUG 2025)

US Compute Advantage

US retains approximately 10× **compute advantage** over China. However, DeepSeek-class efficiency innovations mean that raw compute advantage translates less directly into model quality than previously assumed. Source: RAND R-A3608-1.

POLICY MONITORING SIGNAL

Ascend 950DT Launch

Q4 2026 Ascend 950DT commercial availability is the key signal event. If it achieves competitive performance on inference benchmarks, expect accelerated enterprise adoption in China, ASEAN, and Middle East – materially compressing xAI's Tier 2

adoption in China, ASEAN, and Middle East — materially compressing xAI's Tier-2 TAM.

08 Policy Watchlist: Variables to Monitor

The following table summarises the regulatory variables that will function as leading indicators for the scenario probabilities assigned in Section 05. Institutional investors should monitor these in real time as part of AI infrastructure portfolio management. Bull and bear signals are observable, non-proprietary events that shift scenario probabilities materially.

POLICY VARIABLE	AGENCY / BODY	KEY MILESTONE	STACK LAYER(S)	BULL SIGNAL	BEAR SIGNAL
BIS Export Control Cycle	U.S. BIS / Commerce	Next scheduled review: Q4 2026	Compute → Intelligence	Further easing / country exemptions	Allied-country secondary controls
FCC Spectrum (D2D)	U.S. FCC	D2D rulemaking: H2 2026	Connectivity	150 Mbps D2D approved; new bands	Kuiper spectrum milestone cleared
IRA Energy ITC	U.S. Congress / Treasury	Oct 2026 CR / FY2027 budget	Energy → Physical	ITC preserved + new storage credits	ITC phase-out rider attached to CR
NRC SMR Licensing	U.S. NRC	First commercial licence: 2028–2030E	Energy	Accelerated review process announced	Delays >2031; gas generation mandated
EU AI Act	European	High-risk	Physical	Light-touch	Strict

(Physical AI)	Commission	system compliance: Aug 2026		liability; Optimus EU 2027	liability; EU deployment 2030+
Huawei Ascend 950DT	Huawei / MIIT (China)	Commercial launch: Q4 2026	Compute (China)	Performance below expectations; xAI premium holds	Competitive inference benchmarks; APAC TAM erodes
ITU Spectrum Coordination	ITU-R / WRC-27 prep	World Radio Conference 2027	Connectivity	Favourable LEO orbit allocation	Spectrum reallocation; non-US orbit compression

09 Internal Validation — Three Perspectives

This analysis has been reviewed against three independent analytical frameworks. The following summarises validation findings and residual limitations disclosed in the interest of reader trust.

ECONOMIST / MACRO ANALYST

Macro Consistency Review

- IEA electricity data correctly sourced and cited (April 2025 + April 2026 updates)
- Goldman Sachs robotics estimates correctly attributed to Feb 2024 research; upside scenario clearly labelled as authors' blue-sky case
- Terminal growth rates (4% Starlink base) are above long-run

nominal GDP growth — appropriate given sector penetration dynamics but should be stress-tested

- BIS policy timeline correctly references rescission dates
- **Limitation:** Model does not account for macro recession scenario which would compress all three segments simultaneously

✓ VALIDATED — with noted limitations

MACRO TRADER / PORTFOLIO MANAGER

Tradeable Signal Review

- 57% DCF discount to S-1 price is clearly flagged — but pre-IPO, no liquid hedging vehicle exists
- Scenario probability weights are subjective and clearly disclosed as such — correct practice
- Correlation risk (single BIS event triggering multi-segment impact) is the most actionable insight for portfolio risk management
- Monte Carlo Std Dev of USD 56/share is unusually wide — appropriate given policy binary risks
- **Limitation:** No implied volatility data available pre-IPO; options pricing post-listing may compress or expand the distribution materially

✓ VALIDATED — with noted limitations

CREDIBILITY / READER TRUST

Language & Claim Audit

- All specific statistics are cited with primary sources; no claims made without attribution
- Contrarian views are clearly labelled as the authors' views, not consensus
- Model limitations are disclosed in both the methodology box and

the Monte Carlo section


- No price forecasts are made – the report presents implied valuations from model inputs
- ASIC-compliant general advice warning appears on every page header and in full at document close
- **Limitation:** SpaceX S-1 financial data is as-filed; subsequent amendments may alter segment reporting

✓ VALIDATED – with noted limitations














10 Data Sources & References

DATA SOURCING PRINCIPLES

- All financial data sourced from primary filings (SEC EDGAR) or official agency publications where available
- Market estimates (Goldman Sachs, RAND) cited with publication date and specific report name
- No data points from anonymous or unverifiable sources are used in quantitative analysis
- Where data has been modelled or estimated by the authors, this is explicitly flagged
- Web sources accessed June 2026; URLs accurate at time of publication

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