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SpaceX: Hype or Crisis?

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Abstract

Some are hoping for fat returns from the upcoming IPOs. For others, concerns are the dominant factor. What's behind this?

Zusammenfassung

Manche hoffen auf satte Renditen durch die anstehenden Börsengänge. Für andere dominieren die Sorgen. Was steckt dahinter?

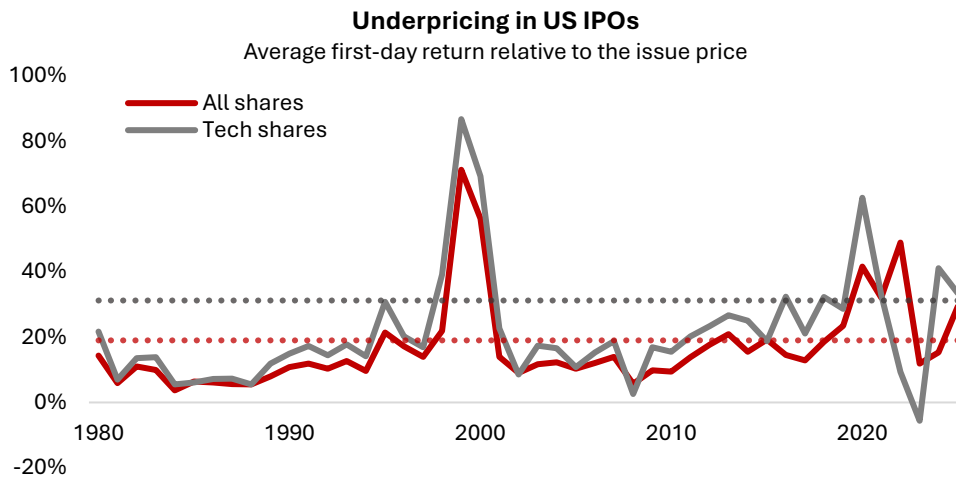


Some are hoping for substantial returns from the IPOs of SpaceX, Anthropic and OpenAI. For others, concerns are the dominant factor. The record volume of IPOs could siphon off a lot of capital from other stocks, sectors and asset classes, thereby causing prices there to fall.

Hoping for high returns

From a historical perspective, the hope of securing a high return on a share's first day of trading is justified. This is the case when the share price on the first day of trading is above the issue price, a phenomenon known as underpricing.

Over the past 45 years, US shares have risen by an average of 19 per cent above the issue price on the day of their IPO. Technology stocks stand out in particular. In the past, they have offered a price increase of 31 per cent on the first trading day, and as much as 87 per cent during the dot-com boom.



Average percentage deviation of the closing price on the first trading day compared to the issue price for all IPOs in a calendar year with an offer price of more than USD 5.00 in the US. ADRs, unit offers, SPACs, closed-end funds, REITs, natural resource limited partnerships, small best-efforts offers, banks and S&Ls, as well as securities not listed on Amex, NYSE or Nasdaq, were not included. Source: Jay Ritter IPO Database, University of Florida. As at 09/06/2026. **Past performance is not a reliable indicator of future results.**

However, these are merely averages. Since the 1980s, in just under a third of all IPOs in the US, the share price has remained below the issue price. It was not uncommon for the price to fall, i.e. for the offering to be overpriced. In the tech IPOs of 2023, investors lost an average of 5 per cent on the first day of trading, as was the case with Bullfrog AI, for example, which was trading 26.8 per cent below the issue price at the end of the first trading day. The 2012 IPO of Facebook (now Meta) is also a prominent example of how IPOs do not necessarily lead to rapid, high price gains. The share was issued at USD 38.00 at the time and closed at USD 38.23 on the first day of trading – a rise of just 23 cents, or 0.61 per cent.



How does underpricing arise?

Uncertainty is the key buzzword when it comes to an IPO. The companies SpaceX, Anthropic and OpenAI are currently unable to report net profits. Although SpaceX has profitable business divisions (particularly Starlink), it is currently also reporting a net loss at group level. The companies are in a phase of high investment, which is accompanied by losses. To attract investors, a comparatively low price must be set to offset the uncertainties with the prospect of a quick price gain (Beatty and Ritter 1986).

If the share price is set too high at an IPO, there is a risk of the 'winner's curse'. Well-informed investors steer clear of the issue, meaning that poorly informed investors end up with a disproportionate share of the expensive shares. Poorly informed investors are therefore relatively successful in securing the shares, but end up paying too high a price (Rock 1986).

As SpaceX's planned issue volume of USD 75 billion is at a record level, the challenge of finding a sufficient number of investors to avoid alienating them through the winner's curse is also very high. However, a crucial change in Nasdaq index regulations comes into play here. Thanks to a new fast-entry rule, SpaceX will most likely be included in the Nasdaq 100 share index in the near future¹ (Schürmann 2026). ETF providers must therefore purchase SpaceX shares promptly in order to adjust their index positions. The investor base for SpaceX shares and potential future IPOs by AI companies will thus be expanded to include passive ETF investors who have opted not for individual shares but for a Nasdaq-based ETF. The prospect that ETF providers will have to buy the shares in the near future may generate expectations of high demand and thus drive prices even higher.

Money left on the table

While underpricing is beneficial for investors, it results in significant costs for the company, as the shares are issued at too low a price. This is referred to as 'money left on the table', i.e. lost revenue (Loughran and Ritter 2002). In 2025 alone, the money left on the table in the US amounted to 13 billion US dollars, whilst the issue volume stood at 39 billion US dollars.²

The company must weigh up the expected benefits of underpricing against the disadvantages of lost revenue. Under normal circumstances, the benefits of underpricing lie in a reputational boost for the share and a marketing effect for the company. Management also benefits from a perceived increase in its wealth if it holds

¹ A newly listed company usually had to have been traded for at least three months before it could be considered for inclusion in the Nasdaq-100. In practice, inclusion often only took place at a later regular index rebalancing. Now, among other things, the minimum free float requirement and the length of time a share must be publicly listed have been lowered. Furthermore, the share will be included in the index with a weighting three times its actual size.

² See the IPO Database by Jay Ritter, University of Washington.



shares in the company itself. However, in the context of AI IPOs, the money left on the table could play a greater role than assumed in standard models.

In finance theory, a company's decision on how to meet its own capital requirements is explained by the so-called pecking order. The pecking order is determined by the cost of the financing method. Whilst the use of retained earnings is the cheapest, this is followed by debt and finally equity, which is the most expensive. IPOs therefore sit at the very bottom of the pecking order and become even more expensive due to underpricing (Myers and Majluf 1984).

AI companies have limited internal funds, as research and investment consume vast amounts of money. Profits are nowhere near sufficient to cover the planned investments. In addition to the bond market, the significantly more expensive loans from private investors (private debt) were utilised, as banks are unable to grant loans due to the high risk involved. Yet even this failed to satisfy the hunger for capital. The planned IPOs and capital raises in the AI sector suggest that companies have reached the very bottom of the pecking order. It is becoming increasingly expensive to raise funds for massive investments. Consequently, the money left on the table in the wake of AI IPOs would hurt companies more than usual.

This raises the question of whether there might even be overpricing in the wake of the IPOs, as for Elon Musk and SpaceX, the need for capital is of greater relevance than share price management and investor sentiment.

Can an IPO trigger a crisis?

The SpaceX IPO is attracting a record volume of USD 75 billion, which must be drawn from other stocks, sectors or asset classes. This corresponds to the volume of the past 250 IPOs in the US between 2022 and 2025³. There is currently a growing chorus of voices fearing that the abrupt withdrawal of a very large volume from a sector or other asset classes could trigger a sharp fall in prices.⁴ At present, however, IPOs are taking place during a favourable market phase.

According to market timing theory, companies time their IPOs to coincide with market phases in which valuations and investor risk appetite are high (Baker and Wurgler 2002). This encourages further companies to take advantage of the market environment for IPOs. Such phases of 'hot IPO markets' were already seen in the US in the early 1980s, when many commodities companies went public, and from the late 1990s onwards during the dot-com boom. In these phases, underpricing was particularly high in certain sectors, as the new shares benefited from hype surrounding the sector or from new technology.

³ See the IPO Database by Jay Ritter, University of Washington.

⁴ See, for example, Jim Read, DB "CoTD: Will the IPO wave derail equities", 9 June 2026, Deutsche Bank Research Institute.



The current market environment in the US tech sector is characterised by high valuations and a high concentration of capital in high-tech companies. The risk appetite of institutional and private investors also appears to be high. According to Bank of America, investor sentiment has reached its highest level in 15 years. Global equity markets are trading at record highs despite geopolitical uncertainties. However, IPOs of large high-tech companies could trigger a fall in the prices of other shares or even other asset classes such as gold and cryptocurrencies, as investors reallocate their portfolios.

Conclusion

The IPOs of AI companies such as SpaceX, Anthropic and OpenAI offer investors attractive potential returns from a historical perspective; however, there is no guarantee that they will be underpriced. The record-breaking offering volume is coinciding with a favourable market environment characterised by high risk appetite and high valuations.

However, the immense capital requirements and the increase in demand driven by changes to Nasdaq regulations, as well as the still-low global interest rates that are fuelling euphoria around high-tech sector shares, are likely to heighten the temptation to set the issue price too high.

It therefore remains to be seen whether SpaceX and the subsequent IPOs will result in under- or over-pricing, and how much money Elon Musk, Sam Altman and their colleagues will ultimately walk away with.

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