

The Baratelli Institute has had no contact with SpaceX, its officers, its underwriters, or any advisor to any party. This case study is based entirely on the publicly filed S-1, public statements, and the Institute's own analysis.

Addendum — The NOL Tax Shield

SpaceX has been loss-making for over two decades. Accumulated Net Operating Loss carryforwards shield future federal taxable income for years — the Uber/Lyft post-IPO pattern. The initial model used a flat 21% federal rate and understated free cash flow. This addendum quantifies the shield.

The headline

SpaceX's federal NOL stockpile is worth approximately **\$4-5 billion in present value cash tax savings** across the explicit 2026-2030 forecast window. The undiscounted ceiling is roughly \$8 billion. The shield is finite — the stockpile depletes within the explicit period — so terminal value should NOT reflect it.

The two disclosed facts that anchor the read

1. Note 15. SpaceX's S-1 confirms a **full federal valuation allowance** against US deferred tax assets, with the exception of certain state DTAs and transferrable investment tax credits. The Company reports a Q1 2026 effective tax rate of **(0.1)%**. Translation: the federal tax line is essentially zero.

2. Accumulated deficit of \$(41,311) million on the disclosed balance sheet (up from \$(37,035) million prior period). This is the GAAP-equivalent of cumulative net losses since inception. **Back-of-envelope: \$41B × 21% federal rate ≈ \$8.7B of potential federal cash tax savings if fully utilized.**

GAAP vs. TAX

The numbers above are GAAP. The actual federal NOL is a tax-basis number computed under the IRC, not ASC 740. Common book-tax drivers (SBC timing, §174 R&D capitalization, accelerated tax depreciation, M&A purchase accounting) generally push the tax NOL higher than the GAAP loss base, not lower. The estimates here assume the gap is bounded; the next iteration of the model replaces estimates with the disclosed gross NOL when the company names it.

How the shield runs — two pools

SpaceX's consolidated tax base now contains two NOL pools, each with different annual-utilization mechanics:

- **SpaceX-NOL.** The \$25-50B stockpile from 2002-2025 operating losses, accumulated at the SpaceX parent level. Not subject to §382 (no ownership change at the parent). Annual utilization is unlimited but capped at **80% of taxable income per year** under the post-2017 TCJA rule.

- **xAI-NOL.** The pre-acquisition xAI loss base (practitioner-estimated \$10-20B). The February 2026 acquisition triggered a Section 382 ownership change, capping annual utilization at approximately **\$2-4B/year** — computed as xAI's pre-change equity value (~\$40-80B) × the long-term tax-exempt rate (~4-5%). The stockpile is usable but throttled.

Combined effect: SpaceX likely doesn't pay material federal income tax until **2029-2032**, depending on the income ramp scenario. The shield is real, front-loaded, and finite — not a 10-year tax holiday but a 4-5 year cash

bridge.

Illustrative walk — \$40B opening stockpile

Apply a practitioner-estimate \$40B opening NOL (\$25B SpaceX-NOL + \$15B xAI-NOL) against the v2 forecast pre-tax income trajectory, with the 80% TCJA cap and the \$2-2.5B xAI §382 annual limit:

Year	Pre-tax income (\$mm)	NOL utilized (\$mm)	Cash tax @ 21% (\$mm)	Flat-21% benchmark (\$mm)	Cash savings (\$mm)
2026E	(2,000)	0 (loss adds)	0	0	0
2027E	7,000	5,600	294	(1,470)	1,176
2028E	18,500	14,800	777	(3,885)	3,108
2029E	28,000	19,600	1,764	(5,880)	4,116
2030E	38,000	0 (depleted)	7,980	(7,980)	0
Cum. 2026-2030		40,000	10,815	(19,215)	8,400

Illustrative. PV at 11% WACC mid-period ≈ \$4-5B. Anthropic ramp drives 2027-2029 income; xAI §382 cap binds in 2027-2028. Full model walk in the NOL-Adjusted Practitioner Model that follows this briefing.

The valuation-allowance release — a separate GAAP event

Under ASC 740, the full federal VA continues until management can demonstrate it is *more likely than not* the DTA will be realized. The bar is structurally hard to clear quickly because cumulative recent losses weigh against forward projections. Practitioner read: management releases the VA in stages, likely across **FY2027**, as several consecutive quarters of profitability accumulate under the Anthropic ramp.

PRACTITIONER FLAG FOR POST-IPO EARNINGS

*Expect one of SpaceX's first three post-IPO quarterly releases to include a **large, one-time, non-cash income tax benefit** as management releases all or part of the historical valuation allowance against the DTA. Headline EPS will spike in that quarter. Sophisticated readers will back this out and look at the cash tax line; less-sophisticated readers will misprice the multiple. **The GAAP release event and the cash tax shield are two different things on two different schedules.***

Bottom line

*The practitioner adds approximately **\$4-5 billion in PV cash tax savings** to the DCF enterprise value via a discrete line in the rollup. The terminal value is **NOT** adjusted because the stockpile depletes within the forecast window. Twenty-five-to-thirty basis points of \$1.75 trillion equity value — small in context, but real, sourced, and undisclosed by the prospectus. The practitioner reads the tax footnote first.*