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Don't ask SpaceX for projections, reach for the stars

Rainer Zitelmann

Morningstar raised concerns over governance

Elon Musk can't provide concrete figures showing how much money SpaceX will make from space tourism or asteroid mining because his horizons are lightyears away, says Rainer Zitelmann

In 1949, 20 years before the first moon landing, the world-famous American science fiction author Robert A. Heinlein wrote the short story The Man Who Sold the Moon". First published in 1950, the story centers on Delos David Harriman, a brilliant entrepreneur determined to achieve the first manned mission to the moon — regardless of the cost. Harriman is adamant that the mission should not be orchestrated or funded by the government. Instead, he plans the expedition as a private, commercially driven endeavor.

Harriman is able to demonstrate his track record: he has already made a lot of money with his "crazy" ideas. But this, he tells the prospective investor Donald "Dan" Dixon, is the biggest deal in history: "This is the greatest real estate venture since the Pope carved up the New World. Don't ask me what we'll make a profit on; I can't itemize the assets — but I can lump them. The assets are a planet — a whole planet, Dan, that's never been touched! … It's like having Manhattan Island offered to you for twenty-four dollars and a case of whiskey!"

Elon Musk faces the same problem as Delos David Harriman: in an IPO prospectus, he cannot provide figures showing how much money SpaceX will make on the Moon or Mars. He cannot provide figures showing how much the company will earn from space tourism or asteroid mining. IPO-Prospectuses are not about opportunities and visions; they are about risks and numbers. But how relevant are current revenue and profit figures when it comes to the future potential of SpaceX? I would argue: they are completely irrelevant.

If SpaceX is currently losing money because it is investing billions into developing the most gigantic spacecraft in history, then that is good news, not bad news. Today, if I were to place a bet on which spacecraft will be the first to take humans to Mars, I would bet on Starship. Because Starship is a spacecraft of superlatives. As space expert Eugen Reichl says: "Very few realize just how revolutionary this spacecraft really is. Starship will dominate space transport for the rest of the twenty-first century. It's huge, yet cheap to build, it blurs the lines between traditional aerospace and shipbuilding, and draws on influences from automotive engineering. It is versatile. It will be built in a wide range of configurations and has the potential to open up the entire solar system to human exploration."

When SpaceX wrote its IPO-prospectus, it faced a dilemma: a more detailed presentation of the company's actual vision would have made the document appear like science fiction in the eyes of mostly non-visionary investors. Visions cannot be quantified.

As for the long-term prospects, the prospectus states: “We believe that our current space efforts will catalyze transformative breakthroughs that could reshape terrestrial industries and lead to the emergence of new trillion-dollar markets on the Moon, Mars, and beyond.” Critics see these projects merely as costly fantasies that will never generate returns. Jay Ritter, a finance professor at the University of Florida, criticized the strategy in Forbes: “Even if Starlink generates tens of billions of dollars per year in profits [for SpaceX], the money may be squandered on sending people to Mars rather than sending the money to shareholders.”

Money on Mars

That is wrong. Of course, money can be made on Mars and through industries such as asteroid mining and space tourism. I devoted three chapters of my current book “New Space Capitalism” to these topics alone. But these are subjects one can discuss in a book — not in an IPO prospectus.

The two students Larry Page and Sergey Brin were obsessed with creating the best and most advanced search engine in the world. They did not have a business model when they founded their company. Neither of them knew how the company would make money, but they believed that if they owned the best search engine, ways to monetize it would emerge. Contrary to the advice business students are usually given, they did not even write a business plan. Today, Google (Alphabet) is one of the most valuable companies in the world.

Visionaries such as Henry Ford, Thomas Edison, and outstanding entrepreneurs like Jack Ma had visions, but they would never have thought of supporting those visions with detailed numerical projections. Remember what Robert Heinlein made his hero say: “You’re asking me to show figures on a brand-new type of enterprise, knowing I can’t. It’s like asking the Wright brothers at Kitty Hawk to estimate how much money Curtiss-Wright Corporation would someday make out of building airplanes.”

Rainer Zitelmann is the author of the book “New Space Capitalism”