

SpaceX IPO: What It Means for You

With recent headlines surrounding the upcoming SpaceX IPO, many investors are understandably curious about what this could mean for their portfolios. Given the scale and visibility of this offering, we want to walk through what is happening, what concerns are being discussed, and how this may or may not impact your investments.

What Is Happening?

- SpaceX goes public through an IPO on June 12th, 2026. Founded in 2002, the company has grown significantly and is now estimated to be valued at approximately \$1.75 trillion. At that size, it would immediately be classified as a large- or mega-cap U.S. stock.
- The IPO is expected to raise roughly \$75 billion in new funding. Capital will come from a mix of institutional investors (such as pensions and fund managers) and retail investors, with a typical allocation closer to a 90/10 institutional-to-retail split.

What Is the Fear?

There are two primary concerns highlighted in current headlines:

- High valuation
- Immediate inclusion in index funds

This has created a narrative that index investors may be forced to buy shares at elevated prices in relatively large amounts and could be exposed to selling pressuring prices downward once insiders begin to exit positions.

While these concerns are reasonable on the surface, they often oversimplify how IPOs enter the market and how index construction works in practice.

Total Market Cap vs. Float-Adjusted Market Cap

Key Definitions

- **Total market capitalization:** The full equity value of a company.
- **Float-adjusted market capitalization:** The portion of shares that are publicly available for trading.
 - See: [Schwab explanation of market cap](#)

Why This Matters

- A significant portion of a company's shares is typically held by insiders and early investors, including:
 - Executives and employees
 - Venture capital and early-stage investors
 - Institutional investors such as pensions and endowments
- Indices like the S&P 500 and Russell 1000 are constructed using **float-adjusted market cap**, not total market cap.
- Established companies such as Apple or Microsoft have similar total and float-adjusted market caps because most shares are publicly traded.
- IPOs are different. New IPOs typically have **only 5–20% of shares publicly available at launch**, meaning their representation in indices is significantly smaller than headline valuation suggests.

Applying This to SpaceX

- Estimated total market cap: ~\$1.75 trillion
- Estimated float at IPO: ~\$75 billion (~4% of total value)
- In the Russell 1000 Index, SpaceX will be permitted into the index at IPO 5 days after the first trading day. The \$75 billion value estimate will make up just 0.11% of the \$68.9 trillion float-adjusted market cap of the Russell 1000 index.
 - Reference: [Morningstar Russell 1000 index data](#)

Index Inclusion

Different index providers treat IPOs differently:

- **CRSP indices** aim to be comprehensive and timely, often allowing quicker inclusion
 - Reference: [CRSP Key Concepts](#)
- **S&P 500** has historically maintained stricter requirements:
 - Profitability standards
 - A 12-month seasoning period as a public company
 - Reference: [S&P U.S. Indices Methodology](#)
- Some index providers are evaluating or implementing rule changes to allow faster IPO inclusion like the Russell 1000 or the Nasdaq Composite.
 - Overview: [Morningstar summary on IPO index treatment](#)

Insider & Institutional Trading

- Existing partners likely have been invested for 10+ years. These investors, like the venture capitalists, may be looking for new investment opportunities that fit their early-stage, higher risk, investing style. SpaceX likely no longer fits that style. Some other investors, like pension funds, may need liquidity to meet distribution requirements. These partners have legitimate reasons to sell and will very likely sell once the lock-up period is over.
- IPOs typically include a **lock-up period**, commonly around 180 days
 - Reference: [SEC lock-up period explanation](#)
- There are indications SpaceX may implement a **tiered lock-up system**, allowing shares to come to market gradually
 - Overview: [Morningstar article on tiered lock-ups](#)
- A tiered structure can help:
 - Smooth the supply of shares entering the market
 - Improve liquidity
 - Reduce abrupt price pressure

Valuation

While the estimated \$1.75 trillion valuation is drawing attention, IPO pricing is a structured process:

- Investment banks (such as Goldman Sachs and Morgan Stanley) work with the company and investors to determine pricing
- Their goal is to strike a balance:
 - Price too high → insufficient demand
 - Price too low → significant value left on the table
- This is not an exact science, but rather a coordinated effort to find a price that supports a successful public launch
 - Overview: [Wall Street Journal overview of IPO pricing process](#)

How This Impacts You

The most important takeaway is that **the impact on diversified portfolios is likely to be small**, and it depends on the types of investments you hold.

Key Considerations

- **S&P 500 Index Exposure**
 - The S&P 500 has not adopted fast-track inclusion for this IPO
 - SpaceX will not be included until it meets:
 - Profitability requirements
 - Seasoning requirements (time as a public company), or
 - A rare committee exception
- **Other U.S. Equity Indices**
 - Some indices are expected to include SpaceX more quickly:
 - Total U.S. stock market indices
 - Russell 1000 Index
 - Nasdaq Composite Index
- **What This Means for Your Portfolio**
 - If your portfolio includes **S&P 500-focused investments**, you will likely **not have exposure to SpaceX initially**
 - If your portfolio includes **broader U.S. market funds**, you may see **limited early exposure**, but at a very small weight due to the low initial float

Our Approach

- Klaas Financial uses:
 - Primarily funds that **track the S&P 500 Index** for U.S. large-cap exposure
 - Select use of **total U.S. stock market funds** for smaller accounts or when appropriate in unique situations

Bottom Line

- You should not view inclusion or exclusion of SpaceX as inherently positive or negative
- The **overall impact is expected to be minimal**, particularly in diversified portfolios
- Much of the concern (or excitement) in headlines is **disproportionate to the actual portfolio impact**

For investors not actively pursuing IPO allocations, this event should not require changes to a long-term investment strategy.

References

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