OUR TWO CENTS

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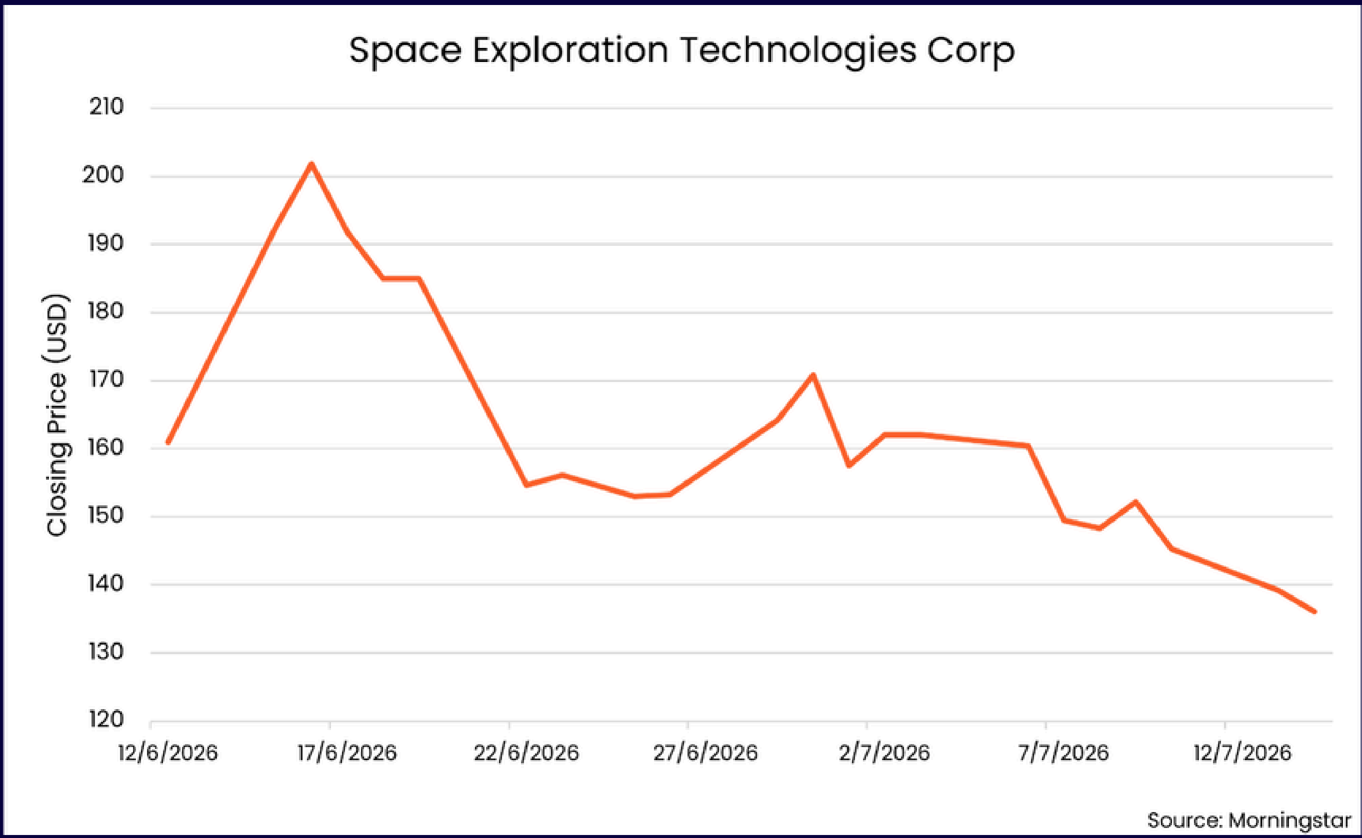
NEW ROAD CAPITAL
INVESTMENT MANAGEMENT

Houston, We Have a Valuation Problem

There are few companies that capture the imagination quite like SpaceX. It has revolutionised space travel, dramatically reduced launch costs, built the world's largest satellite network and made the seemingly impossible feel almost routine. So, when SpaceX finally listed on the stock market, it wasn't just another IPO, it felt like an opportunity to own a piece of history. The excitement was palpable.

SpaceX became the largest IPO in history, and for a brief moment made Elon Musk the world's first trillionaire. Investors rushed in, demand far exceeded supply and the share price surged to over $200 within a couple of days. Then reality caught up. Within a month, the share price fell below $150.



Has SpaceX suddenly become a worse company? Of course not, so what changed? The answer lies in one of investing's oldest lessons: sometimes the story runs faster than the numbers. Why does this happen? Every major investment boom has a compelling narrative: the internet, electric vehicles, artificial intelligence. Now, commercial space. Stories are powerful because they simplify the future. They make investors feel like they're witnessing a once-in-a-generation opportunity. In those moments, it becomes surprisingly easy to stop asking "What is this worth?" and start asking "How can I not own it?"

SpaceX had all the ingredients to fuel that excitement. First, it had a powerful narrative. Reusable rockets, Starlink, Mars and one of the world's most ambitious entrepreneurs. Investors weren't simply buying a company; they were buying into a vision of the future. Second, there was limited supply. Only a small portion of the company was available to public investors. When demand greatly exceeds supply, prices can move sharply, regardless of whether the underlying value has changed.

Finally, there was institutional and media momentum. The world's biggest IPO dominated headlines, analysts debated trillion-dollar valuations and investors feared missing out on what many described as a once-in-a-generation opportunity. That combination can create a powerful feedback loop: rising prices attract more buyers, which pushes prices even higher. None of these forces change the underlying business. They simply influence the price investors are willing to pay.

None of this suggests that SpaceX isn't an exceptional company. It may well become one of the defining businesses of our generation. But that's not the lesson. The lesson is that a great business and a great investment are not always the same thing. The difference is often the price you pay. Moments like these are an opportunity to bring the conversation back to fundamentals. Instead of asking whether a company is exciting, ask whether today's price already reflects years of future success. Markets will always be captivated by great stories. Successful investors know that stories create excitement, but fundamentals create returns.

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Aliya is a Fund Operations Analyst at New Road Capital, where she supports the investment team through transaction processing, data analysis, and operational oversight. She joined New Road Capital after completing her BCom Honours in Investment Management, where she developed strong analytical skills and a keen interest in investment operations and investment analysis. She is currently pursuing an MPhil specialising in Finance and Investments. Outside of work, Aliya enjoys hiking and reconnecting with nature on weekends. In her spare time, she also loves baking and sharing meals with friends and family.