THEMATIC RESEARCH · MERGERS AND ACQUISITIONS

Tesla and SpaceX: Anatomy of a $3.4 Trillion Merger

committees formed

On 20 October Elon Musk confirmed that the boards of Tesla and SpaceX have formed special committees to study a combination of the two companies. No terms exist yet, but at current prices it would be the largest merger in history. This report examines the two businesses, the valuation gap, the governance hurdles and the likely outcomes.

Global Markets Research · Equity Strategy Desk Prepared by ANDRA MARKETS

no terms, no timeline

Coverage summary. Speaking on SpaceX's third-quarter earnings call, Musk said both boards had set up committees of independent directors "at the request of shareholders" to evaluate a merger, while stressing there is "zero guarantee" of a deal. At the 20 October close the two companies were worth about $3.4tn together, which would make a combined group the fifth most valuable listed company in the world. SpaceX shares rose about 10% in early trading on 21 October after revenue grew 161%; Tesla, which reports its own results after today's close, gained about 3%.

~$3.4tn combined

Combined market value	SpaceX Q3 revenue	Tesla Q3 deliveries	Musk stake, combined
$3.4tn	**$14.6bn**	**486,532**	**~1/3**
at 20 Oct close	*+161% y/y*	*−2.1% y/y*	*Fortune estimate*

Exhibit A. The proposal at a glance

Item	Status, 21 October 2026
Announced	20 Oct, on the SpaceX Q3 earnings call
Process	special committees of independent directors at both companies
Musk	self-described "conflicted party"; excluded from negotiations
Terms	none: no exchange ratio, surviving entity or timeline
Advisers	none disclosed
Tesla approval	majority of all outstanding shares, not only votes cast
Rationale given	AI software, robotics, chips (Terafab), orbital data centres

"odd kabuki dance"

high hurdle

Sources: Fortune; TechCrunch; Benzinga; Electrek (20 to 21 October 2026). Combined value from StockTitan market capitalisations; Fortune estimates about $3.5tn.

1.0 Executive Summary

Key takeaways

A process, not a deal. Forming independent committees is the procedural step that Tesla skipped in its 2016 purchase of SolarCity, which led to years of litigation. It does not commit either board to a transaction, and Musk himself called it "an odd kabuki dance". Still, he said plainly that he thinks a merger would be "a good idea".

first step only

SpaceX = AI company

SpaceX has become an AI company. After absorbing xAI in February, its "Super Intelligence" segment generated $7.6bn of the $14.6bn of third-quarter revenue, more than Starlink.

The strategic case rests on putting Tesla's robots, cars and chips together with SpaceX's models and compute.

The hard part is the price. Tesla trades on a premium for autonomy and robots, with operating margins near zero in the second quarter; SpaceX trades at about 34 times annualised revenue. Every exchange ratio transfers value between two sets of shareholders, and Dan Ives argues Tesla would need to trade near $550 for a deal to win approval.

price is the issue

Our view. We assign a 35% probability to agreed terms within twelve months, with protracted talks the most likely single outcome. The near-term catalyst is Tesla's results tonight.

base case: long talks

2.0 The Announcement

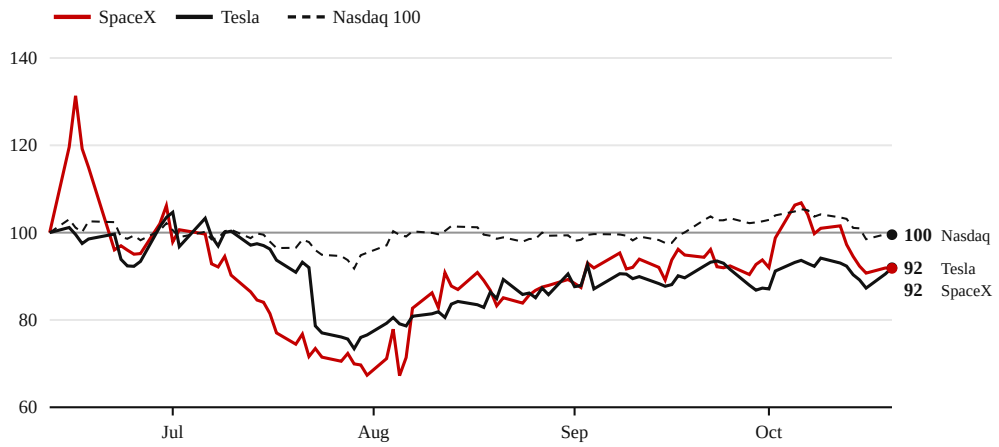
What was said on 20 October

The disclosure came almost in passing on the SpaceX call. Musk described himself as a conflicted party who would not take part in negotiations, said that putting a price on any deal would come "much further down the road, if at all", and warned that calling a merger certain "would be overstating it". Tesla's independent directors include chair Robyn Denholm, James Murdoch and JB Straubel; SpaceX's include Steve Jurvetson, Luke Nosek and Roelof Botha. Ira Ehrenpreis sits on both boards, a detail that will draw scrutiny. Neither company has named financial or legal advisers.

"at the request of shareholders"

Ehrenpreis on both boards

Exhibit 1. Tesla, SpaceX and the Nasdaq 100 since the SpaceX listing (12 June 2026 = 100)



record close $211, 16 Jun

Aug low: −49%

Source: Yahoo Finance daily closes to 20 October 2026; Andra Markets calculations. SpaceX first close $160.95 (IPO price $135).

Since the SpaceX listing both stocks have lagged the market. SpaceX closed at a record $211 two sessions after its debut, fell to $108 in early August and closed at $147.79 on 20 October, 9% above its $135 offer price. Tesla is down 17% this year. The merger news therefore arrives with both shares well below their highs, which matters for how any ratio is set.

both below first close

3.0 SpaceX After the IPO

Launch, Starlink and AI

SpaceX listed on Nasdaq in June after raising $75bn at $135 a share ($85.7bn including the over-allotment), the largest IPO ever, at a valuation of about $1.8tn. In February it had acquired xAI in a deal valuing the two at $1.25tn. Revenue has accelerated each quarter since, from $4.7bn in the first quarter to $7.8bn in the second and $14.6bn in the third, when it also earned $4.4bn of net income. Management guides to $33bn to $37bn of revenue in the first quarter of 2027 and repeated its target of $100bn of annualised revenue by the end of 2026.

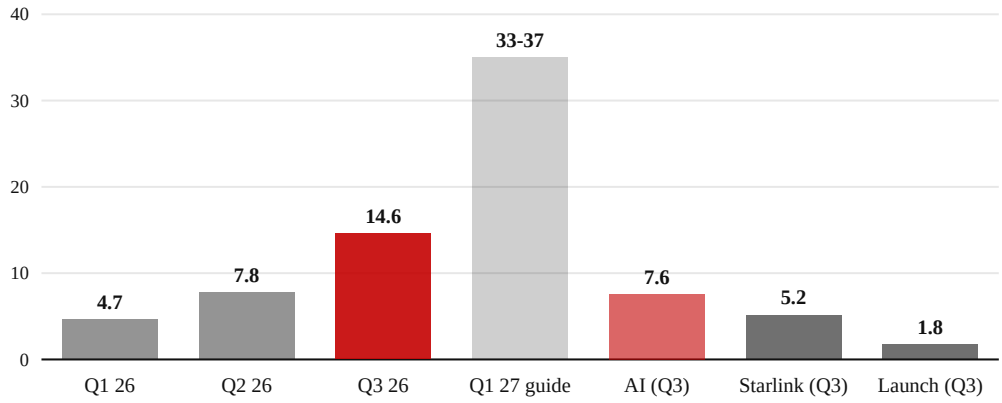
record IPO: $75bn

The growth is expensive. SpaceX spent $19.6bn on capital investment in the third quarter and expects $35bn to $40bn in the fourth, mostly on AI compute. Starlink remains the profitable core: it reached 13.6 million subscribers, up from 8.9 million at the end of 2025, and the connectivity segment earned a 63% EBITDA margin last year. Launch revenue was $1.8bn in

cash burn in capex

the quarter.

Exhibit 2. SpaceX revenue by quarter, 2026, and Q3 2026 by segment ($bn)



AI > Starlink

capex $35-40bn in Q4

Sources: SpaceX quarterly results via Fortune, GuruFocus and Forbes; Q1 2027 shown at the midpoint of guidance.

4.0 Tesla Into the Results

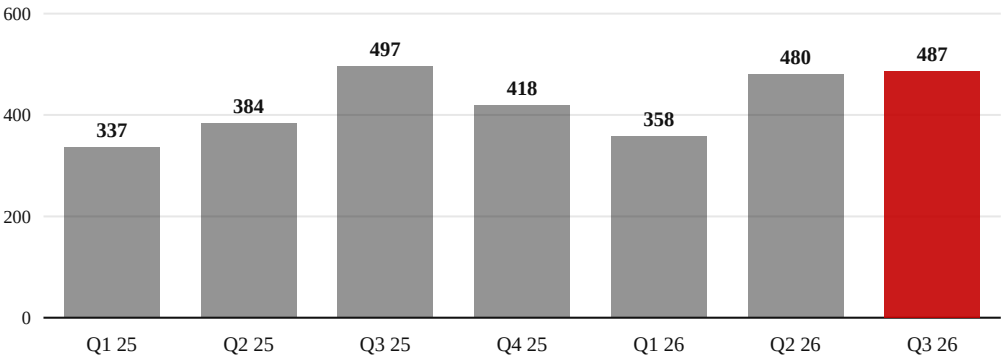
Cars, energy and autonomy

Tesla reports third-quarter results after the close today. Deliveries of 486,532 beat consensus of about 462,000 but were 2.1% lower than a year ago, and energy storage deployments of 13.7 GWh missed expectations. The second quarter showed the strain: revenue rose 26% to $28.2bn, but operating income was only $398m, a 1.4% margin, and free cash flow was negative after $5.8bn of capital spending. Consensus for the third quarter is adjusted EPS of about $0.44 on revenue of about $28bn, according to Zacks and Bloomberg.

results tonight

Q2 margin: 1.4%

Exhibit 3. Tesla vehicle deliveries by quarter (thousands)



Q3 25 boosted by US tax credit expiry

Source: Tesla quarterly production and deliveries reports.

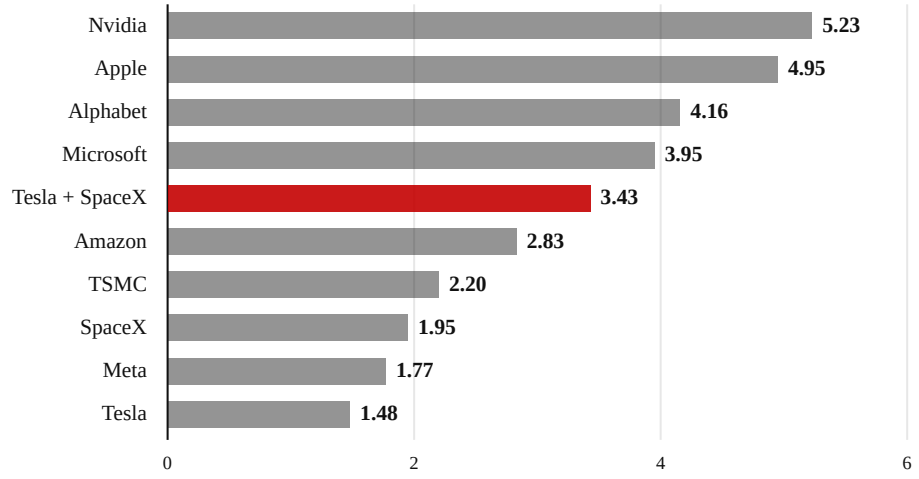
Tesla's valuation rests less on cars than on autonomy and robots. Driverless robotaxi service now runs in six Texas and Florida cities, Cybercab production has started in Austin, and Optimus lines are being installed at Fremont. Capital spending is guided above $25bn this year, mostly for AI. That is the overlap with SpaceX: both are spending heavily on the same compute, and Tesla already invested about $2bn in xAI in January, a stake that became SpaceX shares.

the premium is autonomy

energy: the steady part

Energy storage is the steadier business. In 2025 Tesla deployed 46.7 GWh of batteries and energy revenue rose about 27% to $12.8bn, with a gross margin near 30%, well above the car business. It generated $3.1bn of revenue in the second quarter of 2026. For a combined group, storage would also be a supplier: data centres on the ground, and eventually in orbit, need power on a scale that neither company can yet supply internally.

Exhibit 4. Largest listed companies by market value, 20 October 2026 ($tn)



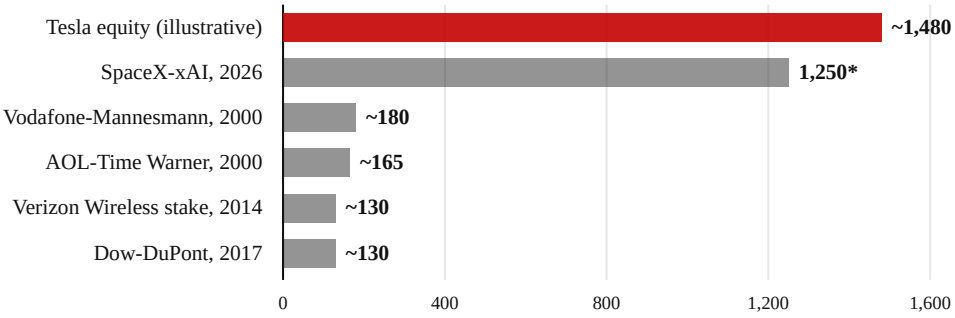
would rank #5

Source: StockTitan market capitalisation ranking (20 October 2026); combined value is the simple sum, before any premium.

no precedent at this size

A combination would dwarf every merger on record. Vodafone's takeover of Mannesmann in 2000, the largest conventional deal, was worth about $180bn; Tesla's equity alone is worth about eight times that. The only larger transaction is SpaceX's own purchase of xAI, a combination of two companies under Musk's control.

Exhibit 5. Largest mergers in history by announced value ($bn, nominal)



8x the record

*Sources: SmartRoom; SCMP; StockTitan. *Combined value of both companies, common control. Tesla bar is its market value, before any premium.*

Exhibit B. The two companies side by side

Metric	Tesla	SpaceX
Market value, 20 Oct	~$1.48tn	~$1.95tn
Share price, 20 Oct	$373.71	$147.79
Year to date / since IPO	−16.9%	+9.5% vs $135 offer
Latest quarterly revenue	$28.2bn (Q2)	$14.6bn (Q3)
Revenue growth	+26% (Q2)	+161% (Q3)
Latest net income	$1.1bn (Q2)*	$4.4bn (Q3)
Capex guidance	>$25bn (2026)	$35-40bn (Q4 alone)
Valuation	~157x forward earnings	~34x annualised Q3 revenue
Musk equity stake	~20%	~42-48%
Musk voting control	~20%	>80%

growth vs margin

control asymmetry

*Sources: company results; StockTitan; GuruFocus; SEC 13G/A (June 2026); Inc.; S-1 coverage. *Includes about $1.0bn unrealised gain on the SpaceX stake. Andra Markets calculations.*

At current prices one Tesla share is worth about 2.5 SpaceX shares. Any ratio below that hands value to SpaceX holders; any premium above it rewards Tesla holders. Because Musk owns roughly twice as much of SpaceX as of Tesla, he would gain from a ratio that favours SpaceX, which is precisely the conflict the committees are meant to manage. On Fortune's numbers he would own about a third of the combined group; analysts quoted by Reuters estimate his voting power could reach 57% to 58% under one illustrative structure.

ratio = value transfer

6.0 Governance

Conflicts and approvals

SolarCity lesson

The SolarCity precedent shapes the process. Tesla bought the solar installer, which Musk chaired and his cousins ran, in 2016 without an independent committee; shareholders sued, and the Delaware Supreme Court upheld the deal only in 2023, noting that such a committee is best practice though not required. Tesla has since moved its incorporation to Texas, where shareholder suits are harder to bring. The approval threshold is the real hurdle: a majority of all outstanding shares, so retail holders who do not vote count against.

Exhibit C. Governance hurdles

Issue	Why it matters
Musk on both sides	controls SpaceX, ~20% of Tesla; gains from a SpaceX-friendly ratio
Shared director	Ira Ehrenpreis sits on both boards
Related-party links	Tesla holds SpaceX shares via its $2bn xAI investment; SpaceX director's fund Valor holds 3.4% of SpaceX
Approval threshold	majority of all outstanding Tesla shares
Pay package	$1tn award; terms on a change of control may be contested
Lock-ups	Musk's SpaceX lock-up to mid-2027; restricted Tesla shares to Jan 2028

Sources: TechCrunch; Electrek; Reuters via BNN Bloomberg; SEC filings; Inc.

committee independence will be tested

7.0 Market Reaction

Investors and analysts

SpaceX rose between 2% and 4% after hours on 20 October, about 8% before the open the next day and about 10% in early trading, helped as much by its earnings beat as by the merger news. Tesla added about 3%. Forbes put Musk's net worth at just over $1tn. Most analysts see a deal as a matter of when, not if, though few expect it soon.

SPCX +10% on 21 Oct

Exhibit D. What analysts and investors say

Who	View
Dan Ives	"a no-brainer"; it "comes down to the price"; Tesla near $550 needed
Gene Munster (Deepwater)	95% chance of a deal within two years
Josh Gilbert (eToro)	"one man runs both sides" will draw tough questions
Elon Musk	"zero guarantee", but "a good idea"
Ken Griffin (Citadel)	AI "almost certainly" in a bubble (context)

Sources: Reuters via MarketScreener and BNN Bloomberg; Fortune; Tickmill.

consensus: eventually

The reaction also says something about the wider AI trade. The same week, Citadel's Ken Griffin said AI is "almost certainly" in a bubble while calling the technology transformative, and credit investors are pricing more risk in technology debt as spending on data centres rises. A combined Tesla and SpaceX would be the largest single bet on that spending, with combined capital spending on track to exceed $100bn this year on current guidance. For investors, the merger question is also a question about how much AI exposure they want in one stock.

AI trade sentiment

8.0 Scenarios

Next twelve months

Exhibit E. Scenarios for the next twelve months

Scenario	Probability	Implication
Agreed terms, all-stock merger	35%	record deal; litigation risk; Tesla re-rated as AI asset
Protracted talks, no terms	45%	headline volatility; shares trade on own results
Talks abandoned	20%	Tesla discount widens; closer contracts between the two instead

Andra Markets scenarios; probabilities are judgemental.

judgemental

In the base case the committees hire advisers, exchange information and take months to agree on value. The decisive variable is relative price: the closer Tesla trades to the levels Ives cites, the easier it is to offer Tesla holders a premium without diluting SpaceX holders.

watch the ratio

9.0 What We Are Watching

Dates and indicators

Exhibit F. Calendar and indicators

Date / indicator	Latest	Why it matters
Tesla Q3 results, 21 Oct	EPS est. $0.44	margins, capex, merger comments
Adviser appointments	none disclosed	signals a serious process
Tesla annual meeting, 3 Dec	no merger item	shareholder questions
SpaceX Q4 capex	$35-40bn guided	funding needs of the combined group
TSLA / SPCX price ratio	~2.5x (20 Oct)	sets the exchange ratio
Musk SpaceX lock-up	to ~Jun 2027	limits share sales

Andra Markets selection; dates from company disclosures.

tonight: first test

verdict: a serious process, not yet a deal. the price, not the logic, will decide

Methodology and Source Notes

Method. This report combines company disclosures (SpaceX and Tesla quarterly results, SEC filings), market data from Yahoo Finance and press reporting. Price performance is calculated from daily closes to 20 October 2026; references to 21 October are to early trading. Market values are from StockTitan. Scenario probabilities are judgemental. Handwritten notes and highlights are informal commentary by the desk. This note is analysis, not investment advice.

Principal sources. SpaceX and Tesla investor materials; SEC (13G/A, S-1 coverage); Yahoo Finance; StockTitan; Fortune; TechCrunch; Forbes; Electrek; Benzinga; Reuters via BNN Bloomberg and MarketScreener; GuruFocus; Inc.; SmartRoom; SCMP; Zacks; Tickmill.

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