



SpaceX IPO: Governance risks investors shouldn't ignore

SpaceX is expected to begin trading on Nasdaq on 12 June 2026, in what could become the largest IPO in history. Demand is reportedly strong, with the book said to be more than three times oversubscribed. The company's engineering achievements are undeniable: reusable orbital-class rockets, the rapid scale-up of Starlink, and Starship's ambition to materially reset the economics of access to space.

But the size of the opportunity should not obscure the governance question. For investors, SpaceX is not only a bet on launch economics, satellite broadband, artificial intelligence infrastructure or Mars. It is also a bet on a founder-controlled structure that offers minority shareholders meaningfully weaker governance protections than a conventional public-company listing.

At U Ethical, our fundamental analysis begins with governance: the quality of management, the robustness of oversight, and whether a company is structured to deliver sustainable long-term outcomes for shareholders and other stakeholders. On that basis, the SpaceX IPO raises several material considerations.

Governance risks

Founder control

SpaceX's IPO prospectus sets out a dual-class share structure, with Class A shares carrying one vote per share and Class B shares carrying 10 votes per share. Elon Musk is expected to retain decisive voting control. As a result, public shareholders are likely to have limited practical ability to influence board composition, strategic direction, capital allocation, executive compensation or related-party transactions.

SpaceX also expects to qualify as a "controlled company" under Nasdaq rules and intends to rely on exemptions from certain corporate governance requirements. These exemptions are legal and not uncommon among founder-led technology companies. But they reduce the standard governance protections investors would typically expect, including requirements around board independence and compensation committee independence.

That matters because SpaceX is not a simple operating company and there is a complex relationship between Tesla, xAI/X, Neuralink and The Boring Company. Musk's past run-ins with the SEC in his Tesla leadership role are not determinative of SpaceX's governance quality, but they are relevant context for investors assessing disclosure discipline, board oversight and founder control.

Key-person concentration

SpaceX's valuation is closely tied to Musk's vision, fundraising capacity, engineering culture and perceived ability to execute projects that conventional investors may consider implausible. His track record is exceptional. But the same concentration that has helped drive SpaceX's success also changes the risk profile for minority shareholders.

Musk simultaneously leads or maintains significant roles across several companies and ventures. That creates potential conflicts around divided attention, allocation of resources, strategic priorities and business opportunities. It also increases exposure to reputational, political and regulatory controversy that may originate outside SpaceX but still affect the company.

Board Composition

Assessing boards based on their skills and experience as well as their independence is a critical input to assessing overall company governance. In examining the SpaceX board, there is evidence that board members experience satisfies key areas – aerospace, finance, and tech executive.

But balancing those characteristics are concerns that the board is not sufficiently independent. There is a concentration of directors that are related to PayPal and to Tesla, either directly or via venture capital fund investments. Further, Ira Ehrenpreis is a current director of Tesla.

While the SpaceX IPO prospectus say that Ehrenpreis, Glein, Harrison, Jurvetson and Nosek are “independent within the meaning of the listing standards of Nasdaq,” there is a pattern of connections that investors should strongly consider.

An independent board is necessary to provide robust oversight of management and protection of minority shareholders, which is why U Ethical considers board composition and independence when evaluating potential companies for portfolio inclusion.

Individual	Position	IndivSpaceX Executive	PayPal Connection	Tesla Connection	Venture Capital / Investor	Strategic Corporate
Elon Musk	CEO, CTO, Chairman	✓	✓(PayPal founder)	✓ CEO	Investor/founder	—
Gwynne Shotwell	President, COO, Director	✓	—	—	—	Aerospace/operator
Bret Johnsen	CFO	✓	—	—	—	Finance
Luke Nosek	Director	—	✓ Co-founder of PayPal	Investor via FoundersFund	✓ Founders Fund	—
Antonio Gracias	Director	—	—	✓ Former Tesla director/ Tesla investor	✓ Valor Equity	—
Steve Jurvetson	Director	—	—	✓ Early Tesla investor Former Tesla board member	✓ Future Ventures / Draper Fisher Jurvetson (DFJ)	—
Randy Glein	Director	—	—	Investor via DFJ/DFJ Growth	✓ DFJ Growth founder	—
Ira Ehrenpreis	Director	—	—	✓ Tesla board member	DBL Partners	—
Donald Harrison	Director	—	—	—	—	✓ Google executive



Related-party complexity

SpaceX operates within a network of Musk-affiliated entities. Reported transactions involving Tesla Cybertrucks, Tesla Megapacks and Tesla data used by xAI/Grok raise standard governance questions: were the terms arm's length, who approved them, and did SpaceX shareholders receive fair value?

Similar concerns arise around the reported Terafab joint venture between Tesla and SpaceX. Where two Musk-influenced balance sheets fund shared strategic assets, investors need clarity on who contributes capital, who owns the upside, how intellectual property is allocated, and whether minority shareholders in each entity are treated fairly.

The acquisition of xAI/X adds another layer. The transaction gives SpaceX exposure to artificial intelligence infrastructure, the X platform and Grok. It may ultimately prove strategically valuable. However, it also exposes SpaceX shareholders to AI-related cash burn, execution risk and regulatory risk. Given the common-control structure, investors should ask whether the transaction was primarily designed to strengthen SpaceX, or whether it also served to support weaker assets elsewhere in the Musk ecosystem.

Shareholder remedy limitation

The S-1 includes forum-selection, arbitration and jury-trial waiver provisions that may make it harder or less attractive for shareholders to challenge governance decisions. Such provisions can reduce litigation risk for the company, but they also limit one of the few enforcement tools available to minority investors in a controlled company.

Market-structure risk

Only a small initial float is expected, reportedly around 3–4%. A constrained float can produce scarcity-driven pricing, particularly when demand is strong and passive or benchmark-sensitive investors feel pressure to gain exposure. But that same structure can reverse when lockups expire and additional supply enters the market. Investors should separate scarcity-driven price action from fundamental value.

Compensation risk

Musk's incentive packages across companies have historically been very large and tied to ambitious milestones. At SpaceX, milestone-based compensation may align leadership with long-duration outcomes. But it may also encourage extreme risk-taking, related-party restructuring, valuation-maximising transactions or mission-driven capital allocation that does not necessarily optimise risk-adjusted returns for public shareholders.

Governance strengths & mitigating factors

A fair assessment must also recognise SpaceX's genuine governance strengths:

- The company operates under significant external scrutiny. SpaceX is a major contractor to NASA, the US Department of Defense and other government agencies. Those relationships impose operational, contractual, audit and performance requirements that provide a layer of accountability beyond ordinary commercial oversight.
- SpaceX has built institutional depth. The reliability of Falcon 9, the scale of Starlink and the complexity of human spaceflight cannot be explained by one individual alone. The company has developed engineering capability, process discipline and operational knowledge that are difficult to replicate.
- The commercial model has broadened. Starlink has become a substantial global business, reducing SpaceX's reliance on any single launch programme or government contract cycle. That diversification strengthens the company's financial base and supports investment in longer-duration opportunities.
- Musk's execution record is central to the bull case. Reusable rockets, commercial human spaceflight and global satellite broadband were each dismissed by many observers before SpaceX delivered them. A more conventional governance structure may not have tolerated the same level of risk, reinvestment or strategic ambition.



That is the governance trade-off at the heart of the SpaceX IPO. Investors are being offered access to one of the most ambitious companies in the world, but on terms that give them limited influence over how that ambition is governed.

For some investors, founder control may be the price of admission to a uniquely valuable long-term platform.

For others, the combination of dual-class control, related-party complexity, limited shareholder remedies, key-person risk and a small float will be too much to ignore.

The engineering story is extraordinary.
The governance story is more complicated.

This information is provided by Uniting Ethical Investors Limited (ABN 46 102 469 821) (AFSL 294147), trading as U Ethical. U Ethical can be contacted on 1800 996 888 or by mail and in person at Level 6, 130 Lonsdale Street, Melbourne VIC 3000.

The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any U Ethical product. It does not take into account your personal objectives, financial situation or needs.

Before acting on the information or deciding whether to acquire or hold units in a U Ethical product, you should consider whether the product is appropriate for you given your own objectives, financial situation and needs. You should also consider the disclosure document(s) for the product (such as the product disclosure statement and target market determination). The disclosure documents are available on our website www.ueethical.com or can be provided by calling us on 1800 996 888.

U Ethical may receive fees in respect of investments in U Ethical products. U Ethical directors and employees do not receive commissions from investments in the products and are remunerated on a salaried basis.

U Ethical accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information.

All investments carry risks. There can be no assurance that the U Ethical product will achieve its targeted rate of return. There is no guarantee against loss resulting from an investment in the U Ethical product. Past performance is not indicative of future performance.

Image credits: Unsplash

U Ethical

Level 6, 130 Lonsdale Street,
Melbourne VIC 3000

Website www.ueethical.com

Email info@ueethical.com

Telephone 1800 996 888

