

Institutional Research Group



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SpaceX x Cursor: \$60 Billion More Reasons to Question the AI Thesis

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The bottom line for investors

SpaceX's agreement to acquire Cursor, an AI code editor, for up to \$60 billion, or pay \$10 billion for a collaborative model-training effort, extends a pattern that should concern prospective IPO investors: xAI continues to absorb enormous capital with no clear path to competitive parity with the leading frontier labs.¹

Since SpaceX acquired xAI in February 2026 at a \$250 billion valuation, the combined entity has deployed or committed staggering sums toward AI capabilities: \$13 billion in xAI capital expenditure on chips and datacenters in 2025, a \$17.5 billion debt paydown at a premium to par (reducing xAI's debt load from an estimated \$30 billion to a range of \$10 billion to \$12 billion), and now \$10 billion to \$60 billion for Cursor.^{2,3}

At the rumored \$2 trillion IPO valuation (125x SpaceX's 2025 revenue of \$16 billion), each incremental dollar committed to xAI widens the gap between what investors are paying and what the core SpaceX business—the world's leading launch and satellite connectivity provider—can justify on its own. Our sum-of-its-parts framework values SpaceX's core operations at around \$1.5 trillion. The remainder is narrative premium, and xAI is the primary vehicle for that narrative.



Deal structure

On April 21, 2026, SpaceX announced that it had agreed to acquire Cursor, an AI code editor with more than 1 million daily active users, for \$60 billion later this year or pay \$10 billion for work they plan to do together. The proposed price is 30x Cursor's current \$2 billion revenue run rate. The 72-word announcement did not address whether the agreement was binding or whether competing bids could emerge.

This announcement comes at a time when Anthropic and OpenAI are shipping features at a record pace as the race for enterprise spending heats up. While SpaceX and Cursor's "work together" was not specified, we believe it means the training of an AI coding model using xAI's compute infrastructure. With this acquisition, SpaceX is betting that product success is limited by compute power, and the \$10 billion payment serves as a hedge.

It is important to understand what SpaceX is paying for with this deal. Cursor started as a fork of VS Code, rebuilt with AI features at its core, and gained popularity because of its user interface and model agnosticism. Six months ago, it launched Composer, its own purpose-built coding model trained on its proprietary user data. Cursor's model, data flywheel, and distribution are what SpaceX is paying for.

As such, our sense is that the acquisition hinges on Cursor successfully training a state-of-the-art AI coding model using Colossus' 1-million-H100 compute infrastructure to rival OpenAI's Codex and Anthropic's Claude Code. If the model shows promise, the acquisition will be triggered; if it does not, SpaceX will walk away, paying Cursor \$10 billion for consulting work and the largest breakup fee in history.

Cursor was reportedly already in the process of raising \$2 billion at a \$50 billion valuation.⁴ At \$60 billion, SpaceX is effectively agreeing to acquire Cursor at the in-progress-round valuation, plus a \$10 billion risk premium for guaranteeing the model training is successful. At 30x Cursor's \$2 billion revenue run rate, the acquisition multiple is rich but not irrational for an AI developer tool with real enterprise momentum; for comparison, Cursor's own fundraise at \$50 billion implied a 25x multiple.



We break down the strategic rationale for both companies as follows:

Acquisition	No acquisition (training fails)
<ul style="list-style-type: none"> Cursor trains a competing state-of-the-art AI coding model using xAI's Colossus supercomputer, triggering the \$60 billion acquisition. 	<ul style="list-style-type: none"> Cursor gets priority access to the computing necessary for training Composer, either at cost or subsidized (not included in the announcement).
<ul style="list-style-type: none"> Cursor employees and investors receive a guaranteed 100% premium on its valuation from five months ago. 	<ul style="list-style-type: none"> Cursor receives \$10 billion in free funding that turbocharges its competitive position against GitHub and the frontier labs.
<ul style="list-style-type: none"> xAI gets access to a growing distribution channel, a product with real enterprise momentum, and a user base with the potential to drive the most value. 	<ul style="list-style-type: none"> SpaceX borrows engineering talent and product know-how to build coding and agentic capabilities into Grok.
<ul style="list-style-type: none"> SpaceX immediately leverages Cursor's product telemetry, proprietary coding data, and engineering talent to bolster its lagging Grok models. 	<ul style="list-style-type: none"> SpaceX avoids paying \$50 billion for capabilities that did not improve its own technology.
<ul style="list-style-type: none"> SpaceX gets to omit Cursor details from its S-1 given the opaque timing of the deal. 	

Source: PitchBook

An admission that xAI is behind

While Cursor is the clear winner here, in our view, this announcement serves as a clear admission that xAI is significantly behind the other frontier labs. The announcement states that both companies are “now working closely together to create the world’s best coding and knowledge work AI.”⁵ We believe this framing is notable because if xAI’s own capabilities were competitive, SpaceX would not need to pay \$10 billion to \$60 billion for an external team to train coding models on its own infrastructure.

xAI’s key differentiators, real-time X data and massive compute infrastructure, have not proven sufficient to produce models that compete at the frontier. The recent founder exodus at xAI and the subsequent restructuring of the company have likely caused significant disruption at a critical point in the AI race. Both Anthropic and OpenAI are shipping features at a record pace as the race for enterprise spending heats up. The gap is not narrowing.

There is a competitive risk embedded in the deal itself that we believe is underappreciated. Cursor’s strongest moat today is model agnosticism: Users can plug in whichever AI model performs best for their workflows. An acquisition by SpaceX/ xAI would presumably end that agnosticism, pushing Cursor toward Grok-native integration. That risks alienating the very user base that makes the product valuable. While it is too early to predict what path xAI will take, this risk is worth keeping in mind.



What it means for the IPO: Significant noise to an otherwise exciting story

Current and prospective SpaceX investors should ask two questions. First, how much additional investment will it take for xAI to become competitive against OpenAI and Anthropic? Second, is that capital better deployed toward Starship commercialization, Starlink expansion, and direct-to-consumer build-out—the businesses with demonstrated momentum and clear unit economics?

While xAI is likely contributing to some of the premium of its rich IPO valuation (125x SpaceX's 2025 revenue), the financial impact is substantial. SpaceX acquired xAI, a hemorrhaging business (we estimate a -44% EBITDA margin) with a considerable debt load, at a \$250 billion valuation. xAI spent \$13 billion on chips and datacenters in 2025 and projects that it will remain unprofitable until at least 2029, according to The Information.⁶ At the time of the acquisition, we estimate the debt load at xAI neared \$30 billion; in early March, the company paid down roughly \$17.5 billion at a premium to par, bringing the total to \$10 billion to \$12 billion. Now, xAI, through SpaceX, is committing to pay at least \$10 billion, and \$60 billion at most, for Cursor.

In our view, the addition of xAI—and now Cursor—ahead of the IPO continues to obfuscate what is otherwise a very promising story of the world's leading launch and satellite connectivity provider, with real growth drivers based on the evolution of the technologies it leads in and financials with real momentum. The “space plus connectivity plus AI infrastructure platform” narrative is exciting on paper, but the Cursor announcement only reinforces the shifting nature of what is expected to be the biggest IPO in history: that of a company whose valuation will be based on how well the story is framed, not on how much capital it will take to fund it.



References

- 1: ["SpaceXAI and @cursor_ai are now working closely together..." X, SpaceX \(@SpaceX\), April 21, 2026.](#)
- 2: ["xAI Spending Pushed SpaceX to a Nearly \\$5 Billion Loss," The Information, Cory Weinberg, April 9, 2026.](#)
- 3: ["SpaceX Debt Jumped to \\$23 Billion Last Year," The Information, Valida Pau and Cory Weinberg, April 21, 2026.](#)
- 4: ["Sources: Cursor in Talks to Raise \\$2B+ at \\$50B Valuation as Enterprise Growth Surges," TechCrunch, Marina Temkin, April 17, 2026.](#)
- 5: ["SpaceXAI and @cursor_ai Are Now Working Closely Together..." X, SpaceX \(@SpaceX\), April 21, 2026.](#)
- 6: ["xAI Spending Pushed SpaceX to a Nearly \\$5 Billion Loss," The Information, Cory Weinberg, April 9, 2026.](#)



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