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INVESTMENT WEEK

Deep Dive: SpaceX slide casts shadow over next wave of mega-IPOs

Ongoing frenzy

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Image: SpaceX's IPO in June was the most anticipated – and largest – in history, achieving a valuation of $1.77trn

The IPO market is gathering momentum again, with AI giants Anthropic and OpenAI next on investors' hit lists.

But as lofty valuations and SpaceX's post-listing performance raise questions over the sustainability of the AI IPO frenzy, fund managers are urging a more cautious approach.

SpaceX's IPO in June was the most anticipated – and largest – in history, raising $75bn and achieving a valuation of $1.77trn.

However, after a first-week spike where shares surged more than 60% from its IPO price of $135, they slid below it for almost a month, only rebounding this week (10 August) and currently sitting at around $142, according to data from MarketWatch.

"The hype around the IPO was extreme, as was the valuation at more than 30x forecast sales, so it is no great surprise the shares have struggled following the initial surge," said Oliver Brown, investment director at RC Brown Investment Management.

"A continuation of the semi-conductor and tech rally would have been needed for further speculative gains in the short term. In reality, the opposite has occurred, as investors have become increasingly concerned about whether the vast sums being spent on AI will result in the profits required to justify the lofty valuations."

The company posted its first quarterly results on 4 August, showing its revenue grew by 92% to $7.8bn compared with the same period last year, but spending ballooned 550% to $18.3bn. The firm registered a net loss of $541m over the quarter, compared to $1bn in Q2 2025.

Brown also pointed to a "substantial overhang" of pre-IPO investors expected to cash in over the coming months as lockups expire, putting continued pressure on shares.

SpaceX's story so far could provide useful lessons for investors in anticipation of the next wave of mega-IPOs expected this year – listings of which are "unusually large in scale", according to Henry Frewer, managing director at TrinityBridge.

Chief among these is Anthropic – penned for October – with investors reported to be eyeing a $2trn valuation which would eclipse SpaceX's record.

Frewer is confident the AI story will strengthen further as models evolve towards more autonomous, agentic systems capable of performing increasingly complex tasks.

"The addressable market is vast, potentially creating an opportunity measured in tens of trillions of dollars," he said.

Anthropic's commercial expansion has been "extraordinary", according to Kenneth Warnock, senior equity analyst at Raymond James.

Investors in the maker of Claude are anticipating revenues to hit between $100bn and $120bn by the end of 2026, a tenfold increase over the year.

Such demanding valuations remain the biggest investor debate, however, and Frewer sounded caution on rapid improvements in lower-cost, open-source models, particularly from China, placing pressure on long-term industry profitability.

"While demand for AI appears highly durable, the distribution of economic value across the ecosystem remains far less certain," he warned.

Recent research from Dimensional suggested investors are better off adopting a wait-and-see approach with high-profile IPOs.

It analysed 600 US IPOs between 2016 and 2025 and found, following their addition to the Russell 3000, the companies delivered an average monthly return of -0.75% until their first IPO anniversary, compared with almost 1% for the index over the same period.

The analysis also found that three-quarters of the 20 largest US IPOs over the past two decades underperformed the market during their first 12 months.

London shows signs of life

Away from US big tech, a tentative pipeline of UK listings could offer a much-needed boost to London's market.

Fast-growing digital challenger banks Monzo and Starling are understood to be considering a listing. These would offer exciting opportunities, with no real peers on the London market, and show the UK can create and grow tech businesses, said Brown.

Revolut, meanwhile, received its UK banking licence in March, and is hoping to "take advantage of the Trump administration's light touch on regulation" by filing for similar permissions in the US, according to Derren Nathan, head of equity research at Hargreaves Lansdown.

"It has certainly got the wind in its 'sales', with revenue up 45% to $6bn in 2025. Pre-tax profits grew even faster, climbing 57% to $2.3bn. That is an impressive margin of 38%, helped by its digital-first focus," he continued.

Revolut is reportedly aiming for a $200bn valuation and is said to favour a London listing, however, founder Nik Storonsky has claimed he has no plans to float until 2028.

Elsewhere, older economy stocks such as booksellers Waterstones, as well as the AA and RAC, are also understood to be considering their options.

"The AA and RAC continue to grow, at more modest rates than tech companies, but are aided by the growing complexities of electric cars and drivers' growing desire for cover for these newer technologies," highlighted Brown.

"Given the considerable level of M&A in the UK, with companies being taken private at a rate I have not seen in my career, it desperately needs new companies to come to the market," he argued.