

When Growth Destroys Value

What the Dean of Valuation Sees in the SpaceX IPO

"Growth, when it's accompanied by huge amounts of reinvestment and substandard gross margins, might not just be neutral to value, but actually be value destructive."

— Aswath Damodaran, *The Intangible Economy*, June 2026

The Arithmetic Threshold

Cost of Capital



Return $>$ Cost = Value Created

Return $<$ Cost = Value Destroyed

Growth \neq Value

Growth is a multiplier. If returns are negative, growing faster just leaks value faster.

Three Distinct Architectures

Starlink

The Engine

~60% Margins /
~50% Growth

Strong Moat

Launch

The Pillar

~45% Margins /
~8% Growth

Reusability Moat

xAI

The Wild Card

Lowest Margins /
Heavy Capex

No Established Moat

The xAI Equation

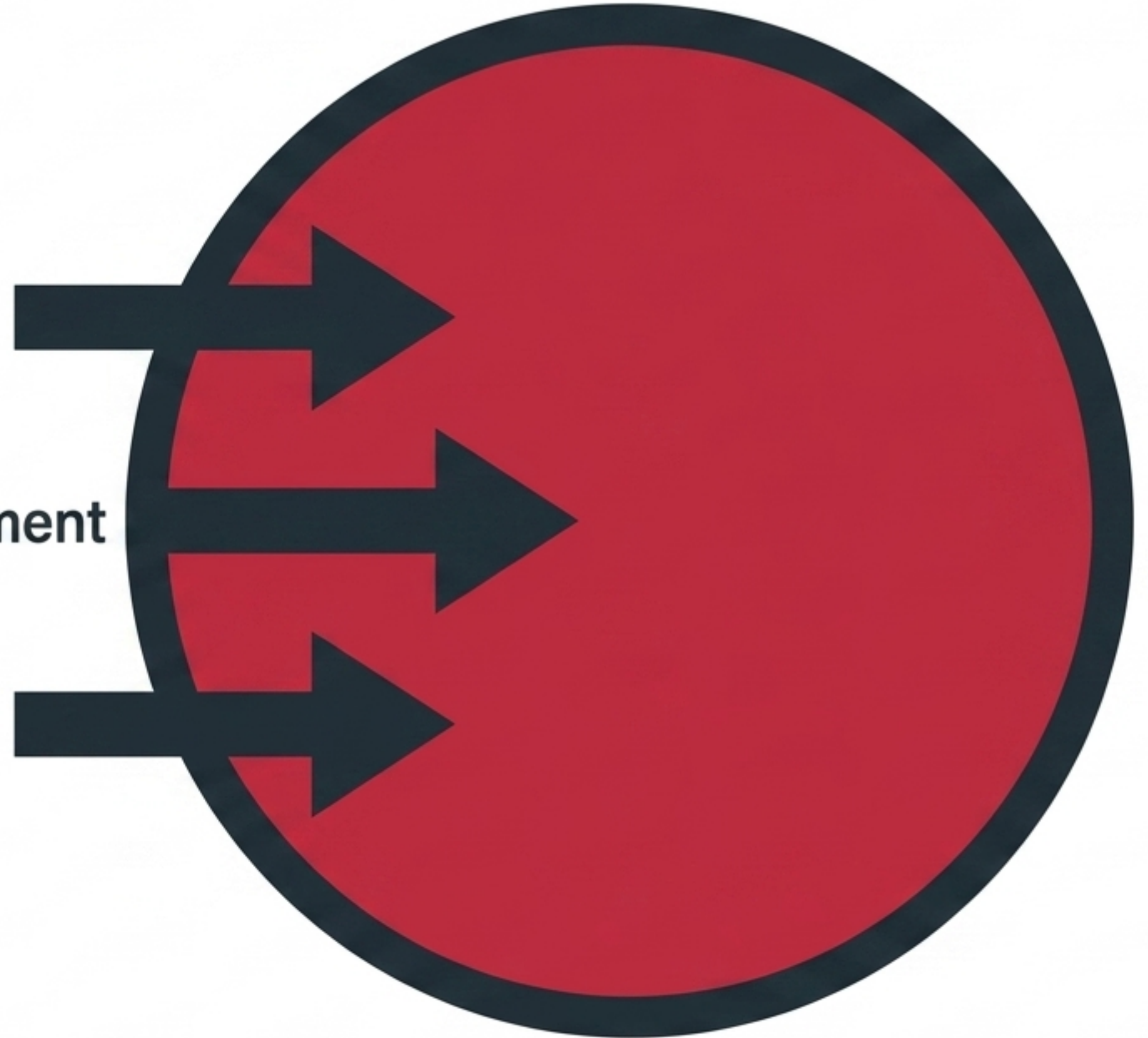
Maximum Reinvestment

Minimum Margin

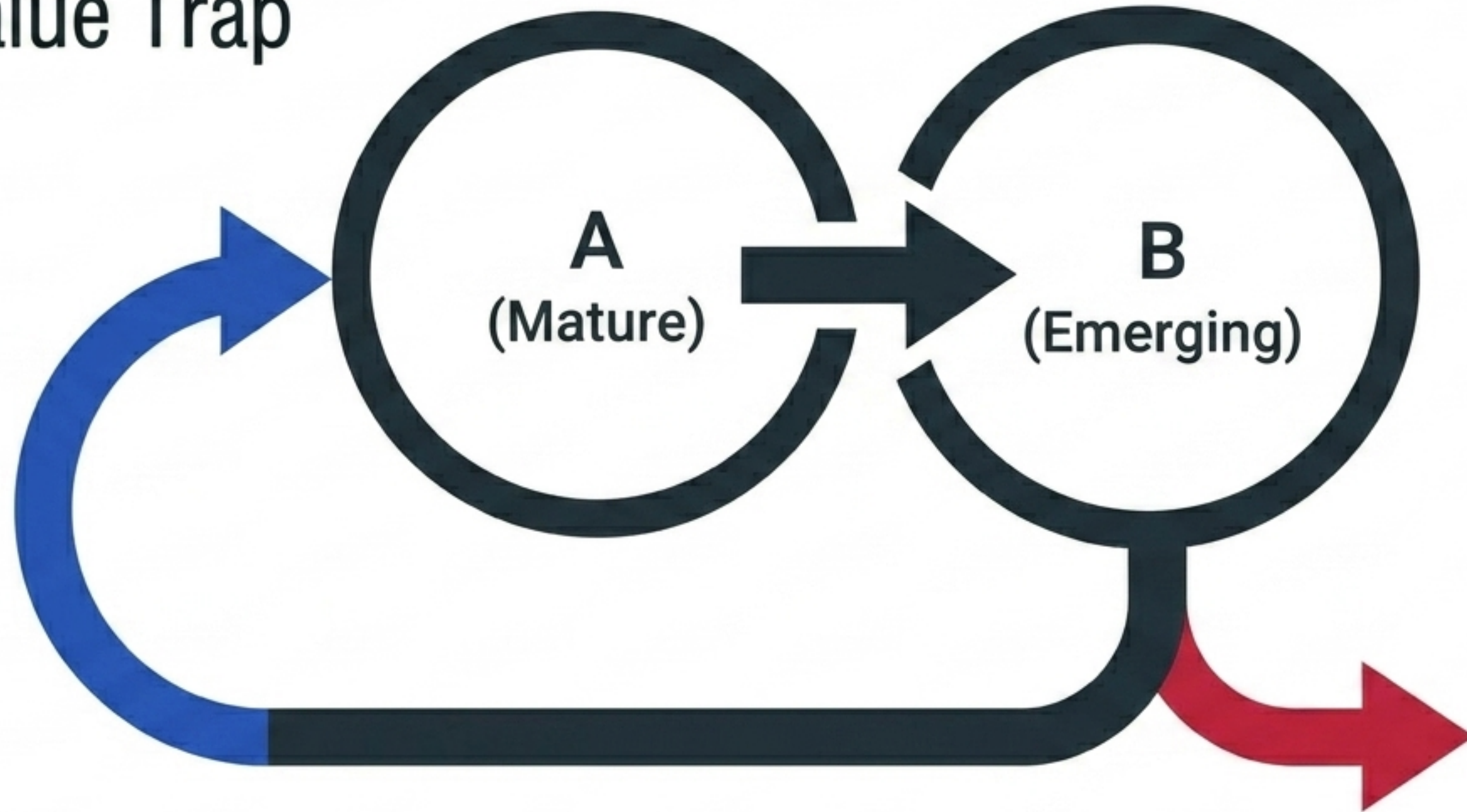
Unproven Wave

Intense Competition

Reinvestment



Investment Phase vs. Value Trap

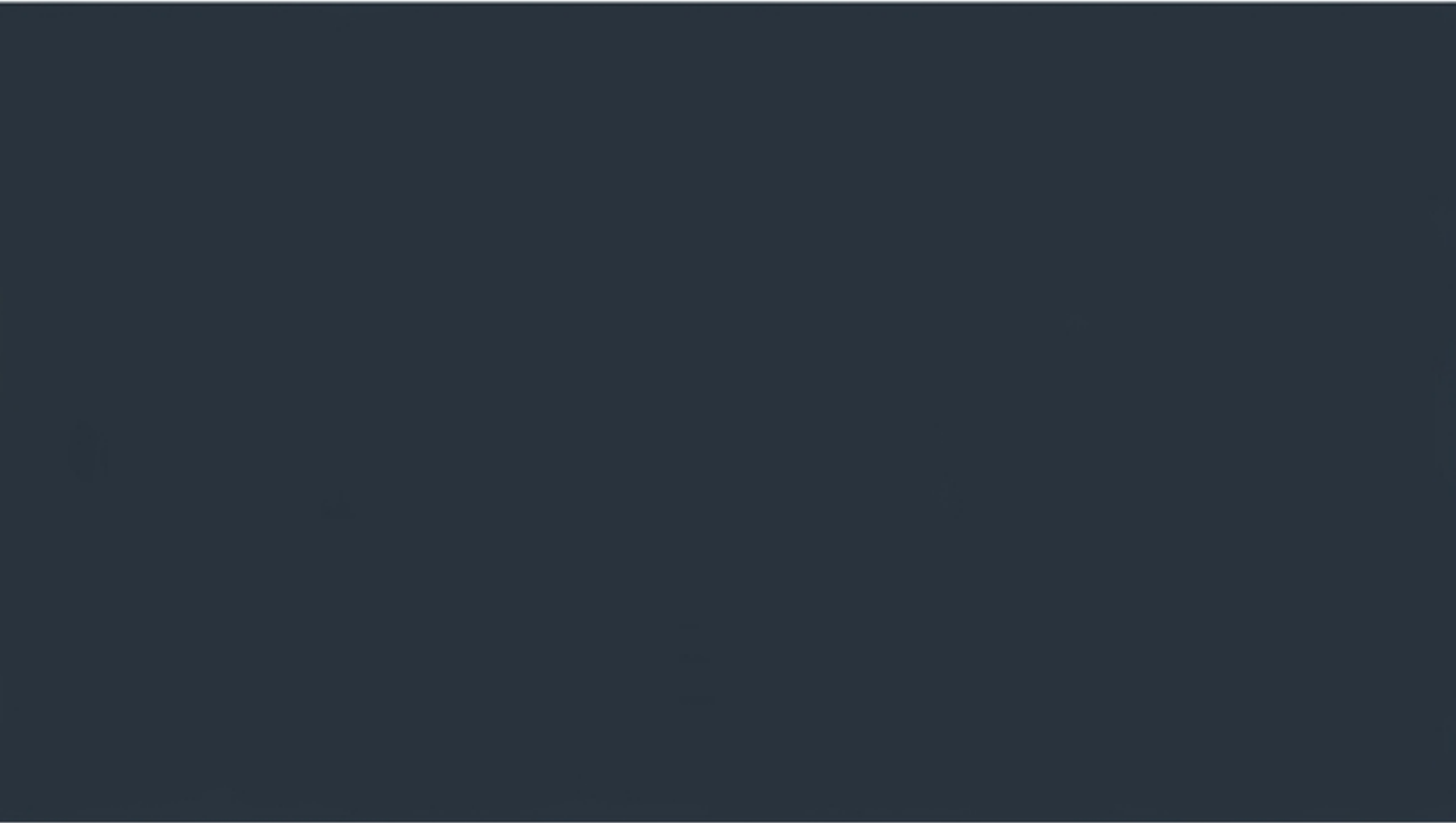


Mature A funds emerging B. Valid only if B eventually matures and overflows.

Permanent absorption is value destruction.

The Anatomy of a Business

The Wave (The external force that grows tomorrow's toll)



The Toll
(What you collect today at
a structural chokepoint)



Does the wave cost anything?

The Freesurfer

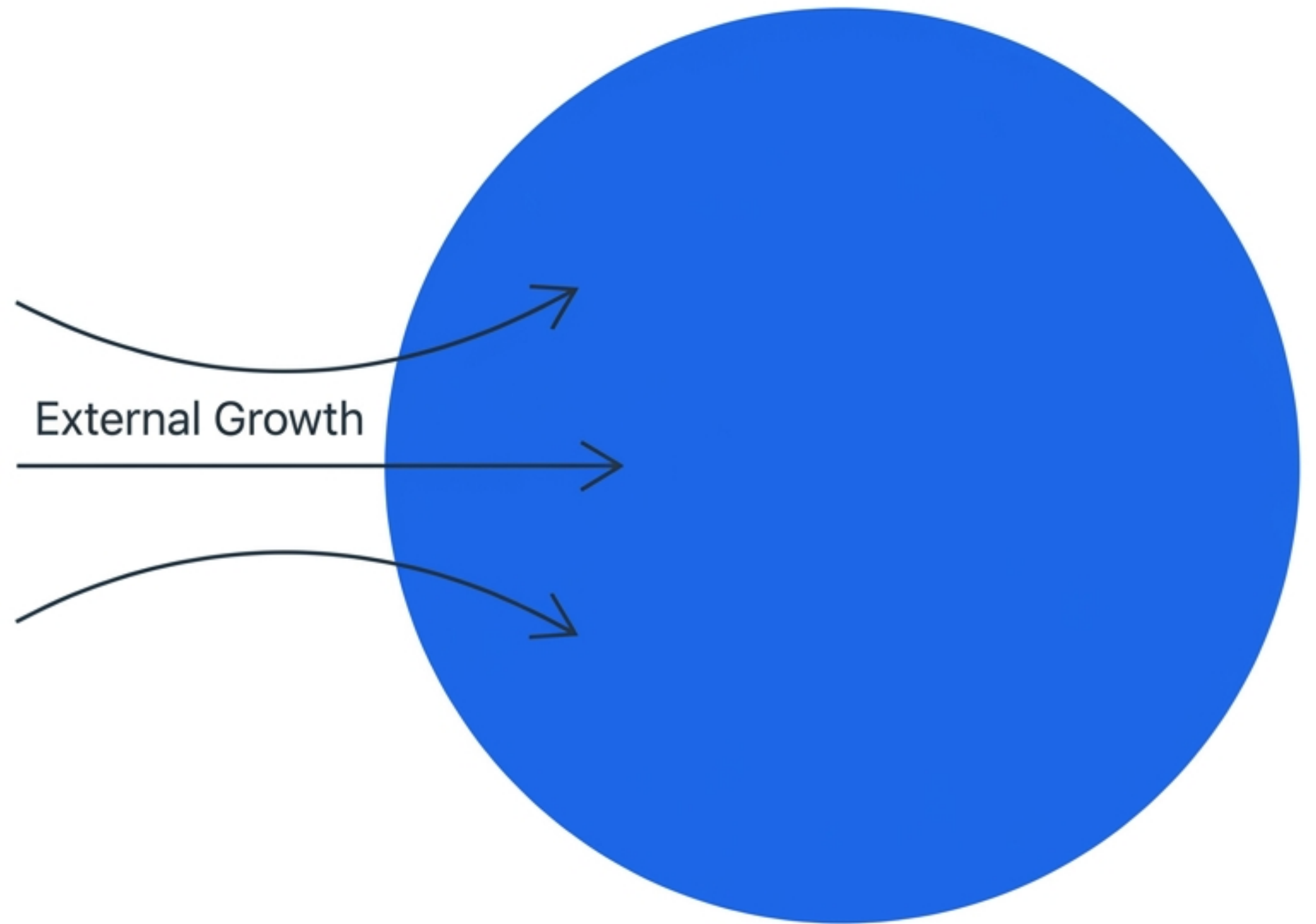
Zero-Cost Wave

Minimal Reinvestment

Pure Value Creation

Limiting cases: Visa, S&P Global.

averagingup.com



The Absolute Spectrum of Value



The Spreadsheet Tests the Hope



Narrative must eventually flow into margins and returns.



In a Freesurfer, growth is an answer. Everywhere else, it is a question.