Prometheus Capital

Rocket Lab ($RKLB)

BUY: Target Price $80.78 (+17%)

Analysts

Victor Gubbiotti – Lead
victor.charpentier.--.gubbiotti@student.uva.nl

Junho Son – Equity Analyst
junho.son@student.uva.nl

Rami El Haddad
rami.el.el-haddad@student.uva.nl

Lara Hermanto – Equity Analyst
lara.hermanto@student.uva.nl

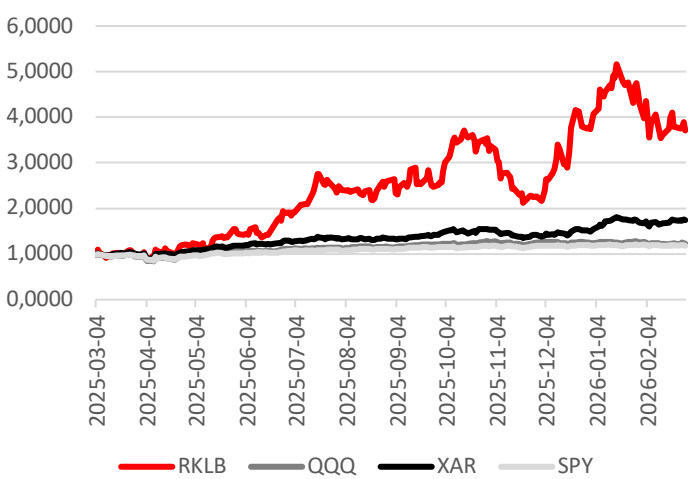
Overseen by
Victor Gubbiotti — Head of US Equities
victor.charpentier.--.gubbiotti@student.uva.nl

Basic Information

Last Closing Price	$69.10
Target Price	$80.78
+/- potential	**+17%**
Ticker	RKLB-US
GICS Sector	TMT
Date	February 18th 2026

1 Year Cumulative returns

1Y Normalized Index returns



Market Data

Market Cap	$36.8Bn
Basic Shares O/S	530.7M
52-Wk High	$99.58
52-Wk Low	$14.71

Source: FactSet

In M of $	FY 25	FY24	FY 23	FY 22
Gross profit	207.2	116.2	51.4	19.0
EBITDA	-181.8	-153.1	-145.3	-102.4
EBIT	-228.8	-189.8	-177.9	-135.2
Net Income	-198.2	-190.2	-182.6	-135.9

Source: FactSet

Key Executives

Sir Peter Beck	Founder, President, CEO & Chairman
Adam Spice	Chief Financial Officer
Kenneth Possenriede	Board Director
Jon A. Olson	Board Director

Thesis Snapshot

Neutron Rocket: Neutron represents Rocket Lab's transition into medium-lift launch services, targeting $50-55M per mission with designed-for-reuse economics to achieve 40-50% gross margins comparable to Falcon 9. Successful Q4 2026 maiden flight unlocks NSSL Phase 3 Lane 1 certification, accessing a $5.6B five-year government contract pool where Rocket Lab targets 15-20% market share at structurally higher margins than commercial missions.

US Defense: The market prices RKLB as a launch provider while the company operates as a vertically-integrated defense infrastructure supplier earning toll-road economics across satellites ($1.3B SDA backlog), components (GEOST sensors to competing primes), and HASTE hypersonic testing (monopoly provider).

Vertical Integration: Rocket Lab's aggressive M&A strategy (SolAero, GEOST, Mynaric) vertically integrates the highest-margin satellite components, enabling the company to capture revenue even on missions where competitors win prime contracts.

Valuation: We are valuing Rocket Lab using a probability-weighted DCF methodology across Bear (15%), Base (50%), and Bull (35%) scenarios, arriving at a target price of $80.78, a +16.9% increase from its last close price of $69.10.

Downside risks: Neutron delays beyond Q4 2026; reusability economics fail (>30% refurbishment costs); SpaceX pricing aggression; SDA budget cuts 15-25%; component sales miss expectations.

Upside risks: Neutron Q4 2026 success + NSSL certification Q2 2027; reusability validated 12-18 months; component sales capture 25-30% TAM; HASTE scales 20+ missions; Amazon Kuiper constellation win.

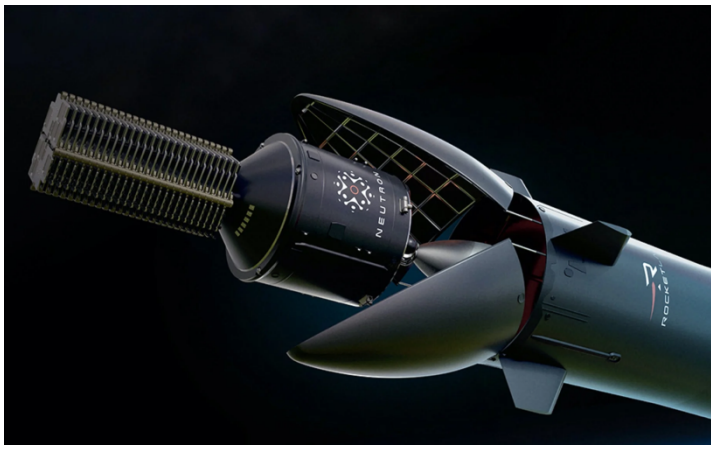
Investment Thesis: Neutron

Neutron represents Rocket Lab's transition from niche small-satellite provider to credible SpaceX alternative in the medium-lift market, targeting the structural bottleneck created by LEO mega-constellation deployment. At a target launch price of $50-55M delivering 15,000 kg to LEO ($4,000/kg), Neutron matches Falcon 9's advertised pricing while undercutting ULA Vulcan by 60% and Ariane 62 by 48%. The competitive reality is more complex than price lists suggest: Falcon 9 commercial missions average only 3,400 kg actual payload despite 22,800 kg capacity, translating to effective $20,000/kg customer costs, while SpaceX's estimated $15M internal production cost provides substantial defensive pricing power. Rocket Lab's value proposition centers on end-to-end vertical integration, manufacturing the launch vehicle, spacecraft bus, and GEOST infrared sensors in-house; eliminating coordination friction and delivering 12-18 month faster mission execution than legacy aerospace's subcontractor model. For government customers operating under compressed SDA timelines where schedule certainty commands premium pricing, this integration justifies costs at or above pure-play launch providers. The $816M SDA Tranche 3 award demonstrates this bundled economics: $45.3M per unit includes both satellite and launch, capturing margin across the entire value chain rather than competing solely on launch pricing.

The business case depends on proving reusability economics that remain entirely theoretical. Neutron's designed-for-reuse first stage targets 10-20x reflight capability to achieve 40-50% gross margins comparable to Falcon 9, but the Hungry Hippo fairing recovery and rapid turnaround systems represent novel engineering that may encounter unforeseen operational constraints. If first-stage reuse proves economically impractical; due to refurbishment costs exceeding 30% of new production or reliability issues forcing expendable missions; gross margins compress to 25-30%, materially reducing EBITDA contribution and extending the path to profitability by 24-36 months. SpaceX required five years following Falcon 9's 2010 debut before achieving routine booster reuse in 2015-2016, suggesting Neutron's margin profile may not stabilize until 2028-2030 even with successful Q4 2026 maiden flight. The competitive moat therefore requires execution across three sequential milestones: successful first flight validating vehicle performance, NSSL Phase 3 Lane 1 certification enabling access to the $5.6B government contract pool, and demonstrated economically viable reusability within 12-18 months of operational service.

The execution timeline has extended from initial 2024 target to Q4 2026 following Stage 1 carbon composite tank rupture during ground testing, creating market skepticism amplified by ongoing securities litigation alleging misrepresentations concerning development progress. At $38.6B market capitalization trading at 36-40x forward FY2026 revenue, the stock prices in aggressive Neutron success assumptions with 260-300% premium to defense aerospace comparables (Lockheed Martin 1.8x, Northrop Grumman 2.0x revenue multiples). This creates asymmetric downside risk if delays extend beyond Q4 2026 or initial flight performance falls short of certification requirements. However, the underlying business validates demand: FY2025 revenue reached $602M (+38% YoY), backlog hit $1.85B (+73%), and over $1.3B in SDA contract value provides government validation of technical capability and cost competitiveness versus legacy primes. The medium-to-heavy lift market represents $10.4B today growing to $15.7B by 2030, but this understates Neutron's potential because Rocket Lab captures spacecraft bus and payload margins alongside launch revenue, multiplying effective TAM by 2-3x versus pure-play launch providers.

NEUTRON



Source: *rocketlabcorp.com*

Investment Thesis: US Defense

The market prices Rocket Lab at 70x trailing revenue based on a competitive positioning framework that fundamentally mischaracterizes the business model. Consensus treats the company as a niche launch services provider competing for residual small satellite missions against SpaceX, with valuation predicated on Neutron execution risk and commercial space market growth. However, we believe that this framing overlooks the company's structural position as a vertically integrated defense infrastructure supplier with monopolistic characteristics across three distinct DoW programs: the Golden Dome missile defense architecture, HASTE hypersonic testing services, and NSSL Phase 3 medium-lift launch certification. The company's defense segment generates revenue through prime satellite contracts, merchant component sales to competing defense contractors, dedicated test vehicle services, and launch operations. Consensus models $800M to $1.2B defense revenue by 2030 at 25-30% EBITDA margins.

The actual trajectory suggests $2.5B to $3B at 38-42% margins driven by backend-loaded Golden Dome satellite deliveries scheduled for 2027-2029, component sales to other SDA prime contractors generating incremental margin, and HASTE's scaling hypersonic test cadence. The revenue inflection begins in the next six to twelve months as the company's $1.3B SDA backlog converts to recognized revenue, but equity research models continue to reflect linear growth assumptions with inflection points in 2028-2029 rather than 2026-2027.

The analytical gap exists because Wall Street applies a launch services operating model to a company that earns toll-road economics across multiple layers of the defense value chain. At 45% R&D-to-revenue and negative $320M free cash flow, the income statement superficially resembles a pre-profitability growth company. The underlying business model differs structurally from pure-play launch providers. Rocket Lab captures value across satellites (prime contract awards), sensors (GEOST merchant sales), testing services (HASTE), and launch operations (Neutron/Electron), including revenue from missions where competitors win the prime contract. The GEOST acquisition in mid-2025 represented the strategic inflection point. By vertically integrating infrared sensor production, the company now manufactures the highest-margin satellite component, estimated at 30-40% of total satellite bill of materials at 60-70% gross margins, which Lockheed Martin, Northrop Grumman, and L3Harris must procure externally. This vertical integration advantage remains invisible in reported financials because component revenue consolidates within the Product Revenues line ($371.8M in FY2025), and HASTE's $60-80M annual run rate embeds within Service Revenues alongside Electron launches. We believe that analysts modeling a unified Space Systems segment at 27-34% blended gross margins miss the margin stratification. Defense satellites operate at 35-38% gross margins, component sales at 65%, and HASTE at 65-70%. As revenue mix shifts from lower-margin commercial Photon spacecraft (2024-2025 revenue base) toward higher-margin defense contracts (2026-2028 delivery schedule), consolidated EBITDA margins should inflect from negative 38% currently to positive 15-20% by 2027 and 35-40% by 2030.

The immediate catalyst stems from Golden Dome appropriation timing and SDA Tranche 3 contract award sequencing. On July 4, 2025, Congress appropriated $24.4B for Golden Dome through 2029, converting authorization into binding obligation and eliminating primary political risk. Rocket Lab's $816M Tranche 3 contract awarded in December 2025 confirms Pentagon prime contractor status, but financial impact follows satellite delivery schedules in 2027-2029 rather than contract award dates. FY2025 defense revenue of $220-260M represents 18% backlog conversion, consistent with early-stage production. This conversion rate accelerates to $500-700M in FY2026-2027 as production scales. Balance sheet metrics confirm production acceleration. Inventories increased 33% year-over-year to $158.4M and work-in-progress rose 14% to $68.7M, indicating satellites currently in production for 2027-2028 delivery windows. Consensus 2026 revenue estimates of $850-920M imply $400-450M defense revenue, underestimating the production ramp by 25-40%. The second derivative of revenue growth accelerates in 2026-2027 (Golden Dome delivery cycle) rather than 2028-2029 (post-Neutron commercial ramp), creating a twelve-month forward disconnect where quarterly results in mid-2026 through early 2027 should materially exceed consensus expectations.

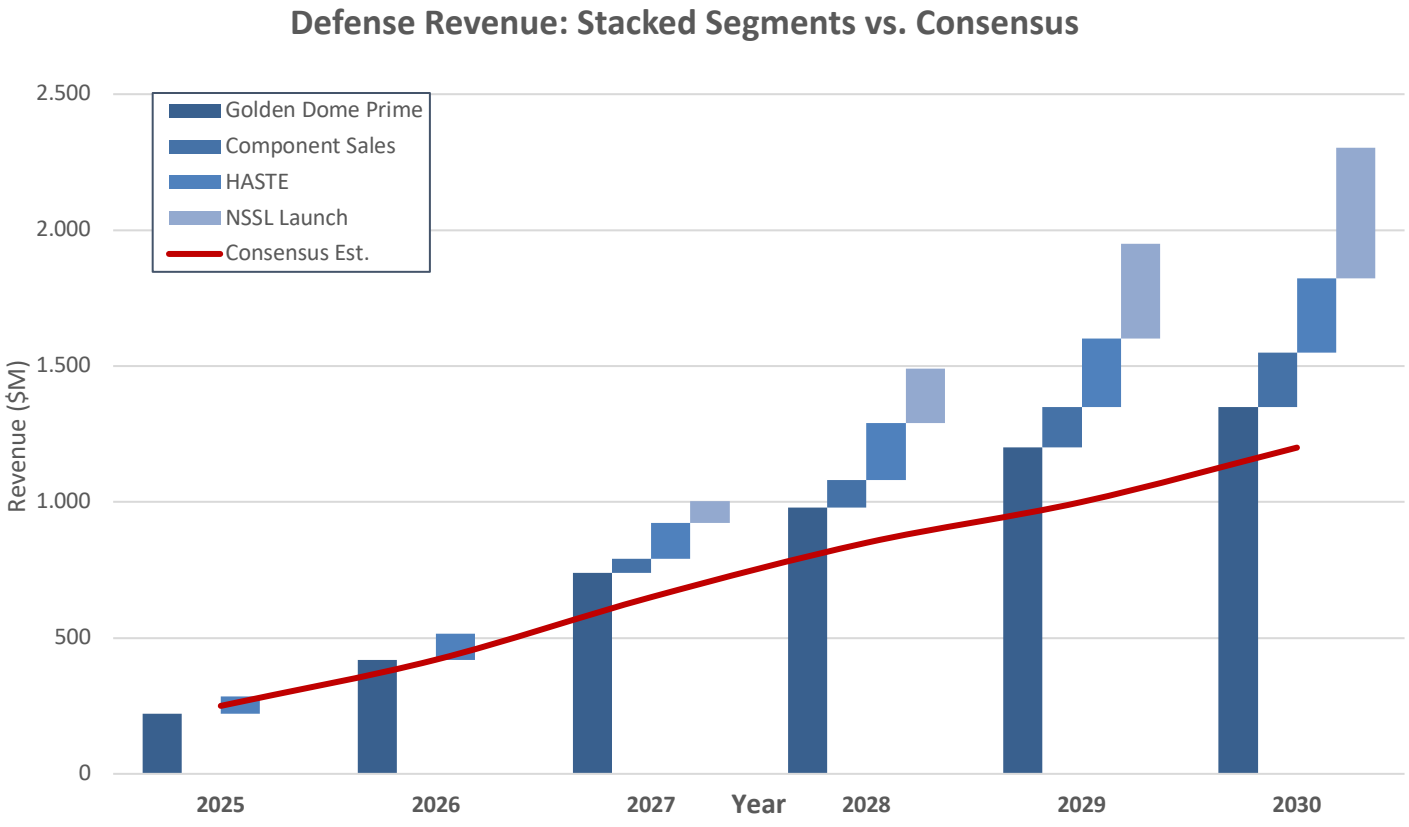
Capability	RocketLab	Lockheed	Northrop	L3Harris
Launch Services	In-house (Neutron/Electron)	Outsource (ULA/SpaceX)	Outsource (SpaceX)	Outsource (SpaceX)
Satellite Bus	In-house	In-house	In-house	In-house
IR Sensors	GEOST (in-house)	**Buy from RKLB**	Buy L3/RKLB	In-house
Integration	Prime	Prime	Prime	Prime
Hypersonic Testing	HASTE (monopoly)	None	None	None

Regarding an estimated timeline of growth drivers in this segment, the company publicly disclosed that its StarLite infrared sensors have been adopted by other Tranche 3 prime contractors, unlocking $184M to $1B in addressable market beyond its own $816M satellite award. At a 20-25% market share (conservative given only two qualified infrared sensor manufacturers exist: Rocket Lab and L3Harris), component sales could generate $100-200M annual revenue by 2029 at 65% gross margins, flowing directly to EBITDA with minimal incremental overhead. Second, HASTE operates as a de facto monopoly in the suborbital hypersonic test market. The DoD's $6.9B annual hypersonic R&D budget requires 50-100 test flights annually, but Rocket Lab remains the only provider offering suborbital test vehicles with sub-six-month turnaround and dual-revenue economics (paid to build test payload, paid separately to fly mission). At eight missions delivered in 2025 generating approximately $60-80M revenue, scaling to 20 missions by 2028 would create a $200-250M business at 65-70% gross margins with no direct competition. Third, Neutron's NSSL Phase 3 Lane 1 certification, conditional on successful flight in Q4 2026, positions the company as the DoD's diversification strategy against Falcon 9 and Falcon Heavy concentration risk. A 15-20% share of the $5.6B five-year contract pool ($1.1B total) at 40-45% gross margins (versus 25-30% for commercial launch) reflects government mission assurance requirements that favor vertical integration.

negative $320M free cash flow run rate, the company maintains approximately 24 months of self-funded runway. If Neutron fails to achieve successful flight by Q4 2026 or delays NSSL certification into 2028, equity financing of $500M or greater becomes probable at 15-20% dilution. However, the defense revenue base de-risks this binary outcome. Independent of Neutron success, Golden Dome satellite deliveries, HASTE scaling, and component sales generate $1.5-1.8B revenue at 35-38% EBITDA margins by 2030, supporting operations without dependence on commercial launch market share gains.

Golden Dome Satellite Architecture – Render

Source: *$175 Billion Golden Dome Architecture Officially Selected* – *overtdefense.com*



Rocket Lab is currently undergoing a massive structural transformation that the market has yet to fully price in, moving away from being a niche launch provider and toward becoming a vertically integrated Space Prime. While most investors are still hung up on launch competition and the development of the Neutron rocket, the real story is the company's aggressive move to own the entire space value chain. By snapping up specialized firms like SolAero, Sinclair, and GEOST, they've successfully brought the production of critical components, everything from solar arrays and reaction wheels to advanced optical sensors, completely in-house. This isn't just about controlling their own destiny, but it's a high margin play that allows them to capture revenue even on missions where they aren't the primary launch provider. You can already see the results in the numbers: the Space Systems segment now makes up over 70% of their total revenue and hit a record 37% GAAP gross margin in the third quarter of 2025.

The current valuation of approximately $38.6 bn reflects a significant analytical gap on Wall Street. Analysts often treat RKLB as a capital-intensive transport utility, but the underlying business is operating more like a high-margin industrial compounder with a toll-road advantage across the defense sector. Because Rocket Lab can manufacture the highest-margin satellite components internally, parts that traditional primes like Lockheed Martin or Northrop Grumman often must procure externally, it captures massive value at margins that are fundamentally invisible if you only look at consolidated financial lines. In the fourth quarter of 2025, the company achieved a record GAAP gross margin of 38%, which was a msssive 780 bps improvement over the prior year. Space systems now serves as the primary engine for this growth, generating $103.8 mn in Q4 alone compared to $75.9 mn from launch services.

The company is approaching a major revenue inflection point that linear growth models are not fully capturing. As of the end of 2025, Rocket Lab's backlog surged 63% YoY to a record $1.85 bm, with roughly 37% of that total expected to convert into revenue within the next twelve months. This backlog is anchored by a landmark $816 million prime contract with the SDA to build 18 satellites, cementing Rocket Lab's status as a top-tier partner for the Department of Defense. Total contracts with the SDA have now reached $1.3 bn, and additional opportunities like the SHEILD program could open a total addressable market of up to $151 bn for future defense contracts. Balance sheet data confirms that production is already accelerating for major 2027 and 2027 delivery windows, with inventories increasing 33% YoY to $158.4 mn and WIP rising to $68.7 mn.

Ultimately, RKLB is building toward a future where it doesn't just build hardware but operates its own high-margin services constellation. Their "Flattelite" design is the secret weapon here, a satellite bus built specifically for the rapid mass production of mega-constellations using exclusively in-house components to maximize profit margins. By moving into the $300 bn Space Services market, they are targeting a sector ten times larger than their current space systems business. Between the improved launch gross margins, which are trending toward 30%, and the scaling of high-margin defense work, the company is on a clear path to becoming FCF positive by 2028. For the first quarter of 2026, the company has guided revenue between $185 million and $200 million, which would represent 57% YoY increase at the midpoint. This disconnect between conservative equity research and the reality of their production ramp suggests that starting in mid-2026, RKLB's quarterly results will likely begin to consistently exceed consensus estimates.

Flatellite : New Satellite for Mega Constellations

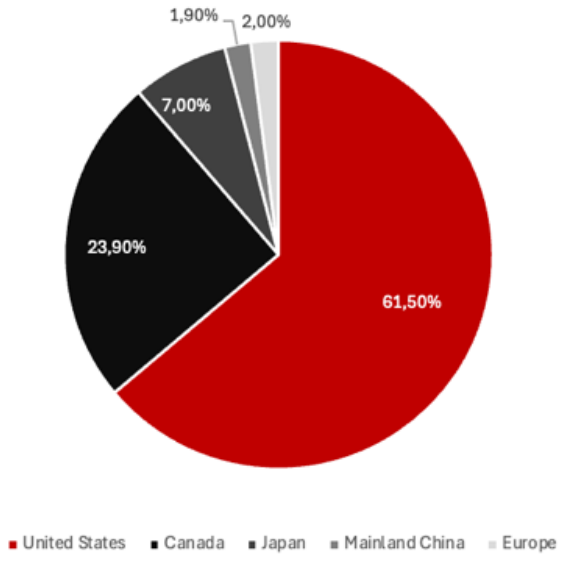
Source: rocketlabcorp.com
Source: *Elon Musk's fleet of low-orbiting Starlink satellites dot space, leave astronomers upset* scmp.com

Company Overview

Rocket Lab USA, Inc. ($RKLB), founded in 2006 and headquartered in Long Beach, California, is an end-to-end, fully vertically integrated space company that designs and manufactures small and medium-class rockets, spacecraft, and spacecraft components. The company delivers launch services via its Electron orbital launch vehicle and its in-development Neutron vehicle to deploy payloads ranging from Low Earth Orbit (LEO) to interplanetary destinations. Rocket Lab provides a comprehensive suite of space systems solutions, including the design and manufacture of its own family of spacecraft, and merchant spacecraft components such as high-efficiency solar cells, reaction wheels, star trackers, and separation systems.

The company also offers flight and ground data system software, including the MAX Flight Software and ODySSy simulation tools, alongside on-orbit constellation management and mission operations as a service. Operating as a deeply vertically integrated supplier, Rocket Lab controls nearly every aspect of design and manufacturing to deliver complete mission solutions as a single partner. The company serves a global customer base that includes commercial spacecraft operators and government agencies such as NASA, the U.S. Department of Defense, and the National Reconnaissance Office. Rocket Lab maintains global operations with engineering and production facilities in the United States, New Zealand, Canada, and Australia, and operates its own private orbital launch complexes to ensure frequent and flexible access to space.

Figure 1.1 Revenue Split by Geography



Business Segments

Launch Services

Rocket Lab's Launch Services business segment includes the design, manufacture, and operation of orbital rockets to deploy payloads to Low Earth Orbit (LEO) and planned interplanetary destinations, representing approximately 29% of total revenues or $125.4 million in 2024. The product portfolio includes the Electron small orbital launch vehicle, the HASTE suborbital test vehicle, and the Neutron medium-capacity launch vehicle currently under development. Electron is a carbon composite rocket powered by 3D-printed electric turbo-pump engines, optimized for high launch cadence to meet the needs of small satellite operators. It features an innovative kick stage that delivers payloads to precise, individual orbits and can be configured to function as an independent spacecraft once on-orbit. Neutron is designed as a reusable-ready vehicle with an anticipated 15,000 kg payload capacity specifically tailored for large constellation deployments and potentially human spaceflight. Launch Services are utilized primarily for national security, Earth observation, climate monitoring, and communications applications. Customers typically secure missions through fixed-price contracts, benefiting from the company's private orbital launch complexes in New Zealand and Virginia that provide unique operational flexibility and control of launch manifests.

Space Systems

Rocket Lab's Space Systems business segment includes everything from initial design and engineering to manufacturing, integration, testing, and delivery of satellite platforms, space components, and mission software, altogether forming a vertically integrated spacecraft manufacturing and systems business. Spacecraft platforms include Photon for versatile earth and interplanetary missions, Explorer for deep-space missions, Lightning for long-duration orbital operations, Pioneer for re-entry missions, Flatellite for mass-produced satellite constellations, and custom SDA satellites for missile tracking and national security. In addition to complete spacecraft, Rocket Lab also offers a broad portfolio of components and subsystems. These include propulsion engines (Rutherford, Archimedes, and Curie), power systems (solar panels and batteries), guidance and control hardware (reaction wheels, star trackers), structures and separation systems, and specialized payload sensors for optical and defense applications. This segment is further supported by an integrated software stack, which includes ground control systems, flight software, mission simulation software, and constellation management platforms through MAX and ODySSy suites, enabling full-stack mission delivery as opposed to standalone hardware.

The Space Systems segment generated $310.8 million in revenue in 2024, representing 71% of the total revenue ($436.21 million). Revenue comes primarily from multi-year contracts with government agencies as well as commercial satellite operators. This results in high barriers to entry, as a consequence of regulatory approval, technical complexity, and high switching costs. Through vertically integrated manufacturing, supply chain control, and end-to-end system assembly, the Space Systems act as the main value-capture engine of Rocket Lab.

Figure 1.2 Revenue by Business Segment

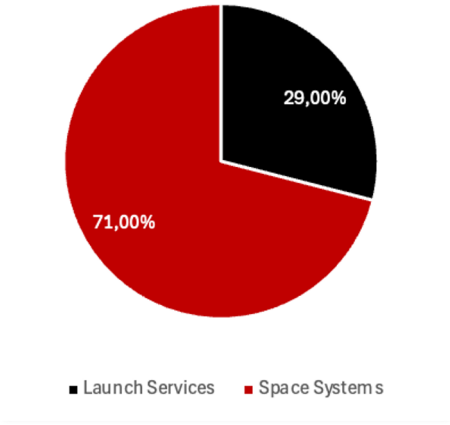
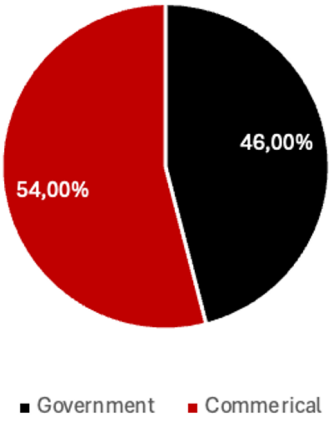


Figure 1.3 Revenue by Customer Type



Source: *SPACE DEVELOPMENT AGENCY'S PROLIFERATED WARFIGHTER SPACE ARCHITECTURE PROGRAM– l3harris.com*

Key Recent Developments:

Proliferated Warfighter Space Architecture (PWSA): Positive

A key recent development for Rocket Lab has been its expanding role in the U.S. Space Development Agency's Proliferated Warfighter Space Architecture (PWSA). The PWSA is a next-generation military satellite network designed to support missile warning, tracking, secure communications, and real-time battlefield connectivity. The PWSA reflects a strategic shift in U.S. defense space infrastructure, moving from reliance on a small number of large satellites toward a distributed constellation of hundreds of smaller, LOE satellites to improve resilience, redundancy, and global coverage.

In 2024, the company secured a $515 million contract to design and manufacture 18 satellites for the PWSA Transport Layer (Tranche 2), expanding its role beyond launch services into spacecraft manufacturing and systems integration. This momentum continued in December 2025, when Rocket Lab was awarded an approximately $805–$816 million prime contract to build 18 satellites for the Tracking Layer Tranche 3 program, focused on advanced missile detection and tracking, including hypersonic threats. Combined, these awards bring Rocket Lab's total SDA contract value to over $1.3 billion, indicating their steadily increasing role as a core contractor.

The program is expected to span multiple deployment tranches and hundreds of satellites over the next decade, providing strong long-term revenue visibility and exposure to a rapidly growing segment of defense spending. Rocket Lab's vertically integrated manufacturing model further strengthens its competitive positioning by enabling cost-efficient, scalable, and faster satellite production.

Production, Manufacturing, and Launch Technology Developments: Moderate

Rocket Lab is currently investing heavily in next-generation launch technologies through the development of its Neutron medium-lift rocket and the introduction of reusability initiatives within its Electron launch vehicle. Neutron is being designed as a partially reusable launch system capable of carrying significantly larger payloads, allowing Rocket Lab to expand beyond small satellite launches into constellation deployment,

national security missions, and deep-space payloads. Development has progressed through several technical milestones, including successful Archimedes engine testing, second-stage structural qualification, and the construction of Launch Complex 3 in Virginia, which is designed to support Neutron launch operations. However, the program has experienced timeline adjustments, with the inaugural launch currently expected around 2026 following additional testing and risk-reduction efforts.

In parallel, Rocket Lab has been working to introduce partial reusability to its Electron rocket to improve launch economics and increase flight frequency. The company has successfully conducted multiple first-stage recovery tests, including booster retrieval experiments designed to assess refurbishment feasibility. While Electron remains fully operational and continues to generate near-term revenue through increasing launch cadence, reusability efforts are still under development and have not yet been implemented as a routine operational feature.

From a strategic perspective, Rocket Lab's long-term growth outlook is significantly dependent on the successful execution of the Neutron program. Neutron has the potential to materially expand the company's total addressable market by enabling participation in larger and higher-value launch contracts. At the same time, cost reductions achieved through Electron reusability could improve launch margins and strengthen competitive positioning within the small launch segment. However, both initiatives require substantial capital investment and technical execution, meaning delays, development challenges, or cost overruns could impact the pace at which these economic benefits are realised and, in turn, introduce volatility to the share price.

Industry and Competitive Landscape

Launch Services Segment Outlook

The global space launch services market is valued at approximately $25.3 billion in 2026 and is further projected to reach $41.3 billion by 2030, with an expected compound annual growth rate (CAGR) of 15.6% (Grand View Research). This sector is undergoing a transformation where new technologies and market dynamics are reshaping the industry, shifting from a niche government monopoly into a high-cadence commercial utility. The primary driver of this evolution is the growing prominence of reusable launch vehicles (RLVs) which are increasingly adopted due to their lower cost and higher operational cadence. Reusable systems such as SpaceX's Falcon 9 have significantly reduced cost per kilogram to low Earth orbit (LEO) to around USD 2,500-3,000, compared with the USD 10,000 needed for a single-use rocket, emphasizing the economic advantage of RLVs (SpaceXStock).

Geographically, North America remains dominant with over 40% of global revenue share, where demand is non-cyclical, structurally guaranteed by NASA and Space Force mandates, requiring continuous launch access and orbital infrastructure for civil and national security missions (Cornell Law School). Furthermore, the Asia-Pacific region is also expected to emerge as the fastest-growing market between 2026 and 2035 (Precedence Research), driven by state-led sovereign space programs in China and India, as well as rising public-private partnership models that increase the involvement of private sectors in national space infrastructure development. While commercial demand is likely to be cyclical, economically sensitive depending on funding and market conditions, government and defense contracts create a secular and durable demand base.

The growth of LEO mega-constellations is creating demand for launch services, as thousands of these small satellites require frequent replenishment. While operators such as SpaceX's Starlink self-supply their launches, a portion of these missions, quite notably Amazon's Project Kuiper, continues to rely on numerous independent launch providers, creating opportunities for companies like Rocket Lab. Together with reusable rockets, stable government demand, and expanding public-private partnerships, these support long-term growth. On the contrary, operational constraints such as pad congestion, execution risks associated with scaling launch production, and geopolitical tensions could limit near-term expansion or delay revenue realization.

Space Systems and Manufacturing Segment Outlook

The satellite manufacturing market is estimated to be worth $30.52 billion in 2026 and with a compound annual growth rate (CAGR) of 16.2%, is expected to reach $55.63 billion by 2030 (Precedence Research). Satellite manufacturing encompasses satellite design, payload integration, bus production, testing, and deployment, therefore serving as a reasonable proxy for the broader space systems & manufacturing market. Additional elements such as software, ground systems, and integration services are limited in third-party market data, yet their contribution to the broader total addressable market (TAM) needs to be recognized.

A foundational segment of satellite manufacturing, the satellite bus market, is structurally changing as demand

for standardized satellite platforms continues to increase. Industry research has indicated that satellite manufacturing is moving beyond bespoke designs, transitioning into mass-produced satellite buses and assembly-line production (TechSci Research). The industrialization of satellite manufacturing enables faster deployment cycles, repeatable revenue models, and improves capital efficiency, ultimately strengthening the long-term growth profile for both commercial and government customers. These advantages are particularly profound for the LEO segment, which held 57% of market share in 2024, resulting from its smaller size that allows high-throughput manufacturing.

Similar to the launch services market, commercial demand is cyclical with sensitivity to market conditions. In contrast, multi-year contracts with the government for military communications and national security satellites provide a secular, baseline revenue stability. Main drivers of growth are scalable LEO deployments along with industrialized satellite production. These factors shorten deployment cycles, lower costs, and improve revenue predictability. At the same time, orbital debris and congestion pose significant operational risk for satellite constellations, with tens of thousands of tracked objects in orbit and rising collision avoidance costs (Deloitte Insights).

Porter's Five Forces Analysis

Bargaining Power of Suppliers Moderate:
Suppliers within the space infrastructure industry provide specialized aerospace materials, propulsion technologies, advanced electronics, and precision manufacturing components, many of which are produced by a limited number of highly specialized vendors. This concentration increases supplier leverage, particularly during periods of supply chain disruption or material shortages. Industry participants partially mitigate supplier power through vertical integration, in-house component manufacturing, and long-term procurement agreements. However, reliance on advanced materials and specialized electronic subsystems remains unavoidable given the technical complexity of aerospace production, maintaining moderate supplier bargaining power across the industry.

Bargaining Power of Consumers Moderate - High:
Customer bargaining power varies across government and commercial markets. Government and defense customers typically operate under long procurement cycles, strict qualification standards, and high switching costs, which limits short-term pricing pressure while providing contract stability and revenue visibility. Commercial satellite operators exhibit higher price sensitivity and frequently maintain relationships with multiple launch and manufacturing providers. Large constellation operators possess significant negotiating leverage due to their scale and recurring launch demand. As industry participants increasingly offer bundled launch and spacecraft manufacturing services, switching complexity may increase, partially moderating customer leverage over time.

Threat of New Entrants Low - Moderate:
Barriers to entry across the launch and satellite manufacturing industries remain structurally high due to significant capital requirements, regulatory oversight, technical complexity, and long development timelines. Developing launch vehicles and spacecraft manufacturing capabilities requires extensive engineering expertise, specialized infrastructure, and multi-year testing programs. Export control regulations, launch licensing, and national security clearance requirements further restrict new participation. However, increased venture capital investment in commercial space companies and government support for domestic space supply chains have slightly lowered entry barriers slightly. Several emerging private launch providers and satellite manufacturers have entered the market, although few have achieved sustained operational reliability or production scale.

Threat of Substitutes Low - Moderate
The threat of substitutes for Rocket Lab's services remains limited, though not negligible, given its positioning as an end-to-end space infrastructure provider. Access to orbit is essential for satellite deployment, missile detection, and global communications networks, limiting substitution risk across core launch and defense applications. At the spacecraft and data layer, however, certain terrestrial technologies can partially substitute for specific satellite use cases. Moreover, improvements in satellite longevity, payload efficiency, and constellation optimization could reduce replacement cycles, indirectly moderating launch demand growth. Despite these pressures, many defense, connectivity, and Earth observation functions require space-based infrastructure that cannot be replicated terrestrially. Consequently, while selective application-level substitution exists, structural demand for integrated launch and spacecraft solutions remains strong.

Rivalry Among Existing Competitors High:
Competitive rivalry across the space infrastructure industry is high, driven by rapid technological innovation, high capital intensity, and a concentrated group of well-funded competitors. Rocket Lab competes across multiple value-chain segments, including launch services, spacecraft manufacturing, and satellite components. This broad positioning

exposes the company to competition from both commercial launch providers (SpaceX) and established aerospace contractors (Northrop Grumman, Lockheed Martin, and Airbus). Competition is particularly intense in launch services, where pricing, reliability, and launch cadence are key differentiators, and scale advantages allow larger competitors to exert cost pressure. In spacecraft manufacturing and satellite components, competition is moderated by technical specialization, long qualification cycles, and customer switching costs, particularly in defense programs.

Management

Peter Beck and Adam Spice represent a rare combination of technical depth and financial discipline within the capital-intensive aerospace sector. Beck's execution credibility stems from operational fundamentals rather than promotional narratives. The company has consistently met or exceeded revenue guidance across eight consecutive quarters, with Q2 2025 revenue of $144.5M beating the high end of $133-140M guidance. Gross margins expanded from negative 34% in 2020 to 37% by Q3 2025, demonstrating structural operating leverage as fixed costs absorb across increasing launch cadence (9 launches in 9M 2023 to 14 launches in 9M 2025) and Space Systems scale ($23M segment revenue in 2021 to $403M in 2025). The strategic pivot to vertical integration through targeted M&A has delivered measurable results, with acquisitions like GEOST directly enabling the $816M SDA Tranche 3 prime contract award where Rocket Lab emerged as the only commercial provider manufacturing both spacecraft and payloads in-house. Beck's opportunistic capital allocation is evident in the Virgin Orbit facility acquisition at $16.1M (84% discount to $100M replacement cost), systematically acquiring supply chain bottlenecks at distressed valuations while competitors collapsed. The primary execution risk centers on Neutron development timeline, which has slipped from 2024 to Q4 2026 following Stage 1 tank rupture, but management transparency regarding technical failures (Beck publicly explaining testing philosophy versus "under-test and learn in flight" competitors) maintains credibility despite delays.

Capital allocation demonstrates clear value-compounding orientation rather than financial engineering. The company operates with zero debt-funded buybacks, no dividend distributions, and no dual-class share structure concentrating founder control. All dilution serves operational scaling, with $845M equity raised in 9M 2025 funding Neutron infrastructure buildout and M&A pipeline totalling $132M for GEOST plus undisclosed amounts for Mynaric, OSI, and PCL acquisitions. While share count expanded from 75.4M (2020) to 528.7M (Q3 2025), this dilution directly funded $1.85B backlog growth (+73% YoY) and margin expansion trajectory validating reinvestment returns despite negative near-term ROIC. M&A strategy follows disciplined vertical integration thesis (acquiring components representing supply chain bottlenecks) rather than empire building, with Beck's explicit framework: "If the component is too annoying to buy, we need to own it because we can make it cheaper and faster." Post-acquisition performance validates execution, as Space Systems segment (built primarily through M&A) now generates 71% of total revenue at improving margins.

Sir Peter Beck
Founder, President, CEO and Chairman

Adam Spice
Chief Financial Officer

Overall insight:
Management commands premium multiple based on founder-operator alignment and execution credibility. Beck's technical background, self-taught engineer who scaled the company from 2006 founding to $38.6B market cap, creates competitive moat unavailable to hired management, while CFO Spice's semiconductor finance experience (MaxLinear, Broadcom, Intel) provides capital markets sophistication. The combination delivers operational excellence (98% Electron success rate across 54 missions) alongside financial discipline (eight consecutive quarters meeting/beating guidance). Primary risk centers on Neutron positioning against Falcon 9, where SpaceX's estimated $15M internal production cost versus

Neutron's $50-55M target creates structural pricing pressure. However, Rocket Lab's integrated model—capturing launch, spacecraft, and component margins—earns 2-3x per mission versus pure-play providers competing on $/kg alone. Pending securities litigation regarding Neutron timeline represents governance monitoring rather than structural concern, particularly given transparent communication on technical setbacks. Assessment: management operates as owner-operators pursuing generational value creation through vertical integration, justifying premium to traditional aerospace (Lockheed 1.8x, Northrop 2.0x revenue) while requiring discount to pure space premiums given Neutron execution risk and unproven reusability economics.

TIMELINE: NEUTRON & PWSA CATALYSTS (2026-2030)

The next four years separate into near-term execution validation (2026), operational scaling (2027-2028), and mature-state economics (2029-2030). Defense satellite production ramps independently of Neutron development, providing revenue floor while launch vehicle certification unlocks incremental government contract revenue at structurally higher margins.

2026: Execution Validation

Q1 2026: T2 Satellite Deliveries Begin

First Transport Layer satellites from $515M Tranche 2 contract begin delivery, accelerating defense revenue to $100-120M/quarter from $65M Q4 2025 baseline. Inventories increase to $180-200M and working capital consumes $50-70M as T3 Tracking Layer satellites enter manufacturing. Gross margin maintains 35-38% on defense contracts. R&D stabilizes at $65-70M/quarter as Neutron development spending moderates following major subsystem qualification.

Neutron: Stage integration and ground systems testing at LC-3. Archimedes engine qualification validates target thrust. No revenue impact but stabilized R&D burn rate signals technical de-risking.

Q2 2026: HASTE Unit Economics Surface

Cumulative HASTE missions reach 5-6 year-to-date as DoD testing accelerates. Service revenue reaches $75-85M driven by mission cadence increasing to 1-2 missions/quarter at $20-25M per mission. HASTE represents $100-150M annual business in 2026 versus $63M in 2025. High margins (65-70% gross margin versus 25-30% on Electron) contribute $12-18M incremental quarterly gross profit.

Neutron: Vehicle stacking at LC-3 with fairing deployment and stage separation testing. Flight readiness review scheduled Q3. Capex peaks at $40-50M for infrastructure completion.

Q3 2026: T3 Manufacturing Scale-Up

T3 production reaches full cadence with inventories increasing 40-50% sequentially to $220-260M. Material procurement drives $80-100M working capital consumption. No revenue recognition until 2027-2028 deliveries, but headcount expansion (+20-25% YoY) signals production scale-up.

Neutron: Final vehicle testing and propellant loading validated. Q4 2026 launch window reaffirmed publicly. Insurance market pricing externally validates technical readiness.

Q4 2026: Neutron Maiden Flight - Binary Catalyst

First orbital test from LC-3 with objectives including stage separation, engine performance validation, fairing deployment, and controlled first-stage reentry.

Success Case: NSSL certification process initiates. R&D drops to $45-50M/quarter in Q1 2027, contributing $60-80M annual EBITDA improvement. Management raises 2027 guidance to reflect NSSL bid eligibility.

Failure/Delay Case: Vehicle redesign maintains R&D at $65-70M/quarter through 2027. NSSL certification delays 12-18 months. Equity raise $400-500M likely Q1-Q2 2027 at 12-18% dilution. Defense thesis intact but launch upside defers to 2028-2029.

Q1 2027: Defense Revenue Inflection

Final T2 deliveries concurrent with initial T3 deliveries create dual-program overlap. Defense revenue reaches $150-180M/quarter (2.3x Q4 2025). Gross margin on T3 improves to 38-40% reflecting GEOST sensor integration. Quarterly EBITDA losses narrow to $20-30M, validating defense profitability independent of Neutron.

Neutron (if success): Second demonstration flight tests reusability. Space Force certification inspection begins.

2027-2028: Operational Scaling

2027: Certification and Component Sales

NSSL Phase 3 Lane 1 certification completes following successful demonstration flights (assumes Q4 2026 success). First government launch contract awarded at $50-55M unlocking $5.6B five-year contract pool where Rocket Lab targets 15-20% share. Government launch margins structurally higher (40-45% versus 25-30% commercial) due to mission assurance premiums. Component sales to competing SDA primes initiate as Lockheed and Northrop procure StarLite sensors, generating $40-60M annual merchant revenue at 65% margins. Operating leverage materializes as R&D declines to 18-20% of revenue (from 45% in 2025) and SG&A compresses to 22-24% (from 30%). Quarterly

EBITDA inflects positive. T4 contract award ($1.0-1.4B, 45-65% larger than T3) validates multi-decade program continuity and establishes 24-month recurring procurement cadence. Defense backlog increases to $2.2-2.8B covering 2.5-3.0 years forward revenue.
Full-year metrics: Defense revenue $600-700M driven by T2/T3 overlap. HASTE scales to $120-150M (6-8 missions). Total revenue $900M-$1.0B. Gross margin 38-40%. EBITDA breakeven to slight positive.

2028: Peak Defense Delivery and Launch Revenue
T3 peak delivery concentrates in H1 meeting FY2029 SDA deployment schedule. Defense revenue peaks at $700-850M comprising satellite primes ($600-700M), component sales ($50-80M), HASTE ($100-150M at 5-7 missions/quarter). Neutron executes 4-6 NSSL missions generating $200-300M launch revenue at 40-45% margins if reusability proven, 28-32% if expendable-only. Critical reusability validation milestone: first-stage reflight within 12-18 months of maiden flight determines whether gross margins stabilize at 40-50% (economic reuse) or compress to 25-30% (expendable). Quarterly EBITDA reaches $25-40M as fixed cost absorption and component margins materialize. Cash flow inflects as working capital reverses from consumption to release (customer payments exceed procurement).
Full-year metrics: Total revenue $1.3-1.5B. Gross margin 40-44%. EBITDA $100-160M. EBITDA margin 8-11%.

2029-2030: Mature Economics
2029: Normalized Defense Revenue, Neutron Scaling
T4 satellite production ramps replicating T3 cadence. Defense revenue normalizes to $600-750M as T3 completes before T4 deliveries commence late 2029/early 2030. Component sales scale to $120-180M as T4/T5 tranches require GEOST sensor procurement. HASTE reaches $150-200M (8-10 missions/quarter, 32-40 annual). Neutron manifest expands to 10-12 missions comprising NSSL government (4-5), commercial constellation (4-5), interplanetary (1-2), generating $500-650M launch revenue. Manufacturing learning curve matures enabling batch production. If reusability validated 2028, launch margins stabilize 42-45%; consolidated EBITDA margin reaches 28-32%. T5 contract award ($1.2-1.6B) confirms perpetual replacement cycle (5-year satellite life, 24-month procurement cadence).
Full-year metrics: Total revenue $1.8-2.1B. Gross margin 42-46%. EBITDA $500-650M. EBITDA margin 28-31%.

2030: Golden Dome IOC and Steady State
Proliferated Warfighter Space Architecture reaches Initial Operating Capability. System enters sustainment with recurring replacement cycles (T6 replaces end-of-life T1). Defense revenue stabilizes $800M-$1.1B comprising satellite primes ($550-700M), components ($150-250M), HASTE ($150-200M at 7-10 missions/quarter). Launch services contribute $400-550M (10-12 Neutron plus residual Electron). Consolidated gross margin 44-48% driven by component mix (65%) and proven Neutron reusability (40-45%). EBITDA margin 35-40% on full operating leverage and mature learning curves. Free cash flow positive as capex normalizes to 5-7% of revenue (from 15-20% during 2025-2027 development).
Full-year metrics: Total revenue $2.4-2.8B. Gross margin 44-48%. EBITDA $900M-$1.2B. EBITDA margin 35-40%.

Key Risk Scenarios

Neutron execution (2026-2027): Flight failure extends certification 18-24 months requiring $400-600M equity raise at 15-20% dilution. Defense thesis intact but launch upside defers.
Reusability economics (2028): Refurbishment costs exceeding 30% of new production compress margins 1,200-1,500 bps, reducing EBITDA ceiling to 28-30% from 35-40% target.
Market share (2027-2030): NSSL capture below 10% due to SpaceX pricing response reduces launch revenue $300-400M cumulative versus base case.
Component adoption (2028-2030): Other primes developing in-house sensors or sourcing exclusively from L3Harris shrinks merchant TAM from $200-250M to $80-120M.
Budget risk (2027+): SDA funding reduction 15-25% proportionally cuts T4/T5 contract values. Architecture shift away from LEO constellation model eliminates T6+ contracts, plateauing defense revenue at $600-800M.

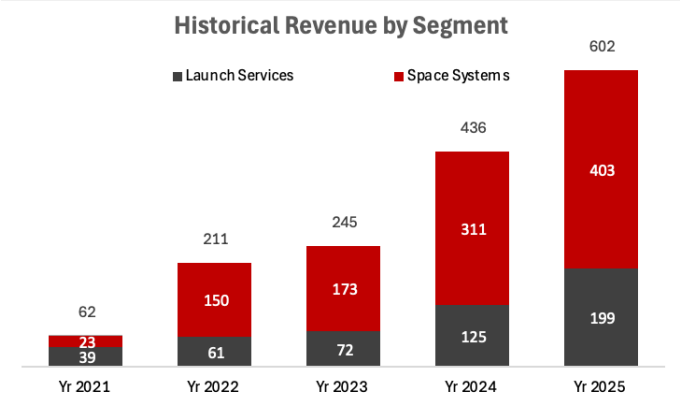
Central thesis: *PWSA provides $1.5-2.0B defense revenue floor independent of Neutron, while successful certification adds $400-600M high-margin launch upside. Combined trajectory drives $600M revenue at 35% gross margin (2025) to $2.5-2.8B at 44-48% (2030), outcome consensus underestimates by $700M-$1.0B revenue and 900-1,000 bps margins.*

Financial Analysis

Profitability

In FY2025, Rocket Lab reported a revenue of $602 million, representing an approximately 38% YoY increase, while Q4 revenue alone reached $179.7 million. Between 2021 and 2025, Rocket Lab experienced a transformative expansion of its revenue base, growing total revenue nearly tenfold from $62 million to $602 million. While the Launch Services segment maintained steady growth, rising from $39 million in 2021 to $199 million in 2025, the Space Systems segment expanded at a far faster rate, increasing from $23 million to $403 million over the same period. By 2025, Space Systems accounted for roughly two-thirds of consolidated revenue, highlighting a structural shift toward spacecraft manufacturing and vertically integrated space infrastructure.

Over the same period, gross margin improved from -12.2% to 31.7%, turning positive in 2022 and expanding steadily thereafter as revenue growth outpaced COGS, indicating improving cost absorption and strengthening unit economics. Operating margin, while still negative, improved significantly from -165.6% to -38.0% within the timeframe. Although operating expenses, particularly R&D, increased substantially due to ongoing investment in vehicle development and infrastructure, revenue growth began to outpace expense growth starting in FY2024. This suggests the presence of operating leverage, as fixed costs are spread across a larger revenue base. Net margin followed a similar trajectory, narrowing from -188.5% to -32.9%, demonstrating that although the company remains unprofitable, loss intensity has declined substantially relative to revenue.



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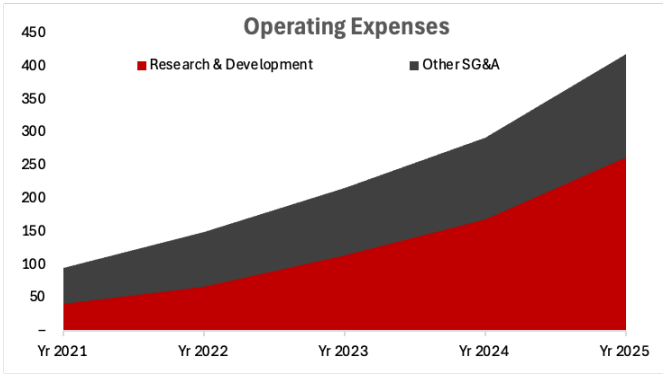

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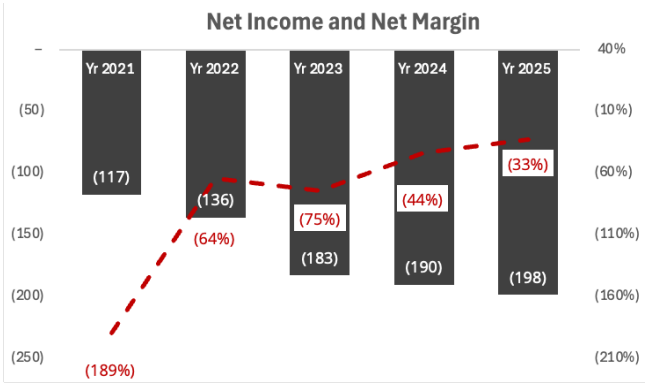

Source: FactSet

Cash Flow

Rocket Lab remains in a capital-intensive growth phase, reflected in sustained negative free cash flow (FCF) across the period. FCF moved from -$97.5 million in FY2021 to a significant widening of -$321.8 million in FY2025. This is driven primarily by a massive increase in capital expenditures for Neutron infrastructure and the Archimedes engine test program. Operating cash flow remained a use of cash at -$165.5 million in FY2025. Despite a temporary narrowing in FY2024 (-$48.9 million), increased programmatic spending and working capital requirements for large-scale contracts like the SDA Tracking Layer reversed that trend in 2025. This suggests that while margin performance has improved structurally, operating cash generation remains volatile and has not yet stabilized.

Capital expenditures increased materially from $25.7 million in FY2021 to $156.3 million in FY2025, with the most pronounced increase occurring between FY2024 and FY2025. As a result, capex intensity rose in FY2025, indicating investment growth outpaced revenue growth during the year. Given negative operating cash flow and elevated capex, cash conversion remains weak. The company continues to source external financing, as evident by $1.07 billion in

net financing inflows in FY2025, largely from equity issuance, driving a $558 million increase in cash.

Balance Sheet

Rocket Lab's balance sheet expanded materially between FY2021 and FY2025, with total assets increasing from $980.8 million to $2.32 billion. This growth was primarily funded through equity issuance, allowing the company to finance infrastructure expansion and manufacturing scale-up while limiting reliance on debt. By prioritizing equity capital during its investment phase, management reduced refinancing risk and preserved balance sheet flexibility during pre-profitability operations.

Relative to the expanded asset base, leverage remains moderate. Long-term debt was reported at $254 million at FY2025 year-end, compared to shareholders' equity of $1.72 billion, resulting in a debt-to-equity ratio of approximately 0.15x. With $1.02 billion in cash and short-term investments, the company maintains a net cash position, meaning liquidity exceeds total long-term debt. This significantly mitigates financial risk despite continued negative free cash flow.

Following significant equity financing, FY2025 total current assets reached $1.37 billion compared to current liabilities of $334.5 million, resulting in a current ratio above 4.0x. This provides near-term flexibility to fund operating losses and capital expenditures. The increase in cash from $419 million in FY2024 to over $1 billion in FY2025 improves the company's liquidity. While current debt appears manageable and well-covered by liquidity, continuous negative free cash flow would require either improvement in cash generation or continued access to capital markets. Presently, the balance sheet reflects a company that is well-capitalized for growth, though not yet self-funding.

Valuation

Discounted Cash Flow Valuation Methodology

Our intrinsic valuation of Rocket Lab USA is derived from a Discounted Cash Flow (DCF) model based on Unlevered Free Cash Flow (UFCF). We view UFCF as the most appropriate valuation metric given RKLB's current position within an elevated capital expenditure and R&D investment cycle. Reported Free Cash Flow to equity is temporarily distorted by Neutron development spending, Space Systems acquisitions, and infrastructure build-out designed to establish Rocket Lab as the Western world's preeminent vertically integrated space platform, rather than signal deterioration in underlying operating performance. As such, UFCF more accurately captures the company's normalized operating cash-generating capacity without penalizing value-accretive reinvestment.

Consistent with standard valuation theory, our DCF framework values the operating business independently of capital structure decisions. Unlike mature industrial companies where a perpetual growth terminal value is appropriate, we employ an exit EV/EBITDA multiple approach to derive terminal value. This reflects RKLB's position as a high-growth, pre-profitability platform company where near-term cash flows are negative and the bulk of intrinsic value is derived from terminal-year economics once the business has scaled. Using an exit multiple allows us to benchmark terminal value against observable transaction and trading multiples for scaled aerospace and defence platforms, providing a more grounded anchor than a perpetual growth assumption for a company still in the early stages of its margin expansion trajectory.

Under our probability-weighted assumptions across three scenarios, Bear (15%), Base (50%), and Bull (35%), our model implies a conviction equity value of $80.78 per share. As of 1st March 2026, RKLB is trading at $69.10, indicating the shares are priced at a ~17% discount to our weighted intrinsic valuation. Our base case alone implies a price of $64.10, broadly in line with the current market price, suggesting the market is fairly pricing the fundamental trajectory but underweighting the asymmetric upside from successful Neutron commercialization.

Forecast Horizon and Key Operating Assumptions

We model an explicit forecast period from FY2025 through FY2036, a 12-year horizon designed to capture the full arc of Rocket Lab's transformation from a small-launch specialist to a diversified, multi-vehicle space platform company. The extended horizon is essential because RKLB's value creation is structurally back-loaded: the company is currently investing heavily in Neutron development, Space Systems acquisitions (Geost, Mynaric optical terminals, Precision Components Limited), and manufacturing scale-out, with the resulting revenue and margin benefits materializing progressively over the next decade. A shorter horizon would fail to capture the post-investment inflection that defines the core thesis.

Revenue growth assumptions reflect RKLB's dual-engine model: Electron launch services, where cadence is ramping from 21 flights in FY2025 toward 30+

annually, and Space Systems, anchored by the $816M SDA Tranche 3 tracking layer contract and a $1.85B backlog growing at 73% year-over-year. In our base case, consolidated revenue grows from $602M in FY2025A to $850M in FY2026E (41% YoY), driven by Electron cadence acceleration, initial Neutron contribution (one test flight in Q4 2026), and continued Space Systems backlog conversion. Revenue scales to $7.96B by FY2036E, implying an 11-year CAGR of approximately 26% from FY2025, reflecting both organic growth and the compounding effect of Neutron constellation deployment contracts.

Cash flow growth over the forecast period is primarily driven by a combination of declining peak R&D intensity as Neutron moves from development to production, rising gross margins as reusability economics take hold, and operating leverage as the fixed-cost infrastructure built during FY2024–2027 is absorbed by scaling revenue. UFCF follows a pronounced recovery profile, turning positive in FY2028E as Neutron achieves initial commercial flights, accelerating through mid-cycle as constellation deployments scale the launch manifest, and converging toward sustainable levels by FY2034–2036E. By the terminal year, UFCF growth moderates to the mid-teens range, consistent with a maturing but still structurally advantaged space infrastructure platform.

Cost of Capital Assumptions

Our valuation applies a stepping Weighted Average Cost of Capital (WACC) that declines over the projection period, reflecting Rocket Lab's expected maturation from a high-risk, pre-profitability growth company into a scaled, diversified aerospace platform. This approach captures the secular de-risking that occurs as key milestones, Neutron maiden flight, first commercial reuse, NSSL Phase 3 certification, and sustained positive free cash flow, are achieved.

In our base case, WACC begins at 12.0% in Year 1, reflecting a cost of equity of approximately 14.5%, derived from a risk-free rate of 4.2%, a market risk premium of 7.8%, and a levered beta of approximately 1.3, consistent with RKLB's classification as a high-growth, pre-profit aerospace company with elevated execution risk. Given RKLB's minimal debt ($152M in convertible notes against $1.1B in cash and marketable securities), the capital structure is effectively all-equity, and the WACC approximates the cost of equity in early years.

The WACC steps down to 6.0% by Year 12, reflecting the expected transition toward investment-grade credit quality, recurring government contract revenue, and demonstrated Neutron reusability. The terminal WACC of 6.0% is modestly above the discount rates applied to mature aerospace primes such as Lockheed Martin and Northrop Grumman (~7.5–8.0%), reflecting residual technology risk and customer concentration. In our bear case, WACC begins at 14.0% and converges to 8.5%, reflecting a persistently higher risk profile from Neutron delays and slower margin expansion.

Terminal Value and Exit Multiple

Terminal value is calculated using an exit EV/EBITDA multiple applied to FY2036E EBITDA, which we view as the appropriate methodology for a company whose terminal economics are best benchmarked against observable market multiples rather than a perpetual growth rate. This approach explicitly acknowledges that Rocket Lab's terminal value should reflect how the market is likely to price a scaled, profitable launch and space systems platform at the end of the explicit forecast period, rather than embedding arbitrary long-run growth assumptions.

Our base case applies an exit multiple of 30.0x to terminal EBITDA of $3.25B, yielding a terminal value of $97.4B. This multiple reflects a premium to mature defence primes (Lockheed Martin at ~14x, Northrop Grumman at ~16x, L3Harris at ~15x) but a discount to high-growth space pure-plays, recognizing that by FY2036E, Rocket Lab would be a scaled platform with recurring government revenue, proven reusability, and diversified revenue streams across launch, spacecraft, and space applications. The premium to traditional primes is justified by structurally higher growth, a more favourable contract mix (fixed price vs. cost-plus), and vertical integration advantages that enable superior unit economics.

Our bear case applies a 25.0x exit multiple to $1.39B in terminal EBITDA, reflecting a scenario where Neutron achieves limited commercial traction and RKLB is valued more like a mid-tier defence contractor. Our bull case applies 35.0x to $5.80B EBITDA, reflecting a scenario where Neutron achieves SpaceX Falcon 9-like market share and RKLB commands a structural scarcity premium as the only publicly traded, pure-play orbital launch platform.

Scenario Summary

Metric	Bear	Base	Bull	Weighted
Probability Weight	15%	50%	35%	100%
FY2036E Revenue ($B)	$4.2B	$8.0B	$13.0B	—
FY2036E EBITDA ($B)	$1.4B	$3.2B	$5.8B	—

Exit EV/EBITDA	25.0x	30.0x	35.0x	—
WACC Range	14.0% → 8.5%	12.0% → 6.0%	12.0% → 6.0%	—
Implied Price	**$18.78**	**$64.10**	**$131.18**	**$80.78**
Upside / (Downside)	(72.8%)	(7.2%)	+89.8%	**+16.9%**

Sensitivity Analysis and Market Implied Expectations

Our sensitivity analysis indicates that at the current share price of $69.10, the market is effectively pricing Rocket Lab at our base-case assumptions with a modest discount for execution risk. To justify the current price under our base-case revenue trajectory and a flat 9% WACC, the market would need to apply an exit multiple of approximately 25x terminal EBITDA, a level broadly consistent with the mid-range of defence contractor valuations after adjusting for RKLB's growth premium. This suggests that current valuation levels already embed expectations of successful Neutron commercialization and a meaningful Space Systems scaling trajectory, but do not yet price the full upside from constellation deployment wins or reusability-driven margin expansion.

Sensitivity Table, Base Case: WACC vs. Exit Multiple

WACC \ Exit	20x	25x	30x	35x	40x	50x
7.0%	$91.41	$109.15	$126.90	$144.64	$162.39	$197.88
8.0%	$72.59	$87.76	$102.93	$118.10	$133.27	$163.61
9.0%	$57.22	$70.08	$82.94	$95.80	$108.66	$134.38
10.0%	$44.62	$55.50	$66.38	$77.26	$88.14	$109.90
11.0%	$34.23	$43.43	$52.62	$61.82	$71.01	$89.40
12.0%	$25.58	$33.34	$41.10	$48.86	$56.62	$72.14

Yellow cells approximate current market price ($69.10). Base case: 30x exit, stepping WACC 12.0% → 6.0%.

Importantly, Rocket Lab should not be viewed as a conventional defence contractor, but as a vertically-integrated space infrastructure platform in the early stages of a multi-decade capacity ramp. The traditional defence peer set understates RKLB's terminal optionality because it fails to account for the network effects of owning both the launch vehicle and the spacecraft bus, the recurring revenue characteristics of constellation deployment contracts, and the scarcity premium of being the only publicly-traded, end-to-end orbital platform outside of SpaceX. We believe our framework appropriately balances near-term execution risk with RKLB's long-term structural advantages, resulting in a fair and internally consistent assessment of intrinsic value.

DCF Valuation Bridge: Base Case

Component	Value
Sum of PV of UFCFs (FY2025–FY2036)	$3,299M
(+) PV of Terminal Value	$34,536M
Enterprise Value	**$37,835M**
(–) Net Debt (Net Cash Position)	($946M)
Equity Value	**$38,781M**
Shares Outstanding	605M
Implied Share Price	**$64.10**
Current Market Price	$69.10
Upside / (Downside)	(7.2%)
Terminal Value as % of EV	91.3%

Public Comparables Methodology

Direct public comparables for Rocket Lab are limited given the scarcity of publicly-traded, pure-play orbital launch companies. SpaceX, the most obvious comparator, remains private; its reported secondary-market valuation of approximately $350B (as of late 2025) implies an EV/Revenue multiple of roughly 25–30x on estimated FY2025 revenue of ~$13–15B. While SpaceX's Starlink recurring revenue stream commands the bulk of this premium, the valuation provides a useful ceiling for what the market is willing to pay for scaled space infrastructure with demonstrated reusability.

On an EV/Revenue basis, RKLB currently trades at approximately 69x trailing revenue ($602M) and ~49x forward FY2026E revenue ($850M base case). This represents a significant premium to traditional defence primes, Lockheed Martin trades at ~1.8x, Northrop Grumman at ~2.0x, and L3Harris at ~2.3x revenue, but this premium is justified by RKLB's structurally higher growth rate (41% vs. low-single-digit organic growth for primes), expanding margins from a lower base, and the optionality embedded in Neutron. The premium narrows substantially on out-year metrics: on our FY2030E base-case revenue of $2.86B, the implied EV/Revenue contracts to approximately 15x, and on FY2034E revenue of $6.18B, it compresses further to

~7x, converging toward high-growth industrial and platform multiples.

Selected Peer Comparables

Company	EV/Rev (TTM)	EV/Rev (NTM)	EV/EBITDA	P/E (FY1)	Rev Growth
Rocket Lab (RKLB)	**69.2x**	**49.2x**	**NM**	**NM**	**38%**
Lockheed Martin	1.8x	1.7x	14.2x	17.8x	5%
Northrop Grumman	2.0x	1.9x	15.8x	20.1x	4%
L3Harris	2.3x	2.2x	14.7x	19.5x	6%
BWX Technologies	5.2x	4.8x	22.4x	32.1x	9%
Virgin Galactic*	NM	NM	NM	NM	NM
SpaceX (private)*	~27x	~22x	~75x	NM	~55%

**Virgin Galactic pre-revenue; SpaceX multiples estimated from secondary-market data and public revenue estimates. NM = Not Meaningful.*

The dispersion between RKLB's trailing and forward multiples is instructive. The compression from 69x trailing EV/Revenue to ~49x NTM reflects the market's expectation of accelerating revenue growth as Electron cadence increases, Neutron enters the manifest, and SDA Tranche 3 deliveries begin. These dynamic parallels the multiple compression observed in Texas Instruments during its capex-heavy investment phase: elevated current multiples reflect suppressed near-term cash generation during a period of strategic infrastructure build-out, with the implicit expectation that multiples will normalize as the investment bears fruit.

Relative to the defence primes, RKLB clearly commands a substantial premium. However, this premium is not without precedent: BWX Technologies, a nuclear technology specialist with structurally higher growth than traditional primes, trades at ~5x revenue, suggesting the market applies meaningful growth premiums to differentiated defense-adjacent platforms. RKLB's premium above BWXT reflects both higher absolute growth and the optionality embedded in Neutron, a platform that, if successful, could capture a meaningful share of the ~$10B addressable medium-lift launch market currently dominated by SpaceX Falcon 9.

Comps Operating Snapshot

Across the peer set, Rocket Lab occupies a unique position: the highest revenue growth and margin expansion trajectory, offset by the lowest current profitability and most capital-intensive development program. RKLB posted $602M in FY2025 revenue with 34.4% GAAP gross margins (44% non-GAAP in Q4, a record), converting into an EBIT loss as R&D spending on Neutron consumed approximately 45% of revenue. Among the defence primes, Lockheed Martin leads in absolute scale at ~$71B revenue but grows at just ~5%, while Northrop Grumman's ~$41B revenue base generates ~11% operating margins. RKLB's margin profile is structurally earlier-cycle but improving rapidly: gross margins expanded from 23.5% in FY2024 to 34.4% in FY2025, and Q4's 44% non-GAAP gross margin signals the trajectory as Electron manufacturing matures and Space Systems mix enriches.

The principal optical drag is R&D intensity: RKLB spends approximately 45% of revenue on R&D (overwhelmingly Neutron-related), compared to ~3–5% for defence primes. However, this investment is inherently front-loaded and non-recurring at current levels. As Neutron transitions from development to production and the R&D-to-revenue ratio normalizes toward 8–10% by the terminal year, operating leverage should drive a step-change in profitability. In our base case, EBIT margins expand from negative territory today to ~37.5% by FY2036E, a trajectory that reflects the combined benefits of Neutron reusability economics, Space Systems scale, and fixed-cost absorption across a growing revenue base.

Rocket Lab's balance sheet is notably defensive for a pre-profitability growth company. The company holds $1.1B in liquidity ($829M cash plus $270M in marketable securities) against only $152M in convertible notes, resulting in a net cash position of approximately $946M. This compares favourably to Virgin Galactic, which faces ongoing liquidity concerns, and provides Rocket Lab with approximately 3–4 years of self-funded development runway even under a scenario of persistent cash burn. The retirement of the Trinity credit facility and the voluntary conversion of $200M+ in convertible notes in FY2025 further deleveraged the balance sheet, demonstrating management's commitment to financial discipline during the investment phase.

Financial Analysis

Profitability

Fiscal Year	Revenue ($M)	Gross Margin	EBIT Margin	Net Margin
FY2022	$211	12.8%	(68.1%)	(72.5%)
FY2023	$245	18.5%	(53.2%)	(58.4%)
FY2024	$436	23.5%	(43.5%)	(47.1%)
FY2025A	$602	34.4%	(38.1%)	(32.9%)

FY2026E (Base)	$850	33.0%	(12.0%)	(11.5%)

We view 33% gross margin as the near-term structural floor, supported by Q4 FY2025's 44% non-GAAP gross margin, the company's best quarter ever, which demonstrates that the underlying unit economics of Electron and Space Systems are firmly positive and improving. As revenue recovers into the $850M–$920M range in FY2026, fixed cost absorption will further improve, and we model Gross Margins expanding toward 47–49% by FY2034–FY2036E as Neutron reusability matures and the Space Systems mix shifts toward higher-margin software and data services.

Balance Sheet

Metric	Value	Assessment
Total Cash + Mkt Sec	$1.1B	Strong
Total Debt (Conv Notes)	$152M	Minimal
Net Cash Position	$946M	Defensive
Backlog	$1.85B	+73% YoY
Shares (Fully Diluted)	605M	Post-Conversion

Net Cash Position: Rocket Lab holds $1.1B in liquidity against $152M in convertible notes, producing a net cash position of $946M. This effectively eliminates near-term financing risk and provides ample runway to fund Neutron through first flight (Q4 2026E) and initial production ramp without dilutive capital raises. The retirement of the Trinity credit facility and organic conversion of convertible notes demonstrate improving credit quality.

Risks and Catalysts

Downside Risks

The primary execution risk lies on Neutron development. Delays from the originally targeted late-2025 launch all the way to Q4 2026 postpone entry into the medium-lift market and cap near-term launch revenue growth. Further delays could impact customer confidence and limit access to larger payload contracts. Financial risk also remains due to sustained negative free cash flow and high capital intensity associated with Neutron development, Electron reusability efforts, and satellite production ramp-up. While the company maintains strong liquidity, continued cash burn could require additional capital raises if operating cash flow does not stabilize. Electron reusability represents both upside and risk as successful recovery and refurbishment would enhance margins and competitiveness, while failure to achieve reusability would leave the vehicle structurally less cost-efficient.

Upside Catalysts

Rocket Lab's transition from a niche launch provider to a vertically integrated space and defense prime represents a long-term catalyst. The $515 million SDA Tranche 2 award in early 2024 marked a strategic inflection, establishing the company as a satellite prime contractor and materially expanding backlog. Continued execution through 2024, including manufacturing ramp-up and the successful Preliminary Design Review milestone in January 2025, reduced technical risk and improved visibility into revenue conversion. The subsequent $816 million SDA Tranche 3 award in late 2025 increased total SDA backlog to approximately $1.3 billion, reinforcing Rocket Lab's position within U.S. defense procurement programs. The acquisition of Geost in mid-2025 further strengthened vertical integration and recurring revenue potential, while the NASA ESCAPADE mission enhances technical credibility beyond low Earth orbit. Looking ahead, the first Neutron launch in 2026 represents a transformative catalyst, enabling entry into the medium-lift market and materially expanding addressable revenue. Longer term, sustained growth in LEO constellations and satellite manufacturing demand (projected 16.2% CAGR) provides structural tailwinds that support backlog growth and asset utilization.

Final Recommendation

Rocket Lab is mispriced because the market still frames the company through a near-term profitability lens, penalizing elevated R&D spending and Neutron development costs while underappreciating the back-loaded nature of the company's margin expansion trajectory. On valuation, our base case supports a price of $64.10, broadly in line with the current market price of $69.10, while our probability-weighted conviction case, incorporating a 35% probability of successful Neutron commercialization and constellation deployment wins, yields a target price of $80.78 (+17% upside). Risk-reward is asymmetric: downside stems primarily from further Neutron delays, margin compression from competitive pricing pressure, or a broader aerospace spending downturn, while upside is driven by Neutron reusability success, NSSL Phase 3 certification, Amazon Kuiper or Telesat constellation wins, and faster-than-expected Space Systems scaling. The $1.85B backlog (+73% YoY), $1.1B liquidity, and demonstrated Q4 2025 margin expansion provide tangible near-term support for the longer-term thesis.

Appendix

10K FY25
10Q Q3FY25
10Q Q2FY25
10Q Q1FY25

10K FY24
10Q Q3FY24
10Q Q2FY24
10Q Q1FY24

Factset.com

Rocket Lab USA (RKLB) — Detailed Financial Model

12-Year DCF Model (Bear / Base / Bull) | Post Q4 2025 Earnings | As of February 26, 2026

Model Snapshot

Metric	Value	Metric	Value
Stock Price (02/26/2026)	$69.10	Shares Outstanding	605M
Net Cash	$946.5M	Backlog (FY2025A)	$1.85B (+73% YoY)
FY2025A Revenue	$601.8M	FY2025A Gross Margin	34.4% GAAP / 44% Non-GAAP
FY2025A Net Loss	($198.2M)	Electron Launches	21 (100% success rate)
Neutron Development	Q4 2026 maiden flight target	Q1 2026 Guidance	$185–200M rev, 34–36% GM

Probability-Weighted Valuation Summary

	Bear (15%)	Base (50%)	Bull (35%)
Probability Weight	15%	50%	35%

APPENDIX

Rocket Lab USA (RKLB) — Detailed Financial Model

12-Year DCF Model (Bear / Base / Bull) | Post Q4 2025 Earnings | As of February 26, 2026

Model Snapshot

Metric	Value	Metric	Value
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Neutron Development	Q4 2026 maiden flight target	Q1 2026 Guidance	$185–200M rev, 34–36% GM

Probability-Weighted Valuation Summary

	Bear (15%)	Base (50%)	Bull (35%)
Probability Weight	15%	50%	35%
Implied Share Price	$18.78	$64.10	$131.18
Upside / (Downside)	(72.8%)	(7.2%)	+89.8%
Enterprise Value ($mm)	$10,417	$37,834	$78,419
Terminal Value ($mm)	$34,828	$97,394	$203,039
TV as % of EV	93.2%	91.3%	91.8%
Prob.-Weighted Price	$80.78	+16.9% upside	vs. $69.10 current

A. Key Model Assumptions

All figures in $mm. All percentage assumptions reflect modeled inputs. WACC declines annually as execution risk diminishes. A = Actual. E = Estimate.

	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E	FY2033E	FY2034E	FY2035E	FY2036E
Bear Case — Revenue CAGR ~10% (FY25A–FY36E), Exit 25x EV/EBITDA													
Revenue ($mm)	436	602	770	1,001	1,281	1,614	1,937	2,227	2,583	2,971	3,386	3,792	4,171
Revenue Growth %	78.2%	38.0%	27.9%	30.0%	28.0%	26.0%	20.0%	15.0%	16.0%	15.0%	14.0%	12.0%	10.0%
Gross Margin %	23.5%	34.4%	31.0%	33.0%	36.0%	38.0%	40.0%	41.0%	42.0%	43.0%	43.0%	44.0%	44.0%
R&D as % of Revenue	38.6%	45.0%	30.0%	25.0%	20.0%	17.0%	15.0%	13.0%	12.0%	11.0%	10.0%	9.5%	9.0%
SG&A as % of Revenue	28.4%	27.5%	19.0%	15.0%	12.0%	10.0%	9.0%	8.0%	7.0%	6.5%	6.0%	5.5%	5.0%
D&A as % of Revenue	7.4%	6.2%	6.2%	5.8%	5.3%	4.8%	4.4%	4.2%	4.0%	3.8%	3.6%	3.5%	3.4%
EBIT Margin %	(43.5%)	(38.1%)	(18.0%)	(7.0%)	4.0%	11.0%	16.0%	20.0%	23.0%	25.5%	27.0%	29.0%	30.0%
CapEx as % of Revenue	15.4%	21.3%	17.0%	14.0%	11.0%	9.5%	8.5%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%
NWC Chg as % of Rev	(10.5%)	(1.0%)	(2.5%)	(2.0%)	(1.5%)	(1.0%)	(0.5%)	0.0%	0.5%	0.5%	0.5%	0.5%	0.5%
Tax Rate %	—	—	—	—	5.0%	10.0%	15.0%	18.0%	20.0%	21.0%	21.0%	21.0%	21.0%
Exit EV/EBITDA Multiple	**25x**												
Starting WACC (steps down annually)		14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%
Base Case — Revenue CAGR ~26.5% (FY25A–FY36E), Exit 30x EV/EBITDA													
Revenue ($mm)	436	602	850	1,190	1,666	2,215	2,860	3,575	4,290	5,148	6,178	7,105	7,957
Revenue Growth %	78.2%	38.0%	41.2%	40.0%	40.0%	33.0%	29.0%	25.0%	20.0%	20.0%	20.0%	15.0%	12.0%
Gross Margin %	23.5%	34.4%	33.0%	36.0%	39.0%	41.0%	43.0%	44.0%	45.0%	46.0%	47.0%	48.0%	49.0%
R&D as % of Revenue	38.6%	45.0%	28.0%	22.0%	18.0%	15.0%	13.0%	11.0%	10.0%	9.0%	8.5%	8.0%	7.5%
SG&A as % of Revenue	28.4%	27.5%	17.0%	13.0%	10.0%	8.5%	7.5%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%
D&A as % of Revenue	7.4%	6.2%	6.0%	5.5%	5.0%	4.5%	4.2%	4.0%	3.8%	3.6%	3.5%	3.4%	3.3%
EBIT Margin %	(43.5%)	(38.1%)	(12.0%)	1.0%	11.0%	17.5%	22.5%	26.5%	29.0%	31.5%	33.5%	35.5%	37.5%
CapEx as % of Revenue	15.4%	21.3%	16.0%	13.0%	10.0%	9.0%	8.0%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%
NWC Chg as % of Rev	(10.5%)	(1.0%)	(2.5%)	(2.0%)	(1.5%)	(1.0%)	0.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Tax Rate %	—	—	—	—	5.0%	10.0%	15.0%	18.0%	20.0%	21.0%	21.0%	21.0%	21.0%
Exit EV/EBITDA Multiple	**30x**												
Starting WACC (steps down annually)		12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.2%	7.5%	6.8%	6.5%	6.0%
Bull Case — Revenue CAGR ~31% (FY25A–FY36E), Exit 35x EV/EBITDA													
Revenue ($mm)	436	602	920	1,380	2,001	2,801	3,782	4,916	6,390	7,988	9,585	11,311	13,007
Revenue Growth %	78.2%	38.0%	52.9%	50.0%	45.0%	40.0%	35.0%	30.0%	30.0%	25.0%	20.0%	18.0%	15.0%
Gross Margin %	23.5%	34.4%	35.0%	38.0%	41.0%	43.0%	45.0%	46.0%	47.0%	48.0%	50.0%	51.0%	52.0%
R&D as % of Revenue	38.6%	45.0%	26.0%	20.0%	16.0%	13.0%	11.0%	9.5%	8.5%	8.0%	8.0%	7.5%	7.0%
SG&A as % of Revenue	28.4%	27.5%	15.0%	11.0%	8.5%	7.0%	6.0%	5.5%	5.0%	4.5%	4.0%	3.8%	3.5%
D&A as % of Revenue	7.4%	6.2%	5.8%	5.3%	4.8%	4.3%	4.0%	3.8%	3.6%	3.4%	3.3%	3.2%	3.1%
EBIT Margin %	(43.5%)	(38.1%)	(6.0%)	7.0%	16.5%	23.0%	28.0%	31.0%	33.5%	35.5%	38.0%	39.7%	41.5%
CapEx as % of Revenue	15.4%	21.3%	15.0%	12.0%	9.5%	8.5%	7.5%	6.5%	6.0%	5.5%	5.0%	4.8%	4.5%
NWC Chg as % of Rev	(10.5%)	(1.0%)	(2.5%)	(2.0%)	(1.5%)	(1.0%)	0.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Tax Rate %	—	—	—	—	5.0%	10.0%	15.0%	18.0%	20.0%	21.0%	21.0%	21.0%	21.0%
Exit EV/EBITDA Multiple	**35x**												
Starting WACC (steps down annually)		12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.2%	7.5%	6.8%	6.5%	6.0%

C. Projected Cash Flow Statement

All figures in $mm. FCF = CFO + CapEx (CapEx shown as outflow). SBC = stock-based compensation (non-cash add-back). NWC change: positive = source of cash.

	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E	FY2033E	FY2034E	FY2035E	FY2036E
Bear Case — Revenue CAGR ~10% (FY25A–FY36E), Exit 25x EV/EBITDA													
Net Income ($mm)	(197.5)	(233.5)	(142.6)	(74.1)	45.4	157.1	261.3	363.6	474.1	597.7	721.8	868.7	988.5
D&A ($mm)	32.3	37.3	47.7	58.1	67.9	77.5	85.2	93.5	103.3	112.9	121.9	132.7	141.8
Stock-Based Comp ($mm)	44.9	55.0	58.0	62.0	60.0	55.0	50.0	45.0	42.0	40.0	38.0	36.0	35.0
NWC Change ($mm)	45.8	6.0	19.3	20.0	19.2	16.1	9.7	0.0	(12.9)	(14.9)	(16.9)	(19.0)	(20.9)
Other ($mm)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Cash From Ops ($mm)	(69.6)	(130.2)	(12.6)	71.0	197.5	310.7	411.2	507.1	611.5	740.8	869.8	1,023.5	1,149.5
Capital Expenditures	(67.2)	(128.2)	(130.9)	(140.1)	(140.9)	(153.3)	(164.6)	(167.0)	(180.8)	(193.1)	(203.2)	(208.6)	(208.6)
Free Cash Flow ($mm)	(136.7)	(258.3)	(143.5)	(69.1)	56.6	157.4	246.6	340.1	430.7	547.6	666.6	815.0	940.9
FCF Margin %	(31.3%)	(42.9%)	(18.6%)	(6.9%)	4.4%	9.8%	12.7%	15.3%	16.7%	18.4%	19.7%	21.5%	22.6%
Base Case — Revenue CAGR ~26.5% (FY25A–FY36E), Exit 30x EV/EBITDA													
Net Income ($mm)	(197.5)	(233.5)	(106.0)	7.9	170.8	346.2	544.9	775.2	994.1	1,280.3	1,634.6	1,992.6	2,357.3
D&A ($mm)	32.3	37.3	51.0	65.5	83.3	99.7	120.1	143.0	163.0	185.3	216.2	241.6	262.6
Stock-Based Comp ($mm)	44.9	55.0	60.0	65.0	65.0	60.0	55.0	50.0	45.0	42.0	40.0	38.0	36.0
NWC Change ($mm)	45.8	6.0	21.3	23.8	25.0	22.2	0.0	(17.9)	(21.5)	(25.7)	(30.9)	(35.5)	(39.8)
Other ($mm)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Cash From Ops ($mm)	(69.6)	(130.2)	31.3	167.2	349.1	533.0	725.0	955.3	1,185.7	1,486.9	1,865.0	2,241.6	2,621.1
Capital Expenditures	(67.2)	(128.2)	(136.0)	(154.7)	(166.6)	(199.4)	(228.8)	(250.3)	(278.9)	(308.9)	(339.8)	(355.3)	(358.1)
Free Cash Flow ($mm)	(136.7)	(258.3)	(104.8)	12.5	182.5	333.6	496.2	705.1	906.8	1,178.0	1,525.2	1,886.4	2,263.0
FCF Margin %	(31.3%)	(42.9%)	(12.3%)	1.0%	11.0%	15.1%	17.3%	19.7%	21.1%	22.9%	24.7%	26.5%	28.4%
Bull Case — Revenue CAGR ~31% (FY25A–FY36E), Exit 35x EV/EBITDA													
Net Income ($mm)	(197.5)	(233.5)	(59.2)	93.1	310.8	577.6	898.4	1,248.4	1,711.7	2,239.8	2,877.4	3,547.5	4,264.3
D&A ($mm)	32.3	37.3	53.4	73.1	96.0	120.4	151.3	186.8	230.0	271.6	316.3	362.0	403.2
Stock-Based Comp ($mm)	44.9	55.0	62.0	68.0	70.0	65.0	60.0	55.0	50.0	45.0	42.0	40.0	38.0
NWC Change ($mm)	45.8	6.0	23.0	27.6	30.0	28.0	0.0	(24.6)	(32.0)	(39.9)	(47.9)	(56.6)	(65.0)
Other ($mm)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Cash From Ops ($mm)	(69.6)	(130.2)	84.2	266.8	511.9	796.0	1,114.7	1,470.6	1,964.8	2,521.5	3,192.8	3,897.9	4,645.5

D. DCF Valuation Detail

All figures in $mm. UFCF = Unlevered Free Cash Flow. Terminal value based on exit EV/EBITDA multiple applied to FY2036E EBITDA. Net cash of $946.5M (cash + mkt sec minus conv. notes) added to EV. WACC steps down annually (bear starts at 14%; base/bull start at 12%).

	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E	FY2033E	FY2034E	FY2035E	FY2036E
Bear Case — Revenue CAGR ~10% (FY25A–FY36E), Exit 25x EV/EBITDA												
UFCF ($mm)	(326.2)	(241.0)	(172.2)	(43.6)	67.8	174.3	291.7	410.7	533.1	657.9	811.9	942.6
WACC	14.0%	13.5%	13.0%	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%
Discount Factor	0.877	0.773	0.684	0.608	0.543	0.487	0.439	0.397	0.361	0.330	0.302	0.279
PV of UFCF ($mm)	(286.1)	(186.3)	(117.8)	(26.5)	36.8	84.9	128.0	163.0	192.4	216.8	245.4	262.6
Base Case — Revenue CAGR ~26.5% (FY25A–FY36E), Exit 30x EV/EBITDA												
UFCF ($mm)	(326.2)	(208.3)	(101.2)	65.8	227.0	438.3	687.5	900.9	1,183.3	1,542.3	1,914.4	2,301.6
WACC	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.2%	7.5%	6.8%	6.5%	6.0%
Discount Factor	0.893	0.801	0.721	0.653	0.594	0.542	0.497	0.459	0.427	0.400	0.376	0.355
PV of UFCF ($mm)	(291.2)	(166.8)	(73.0)	43.0	134.7	237.6	341.9	413.8	505.6	617.4	719.6	816.1
Bull Case — Revenue CAGR ~31% (FY25A–FY36E), Exit 35x EV/EBITDA												
UFCF ($mm)	(326.2)	(162.8)	(23.5)	189.6	434.2	767.7	1,141.5	1,591.1	2,112.4	2,762.4	3,423.0	4,147.3
WACC	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.2%	7.5%	6.8%	6.5%	6.0%
Discount Factor	0.893	0.801	0.721	0.653	0.594	0.542	0.497	0.459	0.427	0.400	0.376	0.355
PV of UFCF ($mm)	(291.2)	(130.4)	(16.9)	123.8	257.7	416.1	567.6	730.9	902.7	1,105.8	1,286.6	1,470.6

Valuation Bridge (Enterprise → Equity Value → Implied Share Price)

	Bear Case (15%)	Base Case (50%)	Bull Case (35%)
Terminal EBITDA FY2036E ($mm)	$1,393	$3,246	$5,801
Exit EV/EBITDA Multiple	25x	30x	35x
Terminal Value ($mm)	$34,828	$97,394	$203,039
PV of Terminal Value ($mm)	$9,704	$34,535	$71,996
Sum PV of UFCFs ($mm)	$713	$3,299	$6,423
Enterprise Value ($mm)	**$10,417**	**$37,834**	**$78,419**
(+) Net Cash ($mm)	$946	$946	$946
Equity Value ($mm)	**$11,364**	**$38,780**	**$79,366**

Valuation Bridge (Enterprise → Equity Value → Implied Share Price)

	Bear Case (15%)	Base Case (50%)	Bull Case (35%)
Terminal EBITDA FY2036E ($mm)	$1,393	$3,246	$5,801
Exit EV/EBITDA Multiple	25x	30x	35x
Terminal Value ($mm)	$34,828	$97,394	$203,039
PV of Terminal Value ($mm)	$9,704	$34,535	$71,996
Sum PV of UFCFs ($mm)	$713	$3,299	$6,423
Enterprise Value ($mm)	**$10,417**	**$37,834**	**$78,419**
(+) Net Cash ($mm)	$946	$946	$946
Equity Value ($mm)	**$11,364**	**$38,780**	**$79,366**
Diluted Shares (mm)	605	605	605
Implied Share Price	**$18.78**	**$64.10**	**$131.18**
Upside / (Downside) vs $69.10	(72.8%)	(7.2%)	89.8%
TV as % of Enterprise Value	**93.2%**	**91.3%**	**91.8%**

E. Sensitivity Analysis — Implied Share Price

Implied share prices shown across combinations of terminal EV/EBITDA exit multiple (columns) and discount rate / WACC (rows). All other model assumptions held constant. Current price: $69.10. Highlighted base-case assumptions are outlined in Section D.

Bear Case (Terminal EBITDA: $1,393M)

WACC \ Exit	15x	20x	25x	30x	35x	40x	50x
7.0%	$19.09	$24.20	**$29.31**	$34.43	$39.54	$44.65	$54.87
8.0%	$17.21	$21.78	**$26.35**	$30.92	$35.49	$40.07	$49.21
9.0%	$15.53	$19.63	**$23.72**	$27.81	$31.91	$36.00	$44.19
10.0%	$14.04	$17.71	**$21.38**	$25.05	$28.72	$32.39	$39.72
11.0%	$12.72	$16.01	**$19.30**	$22.59	$25.88	$29.17	$35.76
12.0%	$11.54	$14.49	**$17.45**	$20.40	$23.36	$26.31	$32.22
13.0%	$10.49	$13.14	**$15.80**	$18.45	$21.11	$23.77	$29.08

Base Case (Terminal EBITDA: $3,246M)

WACC \ Exit	15x	20x	25x	30x	35x	40x	50x
7.0%	$44.32	$56.24	$68.15	**$80.06**	$91.97	$103.89	$127.71
8.0%	$39.89	$50.54	$61.20	**$71.85**	$82.51	$93.16	$114.47
9.0%	$35.95	$45.49	$55.02	**$64.56**	$74.10	$83.64	$102.72
10.0%	$32.44	$40.99	$49.54	**$58.09**	$66.63	$75.18	$92.28
11.0%	$29.31	$36.98	$44.65	**$52.32**	$59.99	$67.66	$83.00
12.0%	$26.53	$33.41	$40.30	**$47.19**	$54.07	$60.96	$74.73
13.0%	$24.04	$30.23	$36.42	**$42.61**	$48.80	$54.99	$67.37

Bull Case (Terminal EBITDA: $5,801M)

WACC \ Exit	15x	20x	25x	30x	35x	40x	50x
7.0%	$78.91	$100.20	$121.48	$142.77	**$164.06**	$185.35	$227.92
8.0%	$70.97	$90.01	$109.05	$128.09	**$147.13**	$166.17	$204.24
9.0%	$63.91	$80.96	$98.00	$115.05	**$132.09**	$149.14	$183.23
10.0%	$57.63	$72.91	$88.18	$103.46	**$118.74**	$134.01	$164.56
11.0%	$52.03	$65.74	$79.44	$93.14	**$106.85**	$120.55	$147.96
12.0%	$47.04	$59.34	$71.65	$83.96	**$96.26**	$108.57	$133.18
13.0%	$42.58	$53.64	$64.70	$75.76	**$86.82**	$97.88	$120.00

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