COMPASS WATCH

Summer 2026 Newsletter

THE HOPE TRADE: THE VALUATION OF NEW TECHNOLOGY IPOS

This summer's market news has been filled with breathless conversation about the upcoming wave of mega initial public offerings (IPOs) of stock from technology/artificial intelligence (AI) companies. This news has generated a level of excitement that harkens back to the late 1990's dot-com IPO frenzy. There are many common threads between these two eras.

On June 12, 2026, Space Exploration Company, known as SpaceX, issued shares to the public in their IPO. The company raised just over $85 billion from this share sale, making it the largest IPO, in terms of dollars raised, in history. This share sale valued the company at nearly $2 trillion at the offering price of $135 per share. When trading opened that day, the stock climbed to nearly $161 per share. In the required filing disclosures prior to the IPO, the company revealed that in 2025 they took in $18.7 billion in revenue and had a net operating loss of $4.9 billion. At this new valuation, the company's worth in the market is 107 times last year's revenue. We cannot calculate a price-to-earnings ratio (P/E) because the company loses money.

OpenAI is one of the most hyped AI companies in the world today and has filed its initial registration documents with the SEC to go public later in 2026. OpenAI is targeting a valuation of at least $1 trillion with their IPO. Their preliminary documents state that the company earned $13.7 billion in revenue last year and reportedly lost over $20 billion during that period. Assuming the company can sell shares at their target valuation of $1 trillion, the market would be valuing this money-losing company at 73 times its revenue.

Comparing the valuation of SpaceX and OpenAI to three of the largest technology companies in the table below reveals just how much hope is built into the valuation of SpaceX and OpenAI. Nvidia, Alphabet, and Microsoft are long-established technology leaders that have proven track records of management excellence and innovation.

Company	Market Value*	Sales*	Price/Sales	P/E
SpaceX	2,000	18.7	107.0	nmf
OpenAI	1,000	13.7	73.0	nmf
Nvidia	4,700	253.3	18.6	29.9
Alphabet	4,300	422.5	10.2	27.4
Microsoft	2,900	318.3	9.1	23.3

**Stated in billions of U.S. Dollars*

This valuation information leads us to believe that for SpaceX and OpenAI to justify their valuation and reward their IPO investors, nearly everything will have to go right for many, many years to come. These valuations also assume that the AI hype will last for a long time. History has shown that assumptions like this are more of a hope than a prudent investment strategy.

Here at Compass, instead of investing in hope and hype, we would rather invest in established, market-leading companies that have a long and proven track record of growing revenue and profits while innovating to meet the changing needs of their customers.

We would love to talk with you about how our strategy of focusing on established, profitable, market-leading companies can benefit you and your portfolio.

FIRM

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AUM

$2.3 billion

INCEPTION

1988

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COMPASS PHILOSOPHY

As an independently-owned firm, Compass provides customized investment services to individuals, foundations/endowments, trusts, and retirement plans. Our objective is to preserve and enhance the real purchasing power of our clients' wealth over time.

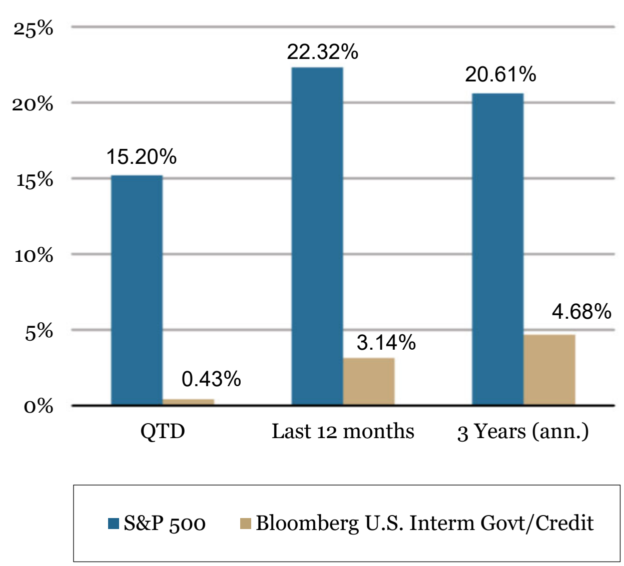
Our clients value working directly with a seasoned and experienced team of portfolio managers to help them navigate their investments relating to:

- -Building a quality portfolio
- -Retirement
- -Sale of a business
- -Divorce
- -Inheritance
- -Trust distribution

Our experienced team is always available to provide financial advice and review your financial assets.

MARKET INDICES

Total Return as of 6/30/2026



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