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Financing space: Procurement, competition and regulatory approach (2)

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# SO, YOU WANT TO BUY A SPACE COMPANY?

**Abstract**

In 2017, more than USD$3.9 billion of private capital was invested in commercial space companies. This is represents, in a single year, more than half of the total amount of private investment during the preceding five years. The private space sector has also witnessed a dramatic increase in the number of investor participants. The industry continues to expand and analysts predict that it will have grown to a multi-trillion dollar industry in the next two decades. The industry is also witnessing rapidly falling launch prices – and as launch prices drop, the barrier to enter space also decreases. In addition to facilitating the expansion of existing space-based businesses, such as telecommunications and Earth observation, greater access to outer space opens the door for new entrants in fields such as companies providing space manufacturing, mining and tourism.

Almost half of all investment in space companies since the year 2000 has been from venture capital firms, with the vast majority of these investments being made in the last six years. VC investors typically have an exit horizon of approximately seven years, which often results in a sale of the company by the VC firm to an existing industry player. This is particularly true in the satellite sector, where established incumbents often look for outside innovation (for example, Skybox's sale to Planet or DigitalGlobe's acquisition by MDA). Furthermore, space activities are very costly, but benefit from economies of scale – evidenced by joint ventures between Lockhead and Boeing (ULA) and between Airbus and Safran. Thus, for all of these reasons, we would expect to see an increase in such acquisitions and transactions in the commercial space industry in the near future.

In light of these trends and the likely consolidation the space industry will soon face, this paper will examine publicly disclosed acquisition agreements governing certain prior deals in the industry in order to draw conclusions about the unique risks faced by commercial space acquirers and how they have sought to mitigate such risks. From diligence considerations to key terms of the acquisition agreements (such as the representations and warranties), this paper will provide practical insight into the most important considerations for private deals in this growing and rapidly changing industry.