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SPACS IN SPACE: HOW BLANK CHECK COMPANIES CAN PROPEL THE SPACE INDUSTRY

Abstract

The traditionally capital-intensive space industry is receiving more investment interest than ever, and a reinvigorated asset class is offering private space companies a streamlined path to enter the public market. The special purpose acquisition company, or SPAC, provides a vehicle for investors to raise funds towards the goal of merging with an existing entity to circumnavigate the complicated and expensive initial public offering (IPO) process. While SPACs, also known as “blank check companies”, have existed for decades, the explosion of venture capital and private investing in the last several years has revived the fundraising technique. In 2020, more than 250 SPACs raised over \$83 billion with mergers spanning the gamut from healthcare to eCommerce to electric vehicles. In the last 2 years, space technology companies have received increasing interest from SPACs given the cash requirements needed for hardware-rich business plans, combined with the well-known financial upside of space that has driven significant growth in the sector for the last decade. In 2019, Virgin Galactic defined the paradigm for space acquisitions when they merged with blank check company, Social Capital Hedosophia. The deal provided Virgin Galactic with substantial cash reserves to continue development towards their plans for space tourism while avoiding the IPO environment which has historically proven inconsistent for projects with long-term visions but unproven business models. Using Virgin Galactic as an archetype, three more space companies were taken public in the last year through a SPAC – rocket manufacturer, Astra, space transportation firm, Momentus, and satellite operator, Blacksky. These organizations are diverse in their visions and represent the impressive opportunity that SPACs offer to the space community. The following study will examine in detail the SPAC process both in general and particular to the space market, as well as attempt to provide a framework for future acquisition targets by way of SPAC merger. Drawing from existing literature and case studies within the aerospace field, the present work will evaluate the differentiating impact SPAC mergers may have on the continuing expansion of the space industry.