

IAF BUSINESS INNOVATION SYMPOSIUM (E6)
Finance and Investment: The Practitioners' Perspectives (2)

Author: Ms. Susana Fornies Rodriguez
France

Dr. Daniel Novak
France

EMERGENCE OF FINANCIAL SCHEMES AT THE HAND OF SPACE COMPANIES

Abstract

This paper presents the trends in services provided by the financial industry to space businesses and how both will benefit from these. This trend goes with more dedicated financial products, evolving funding schemes, less conservative financial requirements and more embedded structured solutions. Financiers will be holding more space-related portfolios and space businesses will manage a more diverse balance sheet.

The first part of the paper describes in financial terms the current virtuous circle of easier access to space coupled with easier access to liquidity. This phenomenon can be surprising today, a year after the onset of the coronavirus pandemic raised fears of a slowdown in commercial space investment. Experts say the industry is, in fact, doing better than ever. 2020 was a strong year in terms of investments and 2021 is expected to be at least as prolific. Indeed, large funding rounds raised by SpaceX, estimated investments in Blue Origin, announced rounds of venture funding and mergers with Special Purpose Acquisition Companies (SPAC's) all signal a positive trend in the years to come. This is made possible by increasingly keen capital markets benefitting from an abundance of liquidity and favorable geopolitical trends.

The second part of the paper addresses future innovative instruments that the finance industry will likely devise for the specific needs of the space industry. The specificity of the space industry lies in its typically large capital needs, long term return cycles and so far limited exit alternatives for investors. However, risk is increasingly perceived as manageable and the requirements for granting funding are gradually loosening and diversifying. The result is schemes relying on new forms of joint ventures, various tangible and intangible assets used as guarantees that would not have been considered in traditional funding, or, mix of issuance types, just to name a few.

The paper concludes on the practical benefits of such a diversity of financial schemes for both investors and medium to large size space companies. Indeed, each investor can throttle his portfolio according to his risk appetite. In the meantime, companies find mixes of funding schemes adjusted to the complexity of their business model.