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Space Economy Session – A focus on in-space operations and their potential to stimulate economic
development (3)

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FUNDING NEW SPACE COMPANIES IN EQUITY MARKETS. ASSESSING THE RISK AND
UNCERTAINTY OF NEWLY LISTED PUBLIC COMPANIES.

Abstract

The study of the risk and return profile of financial assets is one of the most fascinating and complex endeavors in the world of finance. This paper will apply the techniques of risk assessment to the space sector through the analysis of the compared risk and return features for publicly listed space-related businesses primarily in The United States since that is where the majority of these firms are now incorporated and headquartered. The goal of this study is to analyze the volatility embedded in the stock offerings to understand the potential returns and compare volatility with the comparative risk characterizing other benchmark portfolio companies. This study is particularly interesting for understanding risk from the perspective of the enterprises themselves. In general, high volatility shown by stock prices is relevant information not only for the investors but also for the feasibility of creating effective development strategies by the companies. The possible misalignment between the trend of stock prices and the value of equity creates a useful hypothesis that the financial markets are not yet ready to host the securities issues by many companies in the space sector or the companies themselves are not yet prepared to meet the expectations expressed by the markets. The maturity of the companies is a driver for this and the fact that most space companies have genesis linked to government funding. There is the lack of a space industry financial market populated by derivative instruments, which ordinarily would allow the development of sophisticated mitigation strategies for companies and investors. This makes it difficult for analysts to estimate a current value of risk for companies requiring sources of funds and for the actual and potential investors. References to the trend in the markets allow for estimating the Value at Risk (V@R) on a portfolio of space-related assets. This promises to be one of the most innovative contributions of this paper. In conclusion, this first step toward space risk assessment and mitigation study extends to an estimation of the correlation among the listed space-related businesses and between them and a large benchmark portfolio of listed companies belonging to high technology sectors.