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Space Entrepreneurship and Investment: The Practitioners' Perspectives (1)

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WHAT'S LEFT OF THE SPACE SPAC HYPE AND HOW DID IT SHAPE PRIVATE SPACE
FUNDING?

Abstract

From 2019 to 2021, nearly a dozen space companies went public using a Special Purpose Acquisition Company or short SPAC. These companies represented a heterogeneous mix of space companies with business models in launching, earth observation, or space tourism. However, in the years that followed, the share price of all space SPACs fell sharply, resulting in significant losses for investors and major financing issues for the respective companies. While the rise in interest rates is one of the leading causes of the decline, all space SPACs apparently failed to meet the market's expectations regarding technical advancements, revenue and profit. In this paper, I investigate the causes of the decline of space SPACs, using traditional metrics like estimated revenues and space-specific metrics such as successful launches or secured government contracts. Were all space SPACs unable to reach their ambitious targets, or were some dragged down by the general turmoil in the SPAC market, even though they reached their promised targets? To answer this question, I use SEC filings of space SPACs, such as annual and quarterly reports, reports of major events (Form 8-K), and key financial data provided by Refinitiv Eikon. I investigate how the performance of space SPACs relates to the performance of SPACs in other sectors and whether there is a fundamental selection bias in the companies that opt to go public via a SPAC. For this purpose, I am investigating how the companies' projections and business models of the space SPAC hype (2019-2021) differed from those of space companies that went public through traditional IPOs in the decades before. Finally, I investigate subsequent behavior of entrepreneurs and investors after the decline of space SPACs and how companies that went public in 2022 and 2023 (such as Lynk and Intuitive Machines) and how they might have behaved differently during their public offerings. For example, are their estimates of revenues and timetables more pessimistic? This paper provides a valuable assessment of the post-SPAC hype era. It offers insights into the factors that led to significant devaluations, making it relevant for both investors and entrepreneurs.