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

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A COMPARATIVE ANALYSIS OF VC INVESTMENTS IN THE SPACE INDUSTRY ACROSS THE
“FIVE EYES” AND EU REGION

Abstract

Due to several concurrent factors, the space sector has seen a paradigm shift in the last two decades, leading to the birth of the newspace economy and the creation of many new startups. The newspace economy is characterized by a smaller role for the government and a substantial contribution of private investments, including angel investors, corporations, accelerators, incubators, and venture capital (VC) firms. At the current stage of development, understanding investment trends in this sector has become crucial for stakeholders, including entrepreneurs, policymakers, and industry analysts. On the other hand, the space industry, characterized by extended development cycles and significant capital requirements, poses interesting challenges and opportunities for venture capitalists. VC investments represent a substantial proportion of the capital invested in the space industry. This paper investigates early-stage VC investment trends in the space industry, focusing on Series A and pre-Series A funding rounds, across three major geographical regions: the United States (US), the Five Eyes alliance excluding the US (FVEY Ex-US, composed of Canada, the United Kingdom, Australia, and New Zealand), and the European Union (EU). This paper's focus on these three regions reflects the constituent countries' strategic interest in nurturing a commercially competitive space sector. This work utilizes commercially and publicly available information about investments in space startups and uses this information as a proxy for the relative development of the sector as an investable field within VC over the past 15 years. Given the low number of pure-play space VC funds, this paper evaluates space startup investment performance

via the metrics of capital deployment and valuation growth, which enable a more accurate comparison across times and currencies. This perspective is crucial, considering the insufficient number of VC-backed space startups that have reached maturity for exit, making traditional investment success metrics less applicable. Through this analysis, the paper contributes to a deeper understanding of VC's role in the space industry. It provides insights for investors, policymakers, and industry stakeholders, underscoring the importance of assessing the financial performance and potential of early-stage space startups. This research not only advances academic knowledge but also supports informed decision-making in the VC ecosystem, facilitating strategic investments in one of the most promising and complex sectors of the economy.