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

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SPACE ECONOMY IN EMERGING SPACE ECOSYSTEMS - FILLING THE GAP OF NEW SPACE
INVESTMENTS THROUGH INVESTMENT BANKING INITIATIVES

Abstract

Although there is no uniform definition of the Space Economy, a growing number of countries are interested in measuring this segment and analysing national space sectors from an economic perspective. Such studies consist of a number of indicators that make the measurability of the space economy increasingly reliable and closer to reality. The authors of this paper, however, focus on a factor that relates to the tracking of investments that have a real impact on the development of the space sector, especially in emerging space countries such as those in the CEE Region. Despite the existence of many ways for raising capital on the market, public investment still remains the majority in financing space activities and the space market still lacks adequate funding especially for young start-ups and SMEs. Particularly noticeable is the gap in private funding focused on early-stage and growth-stage phases. In addition to the well-known forms of private financing in the space market, i.e. Venture Capital representing the vast majority of investments in the European market, Private Equity, Mergers and Acquisitions, a new trend is emerging in the space sector, related to Investment Banking, which may become a decisive mechanism in the development of the space economy. This gap is due to several factors, namely 1) lack of expertise and communication between investors and space companies 2) investor interest around a mature market and failure to recognize exit opportunities in the space segment 3) many space companies opt for early initial public offerings (IPO) due to the lack of follow-on finance. In view of the above aspects, the growth potential of long-term investment in the space industry may therefore be enhanced by more established players in the financial industry and the exposure to banking investment initiatives may contribute to raising funds on a much larger scale. The aim of the authors is to show whether and how a business model based on raising capital in partnership with investors, such as banks could become a key factor in filling the funding gap faced by potential space sector stakeholders, especially in emerging space economies and ecosystems.