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FINANCIAL MANEUVERS: ESTIMATING AVERAGE BURN FOR SPACE STARTUPS

**Abstract**

Despite an influx of \$25B in space funding since 2020, current macroeconomic conditions such as rising interest rates and broad investor uncertainty have created challenges for startups to raise capital. Given the capital-intensive nature of the sector with prolonged breakeven timelines, emerging space companies must reassess their investment roadmaps to ensure sustainable growth.

While typical time between rounds for startups generally ranges from 24 to 36 months (averaging around 27 months per Crunchbase), an analysis of space fundraising and cash burn rates suggests that space startups currently have an accelerated need for capital to support growth. Evaluation of data from Pitchbook for 261 global space companies and 1,633 deals indicates an average time between fundraising rounds of 16.9 months or approximately every 1.4 years.

Additionally, an assessment of nine space Special Purpose Acquisition Companies (SPACs) excluding Virgin Galactic, Intuitive Machines, and Satellogic shows a significant quarterly cash flow burn rate of approximately \$30 million. The latest year-end balance sheets show cash short-term investments average \$171 million for the specified companies. In effect, the time needed for additional fundraising (assuming companies do not reach cash flow positive by 2025 or have covenants requiring minimum liquidity) averages roughly 18 months.

Startup fundraising analysis to date includes coverage of non-space businesses with shorter development timelines and less capital-intensive businesses models (e.g., Enterprise SaaS). Data suggests that when space managers build operating plans for their companies, the space industry may require more proactive financial planning including targeting fundraising every year especially in today's economic environment. This study aims to validate the mentioned preliminary findings through data refinement, but also to advance the conclusions to consider average burn rate across company stage, headquarters locations, and space segment (e.g., launch, satellites, analytics, etc.), so that space startup managers can leverage this study to more effectively develop business and financing plans between rounds without risking unfavorable fundraising terms or bankruptcy.