Space Venture Europe: *Entrepreneurship and private investments in European space sector*

World Space Forum
Vienna, 19th November 2019
The European think-tank for Space

The institute provides decision-makers with an informed view on mid- to long-term issues relevant to Europe’s space activities.
Space Venture Europe 2018

The Study provides a complete overview of entrepreneurship and private investment trends in the European space sector based on indicators and statistics.

Space Venture Europe 2019 is coming soon!
“New Space” trends

- New verticals in the upstream sector structured around innovative solutions (cubesats, mega-constellations, on-orbit servicing...)
- New downstream markets: global connectivity, geo-information, IoT/M2M networks, space tourism, space mining

- Considerable growth of private investment since 2000*
- Private investment around $1.7 billion per year (2012-2017)*
  *Bryce, Start-up Space 2018

- New procurement schemes seeking cost effectiveness
- Optimisation of industrial organization (removing prescriptive constrains)
- Risk sharing with private sector
- Evolution of industrial policy towards market creation

- Entry or emergence of new companies challenging the traditional approach with alternative models
- Entrepreneurs and new business ventures
- Non-space companies entering the sector

- Technology not the main driver of innovation: product, process and business innovation favoured
- Business strategy based on disruption with aggressive value propositions
- Common features of value propositions: integration/customization, flexibility, availability, decomplexification, etc.

- Low cost development and production methods of space systems
- Solution presented to disrupt existing markets or address new mass markets
Private investments in European Space start-ups

General overview:
• **113** private investment deals
• Total amount of **€562.7 million**

2018 Insights:
• New record high with +25% of recorded deals
• + 2% of total deals value, reaching **€220 M**

Including mature start-up in the scope of the study the total amount of investment would reach **€1.78B**
Private investments in European Space start-ups

Overview 2014-2018

- **Venture capital** is the main form of private funding for start-ups
- Total number **VC deals**: 48
- Total amount invested over the period **€365.8 million**
- VC represented the **65% of the total** amount of private investments

This trend was confirmed in 2018 marking a **+56% in the total VC** invested compared to previous years
Distribution of investment in Europe

With both a strong start-ups and investors base, the **United Kingdom**, stands out as a clear leader of the space entrepreneurship trend in Europe.
Investment across the space value chain

- Investments in the **upstream segment** are **more than twice greater** than in the downstream.
- The emergence of **vertical; integrated business models** investments in the upstream ultimately affect the downstream as well;
- The **space sector benefits** greatly from **investments in other sectors**;
- The growing **cross-fertilization** between space ad terrestrial technologies is poised to become increasingly blurred.
European Space Entrepreneurial Ecosystem

European space start-ups are largely innovation-driven

The average start-up is led by 2 to 3 founders and employs 9 people.

A vast majority of start-ups (63%) also seek to address global markets with their product and only 8% confine it to their domestic market.
### European Space Entrepreneurial Ecosystem

#### Financial support:
- 60% of start-ups benefited from at least one type of financial support
- VC firms, business angels and private equity firms (73% of the total private investments), are underrepresented

#### Non-financial support:
- 60% of start-ups looking for non-financial support
- networking events (30%), incubators (29%) and competitions (23%)

<table>
<thead>
<tr>
<th>Source of Support</th>
<th>Received</th>
<th>Planned for the Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venture capital firm</td>
<td>30%</td>
<td>18%</td>
</tr>
<tr>
<td>Public (e.g. crowdfunding)</td>
<td>16%</td>
<td>5%</td>
</tr>
<tr>
<td>Private equity firm</td>
<td>20%</td>
<td>7%</td>
</tr>
<tr>
<td>Incubator/Accelerator</td>
<td>20%</td>
<td>16%</td>
</tr>
<tr>
<td>Government</td>
<td>45%</td>
<td>27%</td>
</tr>
<tr>
<td>Bank (e.g. loans)</td>
<td>20%</td>
<td>14%</td>
</tr>
<tr>
<td>Business angel</td>
<td>18%</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
<td>4%</td>
</tr>
</tbody>
</table>

- Company builder: 7%
- Incubator: 29%
- Accelerator: 20%
- Independent expertise: 36%
- Networking event: 39%
- Competition: 25%
- Other: 2%

© ESPI 2019  
www.espi.or.at
Space start-ups
ESPI survey

- 27% Sales/Customer acquisition
- 15% Raising capital
- 14% Cash flow/liquidity
- 9% Product development

All start-ups (ESM16)

- 20% Sales/Customer acquisition
- 12% Raising capital
- 8% Cash flow/liquidity
- 17% Product development
Space start-ups perceive their business environment as rather hostile:

- Difficulties with the demand side: reluctance to change, a market that is not yet mature, a concentrated demand;
- intense competition (43%),
- a strong bargaining power of suppliers (33%)
- potential entry of new entrants (39%) or substitute products (30%) on the market.
Expectations from public actors are much higher than every other industry across all the themes addressed in the survey.

<table>
<thead>
<tr>
<th>Category</th>
<th>Space start-ups</th>
<th>All start-ups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved exchange between politics, startups, and the established economy</td>
<td>53%</td>
<td>13%</td>
</tr>
<tr>
<td>Raising the cultural acceptance for entrepreneurship</td>
<td>51%</td>
<td>15%</td>
</tr>
<tr>
<td>Establishing entrepreneurship education</td>
<td>38%</td>
<td>20%</td>
</tr>
<tr>
<td>Better support to founders (e.g. local support and advice structures)</td>
<td>42%</td>
<td>23%</td>
</tr>
<tr>
<td>Support for venture capital</td>
<td>42%</td>
<td>26%</td>
</tr>
<tr>
<td>Better understanding of the special needs of startups</td>
<td>51%</td>
<td>30%</td>
</tr>
<tr>
<td>Support with raising capital</td>
<td>53%</td>
<td>33%</td>
</tr>
<tr>
<td>Tax reduction/relief</td>
<td>40%</td>
<td>49%</td>
</tr>
<tr>
<td>Reduction of regulatory and administrative burden</td>
<td>57%</td>
<td>60%</td>
</tr>
</tbody>
</table>
Key findings

1. Investment value is mostly concentrated in a few large transactions.
2. Space entrepreneurship dynamism is widespread across Europe with a few top countries.
3. Limited correlation between national public space budgets and the intensity of domestic entrepreneurship.
4. Investment in the space sector is fuelled by synergies with other sectors.
5. European space start-up generates an annual return of €500,000.
6. Space start-ups are radically more innovation- and global-oriented than other European start-ups.
7. The space sector offers a fertile ground for entrepreneurship.
8. Compared to other sectors, space start-ups perceive their business environment as rather hostile but are more confident in their growth perspectives.
9. Space start-ups expect financial and non-financial support, in particular from public sources.
10. Space start-ups highly value networking and mentoring.
11. For space start-ups gaining customers and securing sales is a greater challenge than raising capital.
12. Space start-ups have higher expectations from politics than other startups.

Private investment in European space start-ups exhibits a massive growth since 2014.
Thank you

Annalisa.donati@espi.or.at

Follow us on
facebook.com/EuropeanSpacePolicyInstitute
@ESPIspace
linkedin.com/company/european-space-policy-institute