

EUROPEAN PRIVATE SPACE INVESTMENTS: CREATING GROWTH AND RESILIENCE IN A CONTESTED MARKET

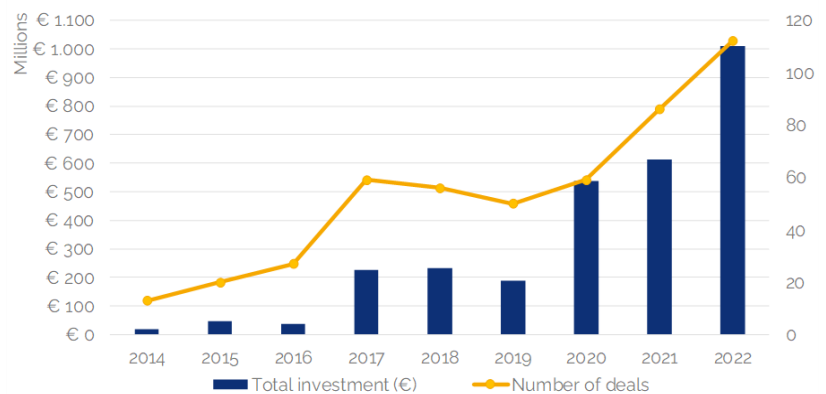


Private investment in space is one of the key enabling components for the accelerated growth of the space sector and for increasing the benefits for society and the economy. ESPI is about to publish its 5th edition of the Space Venture Europe Report, providing a complete overview of private investment trends in the European space sector.

2022 marks a ground-breaking year for Europe with over €1B invested into European space startups in over 112 deals, more than 65% up since 2021. This is a conservative estimate as it does not include the volume of investment of another 23 undisclosed transactions.

Private space investment in Europe has seen a compound annual growth rate (CAGR) of close to 60% since 2014, with a real step-change since 2020. Over that period, European space start-ups have raised a total of €2.9B (not including OneWeb). While significant, it remains minimal when compared to what has been raised in the rest of the world and notably in the U.S., which saw a total invested amount into New Space companies of about €8B in 2022.

In an **ESPI Executive Brief 2022**, ESPI elaborated on changing structural conditions that could put the New Space model and financing notably in Europe at risk. The Brief anticipated that a combination of supply chain shortages, worldwide inflation, geopolitical tensions and an aggressive rise in interest rates could adversely impact the growth in the industry. Additionally, the sharp increase in interest rates and the poor performance of recently publicly listed space companies was seen as triggering a shift away from space towards sectors associated with lower risks, potentially constraining the influx of capital into the space sector.



Investment value and number of deals per year (OneWeb not included)

Yet, in early 2023, Europe has seen an unprecedented backing in some of the more established New Space actors:

- On January 19th, **ClearSpace** announced a €26.7M series A financing round.
- On February 2nd, **The Exploration Company** announced a €40.5M Series A.
- On February 7th, **Exotrail** announced a €54M series B round.
- On March 28th, **Isar Aerospace** announced a Series C round of €155M.

Beyond these larger deals, Europe has also seen a range of pre-seed and seed deals as well as a few acquisitions. This positively coincides with a few larger scale ESA and national contracts for space startups, and illustrates the critical role of public actors, as risk takers, early adaptors and anchor customers.

However, moving forward, Europe's New Space sector needs to navigate a complex landscape characterised by remarkable growth in private investments, while simultaneously adapting to continued uncertainties arising from supply chain disruptions, inflation, and geopolitical unrest. In light of this, questions arise regarding the suitability of Venture Capital alone to support the scale-up required in the coming years. The market is undergoing a fundamental transformation, and traditional investment approaches that prioritise shorter term profitability are likely to increasingly shy away from a sector characterised by high risk, long development cycles, substantial capital requirements, and limited exit opportunities. European space startups and emerging New Space actors should promptly explore alternative sources of investment that may be better suited for the years ahead and take note of best practices from around the world. This should include government-backed loans, corporate venture capital, pension funds, and strategic partnerships. Conversely, European institutions must recognise that, in order to effectively support the further growth of this sector, increased flexibility and new tools are required as part of their support strategies. This is also essential at a time when Direct Foreign Investment becomes a concern in a changing geopolitical context and to institutional programmes.

Only by introducing also alternative ways of private investment and public support, Europe can maintain its momentum in the New Space revolution and ensure long-term stability and resilience in a rapidly growing and highly competitive market.

Yours sincerely,



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Director of ESPI