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Finance and Investment: The Practitioners' Perspectives (2)

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FUNDRAISING STRATEGIES IN THE UK SPACE START-UP ECOSYSTEM

Abstract

The global space industry has experienced a paradigm shift in the last two decades. Since the founding of SpaceX in 2002, angel investors and venture capitalists have realized that there are massive returns when investing in space start-ups. We now have space companies that have started out in garages and are now operating constellations of hundreds of satellites, while reaching valuations over one billion dollars, also known as space unicorns. With the industry currently valued at USD 350 billion and expected to reach a value of USD 1 trillion in the 2040's, it is indeed an exciting time to join the new space race. Although there is more capital available for space start-ups, it is important to generate a strategy that considers different funding mechanisms and the correct time to approach them. The main goal of this report is to provide a fundraising strategy for Super-Sharp Space Systems Limited (S4), a United Kingdom (UK) based space start-up focused on producing high-resolution space telescopes for Earth Observation and astronomy applications. The company is in the process of spinning-out from the University of Cambridge and developing a prototype of their flagship product. The report explores what type of funding mechanisms exist in the UK, what type of investors to approach, how much funding is required to operate the start-up and when would be the best time to raise funds based on the venture's requirements. To answer these questions, primary and secondary market research of the UK space start-up ecosystem was conducted, by interviewing entrepreneurs, investors and government representatives, and by researching market reports that included investment data for space start-ups. A map of different funding sources in the UK was also generated, including grants, angel investment and venture capital funds, which were applicable to S4. Additionally, the report includes a case study of Oxford Space Systems, one of the most successful UK space start-ups, to understand the strategies used when raising funds. The report ends with the proposed fundraising strategy, which includes a fundraising timeline, grants to consider and investors to approach, as well as the type of investor network that is required for different stages of the start-up and successful tactics employed by entrepreneurs, based on a concept called catalysing strategies. Further recommendations for the S4 team are presented, including alternative funding methods and the advantages of operating in the Cambridge entrepreneurial ecosystem.