



*This article is the first of a series by the Perkins Coie [NewSpace industry group](#) on developments in the "newspace" industry.*

Responsible for lowering the cost to access space, the "newspace" industry has been developing new and fast-moving business models that have opened up new markets. It has advanced technological innovations, including by rapidly iterating technology optimizations for customer fit. These private operators are increasingly backed by private investors, arrangements that are driving space investment in what was traditionally a mostly government-backed industry. This update summarizes the recent rapid growth of private investment in three key areas: venture investment, special purpose acquisition corporation (SPAC) trends, and acquisition activity. It also touches on the impact of the volatile financial markets on each of these at the start of 2022.

## VC Investments

Venture capital (VC) investment in space-related startups is markedly increasing. From 2020-2021, venture funds have placed billions of dollars of capital into space startups, with investments ranging from small seed rounds to large late-stage series investments. The [volume of 2021 raises](#) in each of Seed, Series A, and Series B categories exceeded the annual volume of both 2019 and 2020. Satellite constellations and similar platform technology (such as HawkEye 360's \$145 million raise to scale space-based radio frequency analytics) accounted for nearly half of year-to-Q3 venture investments in 2021. However, it did decline slightly in total share in favor of the "build" segment (satellite manufacturing, propulsion, and related sub-systems) and the "launch" segment (launch, orbital deployment, and orbital transfer vehicles, such as Loft Orbital's \$140 million Series B for its platform designed to assist the launch and operation of satellites). Intersatellite communications and space infrastructure also received significant attention, with Sierra Space raising a \$1.4 billion Series A to finance the building blocks of its planned commercial space station. This influx of capital has led to heightened innovation and market momentum in the newspace sector, which we expect to carry forward into the coming years.

## SPACs

2021 stands out as the year that newspace companies arrived on public markets. The SPAC boom that marked the first half of the year extended to the newspace sector, with a significant number of space companies going public through SPAC mergers in 2021 and others announcing SPAC mergers that have yet to be completed. The newly listed companies were in a wide range of subcategories, but the largest subcategories by value were grouped around launch (Astra, Archer Aviation, Rocket Lab, and Virgin Orbit, among others) and earth observation and analytics (Spire, BlackSky, and Planet Labs, among others).

While the resulting listed companies in many cases ended up trading below their de-SPAC value by end of year (some significantly), the access to public markets is itself a validation of the broad commercial interest in the opportunities arising in sector. Overall SPAC activity has slowed with less tolerance for risk in the market and [increased regulatory scrutiny](#) from the U.S. Securities and Exchange Commission (SEC), and the newspace industry is no exception.

## Acquisitions—Strategic Expansion

Not surprisingly, the combination of strong venture capital inflows and access to public markets has increased acquisition activity in the newspace industry. Incumbents and upstarts alike are starting to acquire new and innovative technologies to scale growth and expand into new segments of the market.

Firms that are now public as a result of SPAC mergers are already deploying funds in the sector. Virgin Orbit has initiated a series of [venture and growth investments](#) in recent months. Rocket Lab, primarily a launch

operator, is following a [vertical integration model](#) by acquiring startups in the sector. These include Planetary Systems Corporation (satellite separation systems), Advanced Solutions, Inc. (flight software and guidance systems), and SolAero (solar power systems).

Incumbents are also making bold moves. Viasat announced plans to acquire Inmarsat in a \$7.3 billion deal that brings together two major satellite operators with broad portfolios in broadband and mobility.

## **Start of 2022**

Rising interest rate, high inflation, and geopolitical concerns have increased financial market volatility in Q1 2022. These circumstances would be expected to affect the above three areas. So far, venture capital investments have been steady, with ICEYE, which touts the ability of its satellite constellation to peer through cloud cover, raising \$136 million in Series D funding. Xplore is raising \$16.2 million in its latest round for its space-as-a-service play. Some planned SPACs have wobbled, with weather and climate security platform, Tomorrow.io, electing to remain private by [terminating its \\$1.2 billion SPAC](#) merger, citing market conditions. Others, such as satellite communications equipment maker, SatixFy, [have decided to go public](#) via SPAC despite the market uncertainty. Acquisitions have been quieter.

Some hesitancy is anticipated in these investment areas in the near term along with the rest of the market. As activity ramps up over time, expect acquisitions to play a greater role as financed startups prove their value and larger players continue to look at vertical integration or horizontal overlaps. Several space firms that went public via de-SPAC transactions in 2020 and 2021 have continued to see share price decreases on public markets. These may themselves become the target of acquisition activity in the months ahead. Public listing via SPAC mergers is likely to be limited with the current market volatility and regulatory scrutiny, but it may continue to play a role in shaping exit opportunities, especially for players with commercial traction.

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