



(image by ESA: https://www.esa.int/ESA_Multimedia/Images/2015/01/PICASSO_CubeSat2)

Annual overview of the economic importance and financial strength of SMEs in the European space industry - Preliminary Results 2024 Edition



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EIB Space Finance Lab - ILA Berlin 6th June 2024

SME4SPACE

Highlights

~ 1700 SMEs analysed

Data from 2015-2022

Based in European Member States (EU&ESA) + Canada

~ 4.2 billion euro as total turnover

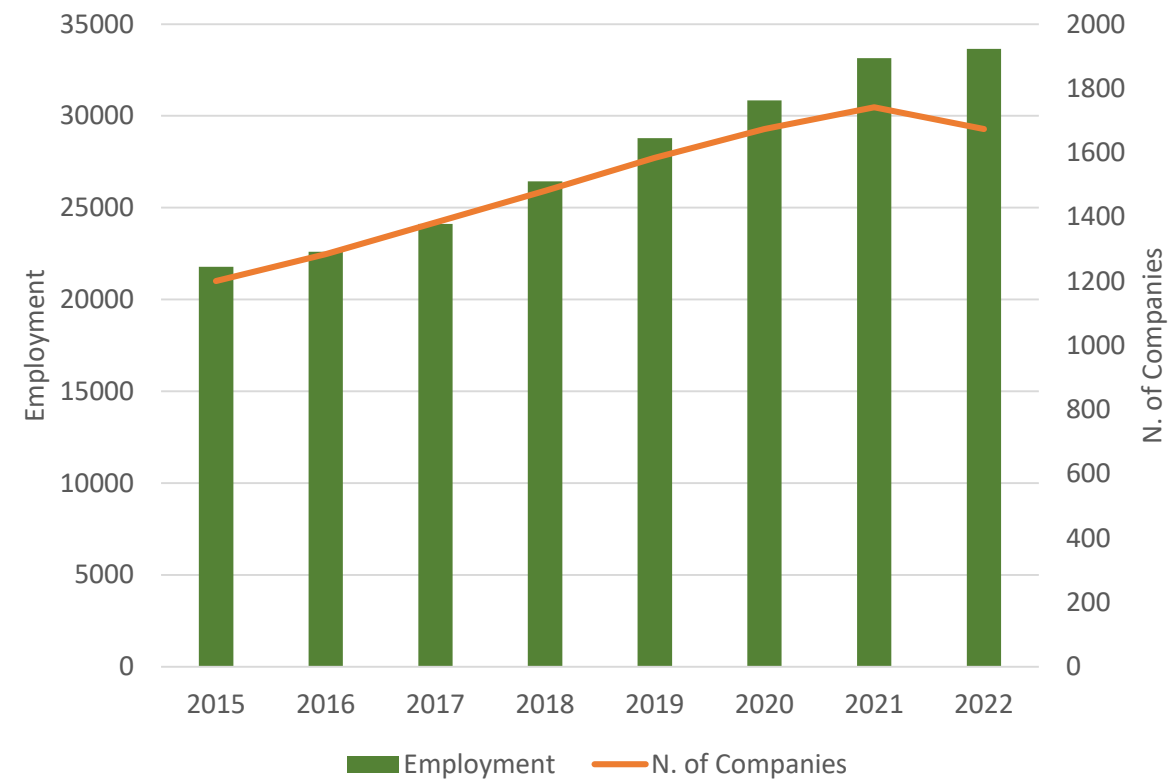
33,653 employees full-time equivalent

~ 5.8 billion euro as total assets

in 2022

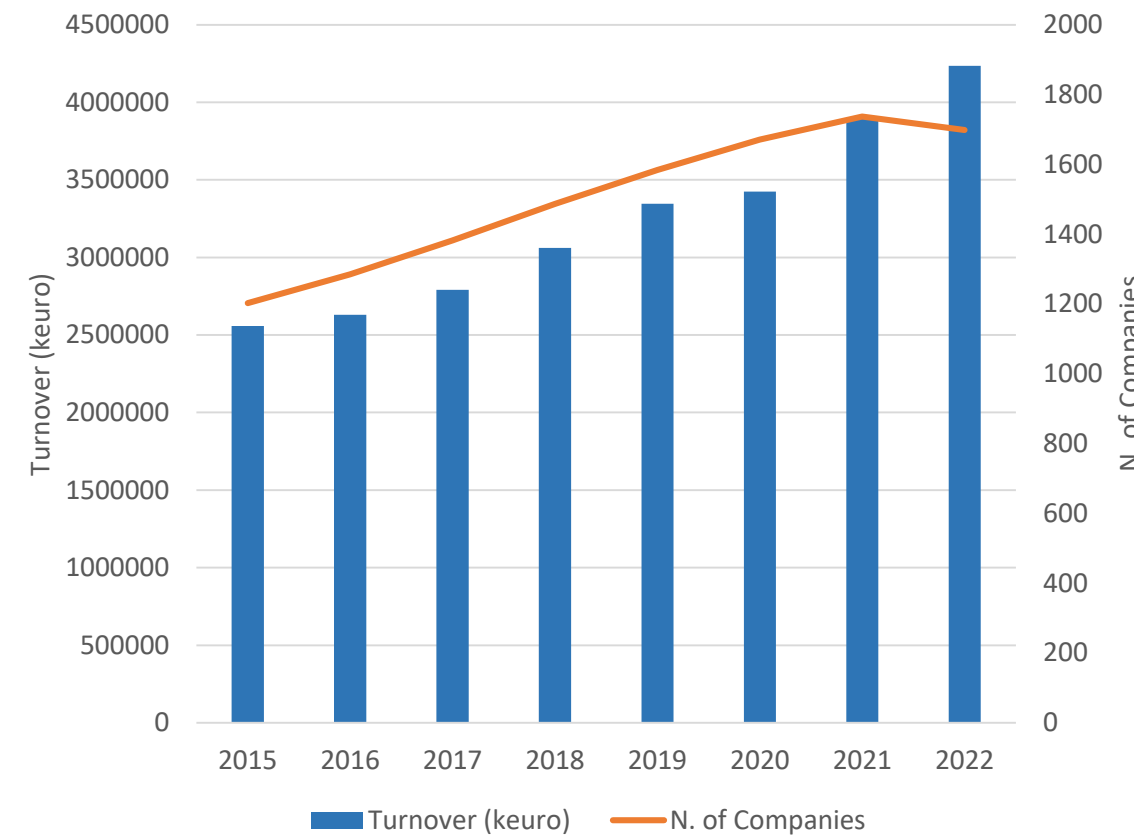
Key Findings: Economic importance

Employment



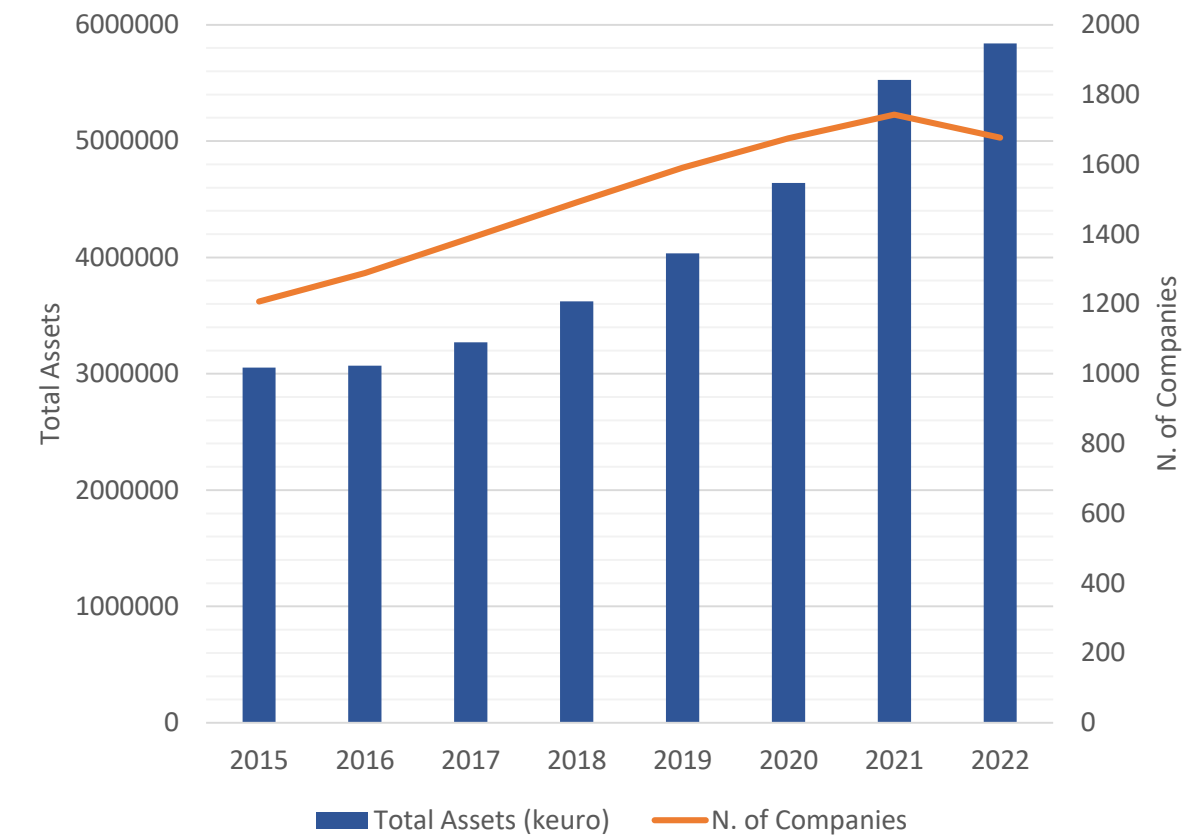
In 2022, SMEs involved in space activities collectively employed **33,653 full-time equivalent (FTE) employees**

Turnover



The 1,700 SMEs realised a total turnover of more than **4.2 billion** euro in 2022.

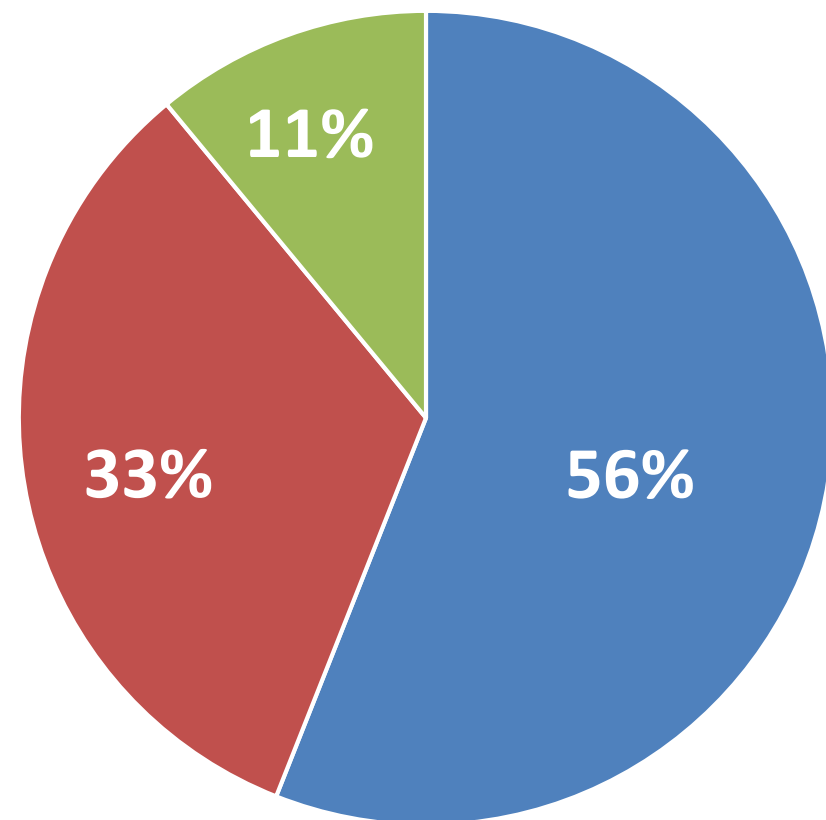
Total assets



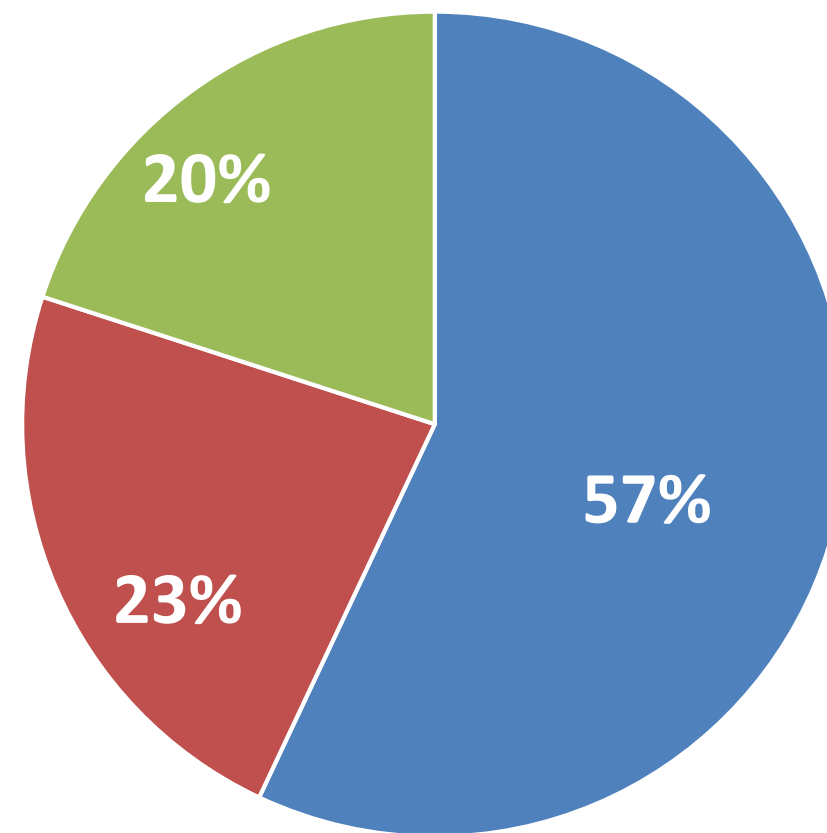
The **space industry is highly capital-intensive** and companies have to invest heavily to compete successfully in the space markets. The invested amount in **total assets in the year 2022 is close to 5.8 billion euro**, whereas the ratio of turnover to assets, measuring how much turnover a euro investment in assets (regardless of who is financing the assets, i.e. equity or debtholders) generates on a yearly basis, for the average (and medium) company is lower than 1.

Key Findings: Economic importance

Turnover



Employment



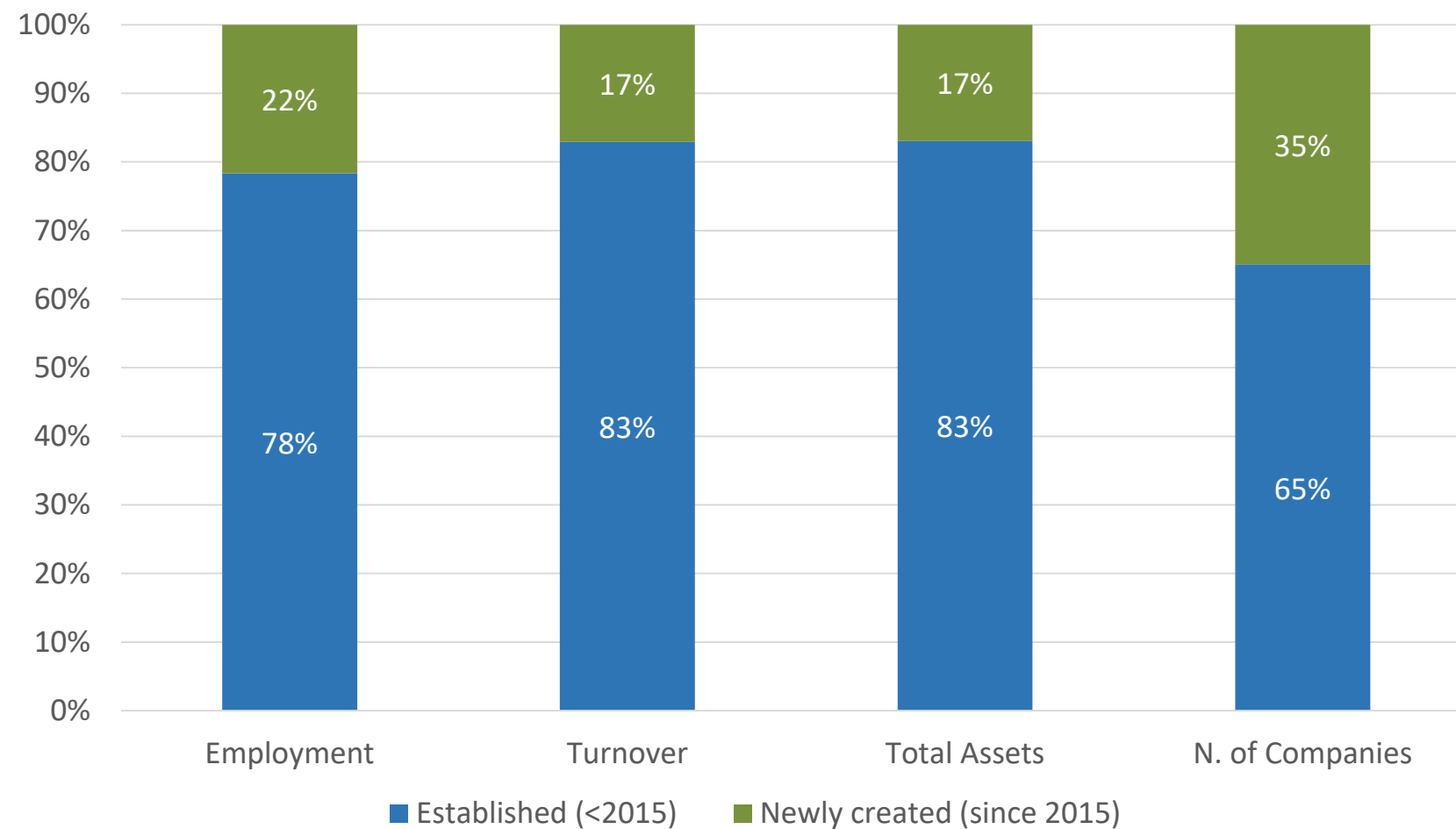
■ Space ■ Non Space ■ Space-derived activities

A qualitative survey among SMEs reveals that, on average, **56% of turnover** and **57% of employment** in the target population are dedicated to **upstream and downstream activities**. Additionally, another **11% of turnover** and **20% of employment** are allocated to the **use of space technology in other industries (space-derived activities)**

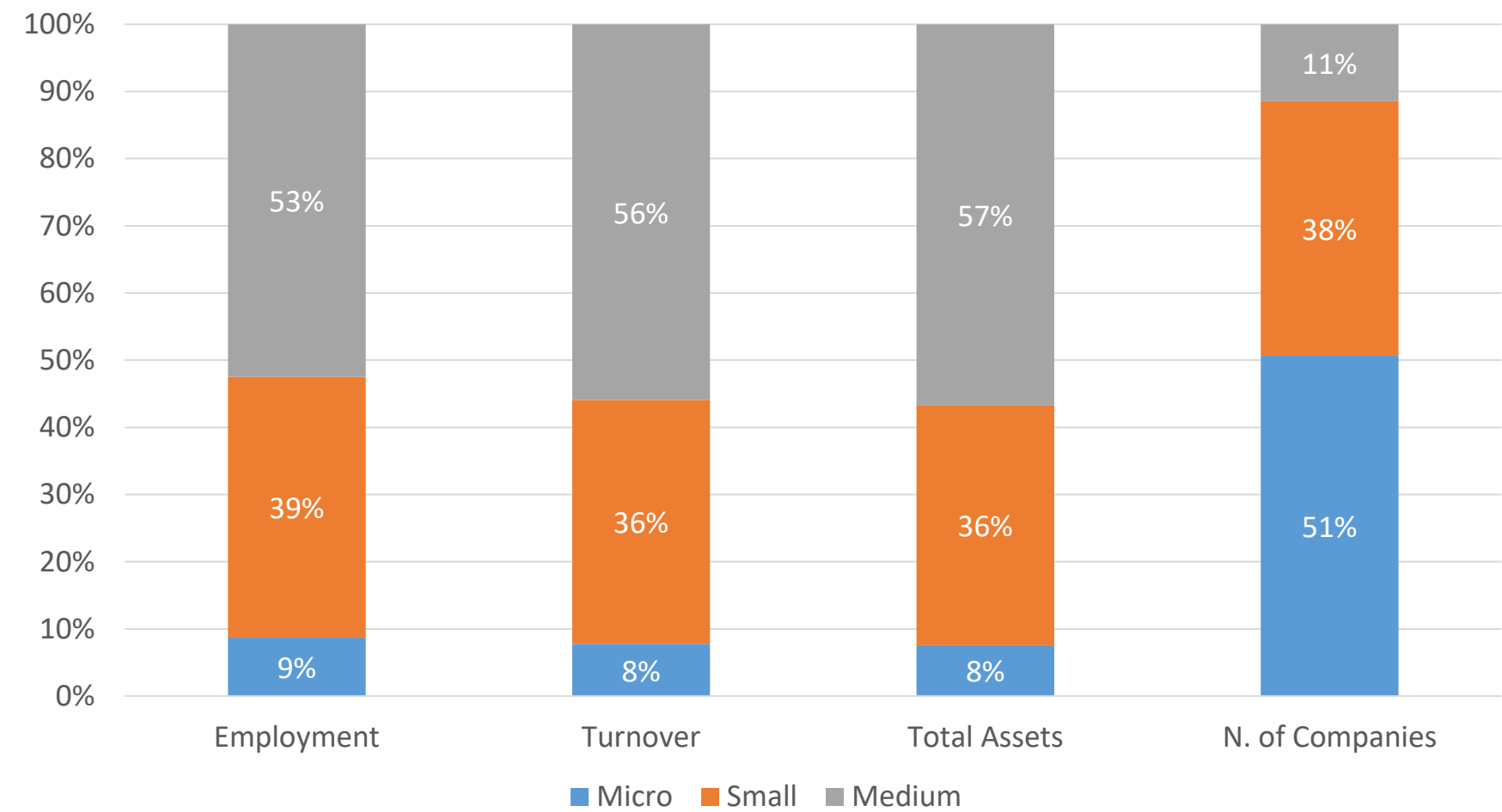
In total: 67% of TO and 77% of workforce are space-related

Key Findings: Economic importance

Established versus newly created SMEs 2022



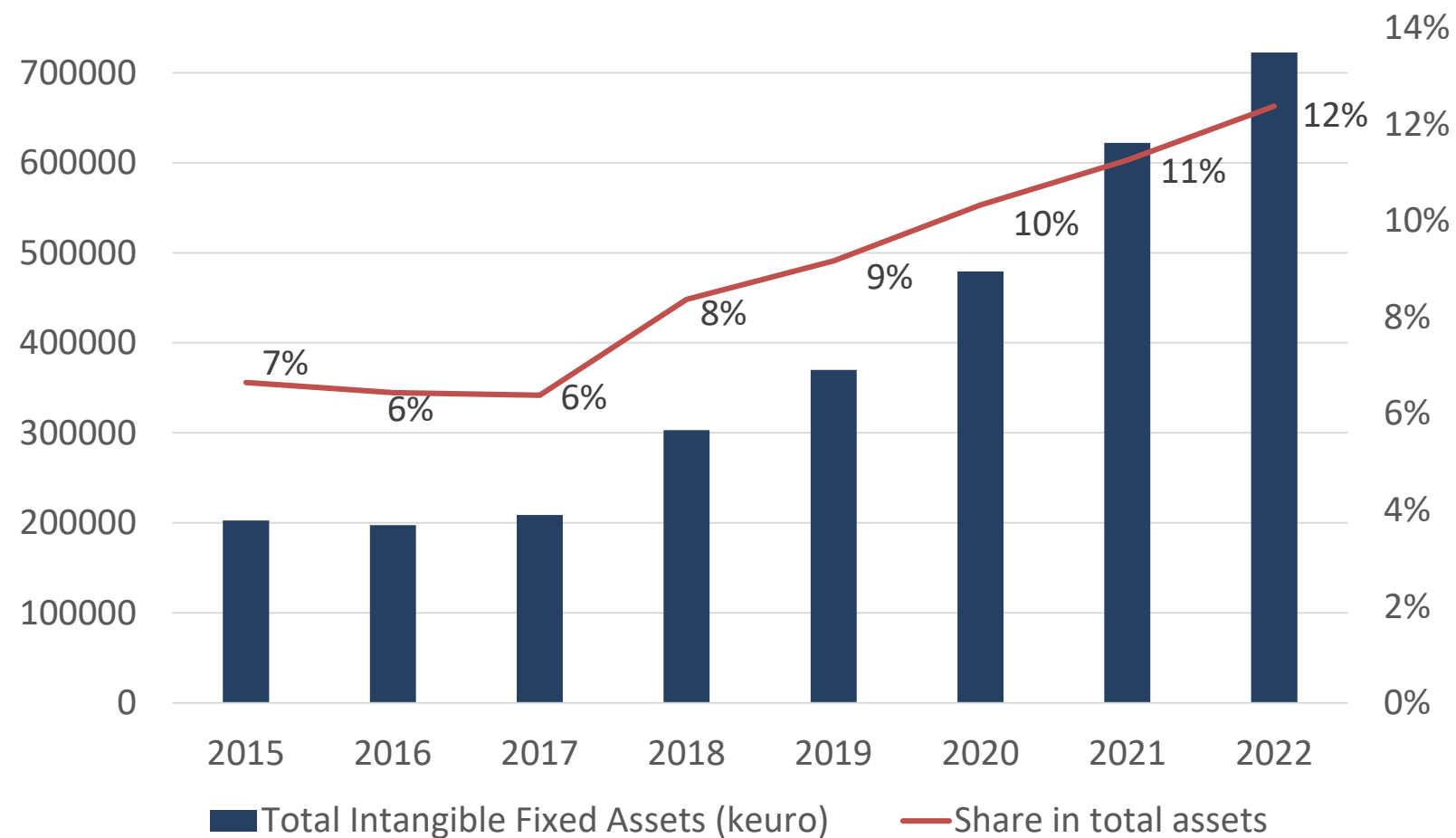
Distribution by size class 2022



Note: Firms are categorised by size class according to the EU definition: “micro” enterprise: fewer than 10 employees and an annual turnover (the amount of money taken in a particular period) or balance sheet (a statement of a company’s assets and liabilities) below €2 million; “small” enterprise: fewer than 50 employees and an annual turnover or balance sheet below €10 million; “medium-sized” enterprise: fewer than 250 employees and annual turnover below €50 million or balance sheet below €43 million.

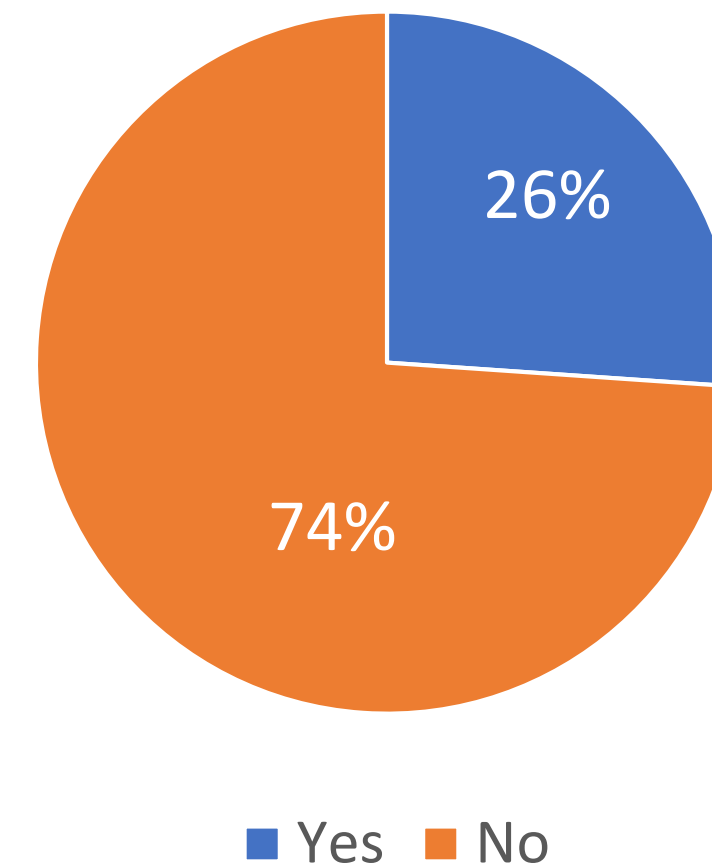
Key Findings: Innovation activities

Investments in intangible fixed assets



Intangible fixed assets include non-physical assets that have value to a company, including intellectual property such as patents, copyrights, trademarks, or software but also capitalized R&D expenses. Intangible fixed assets are seen as a valuable indication of future revenue potential, enhance brand recognition, or provide competitive advantage. Over the period 2015-2022 the total amount of intangible fixed assets tripled.

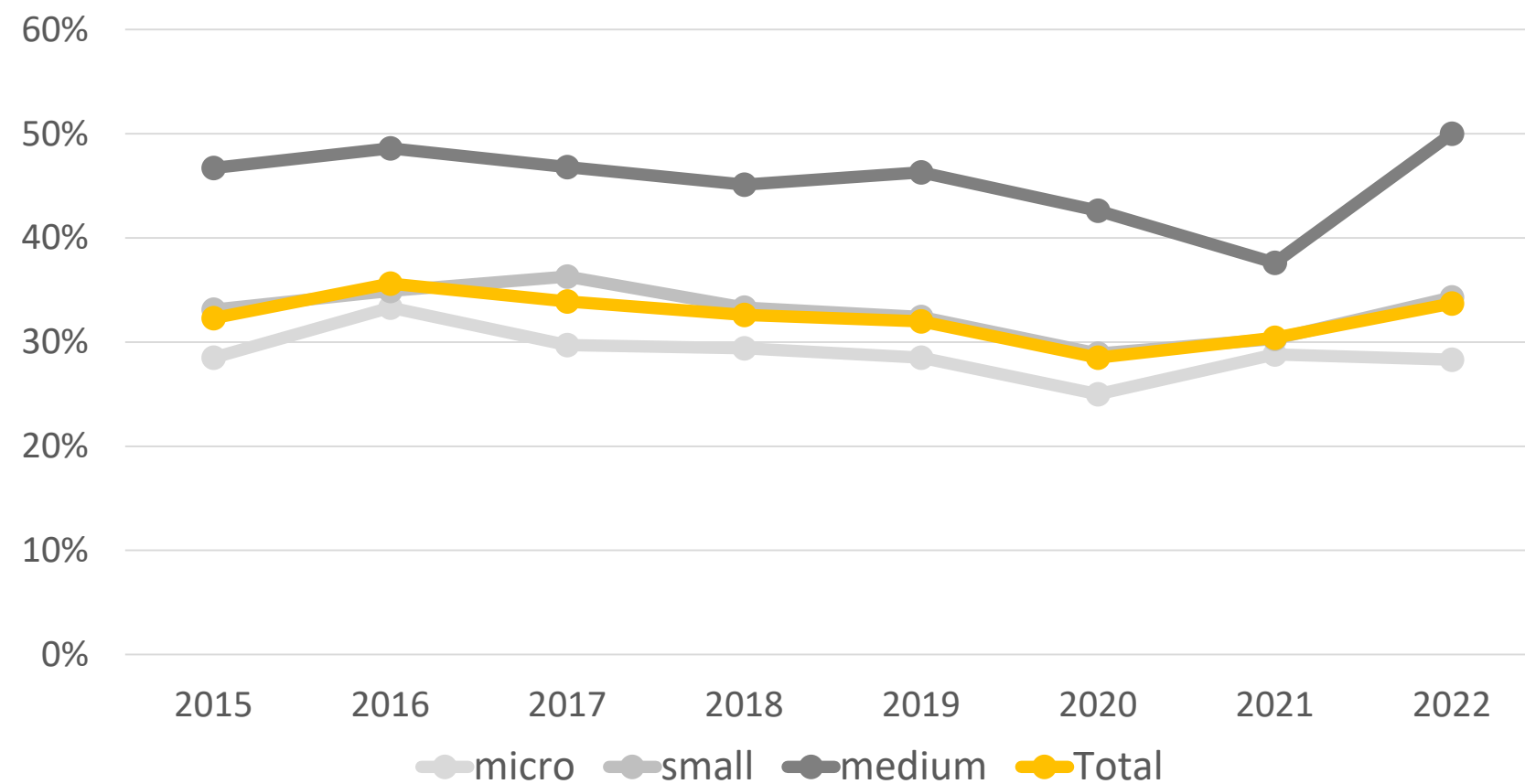
Patents granted



Over one out of four SMEs have granted patents. In total these SMES have 3,861 granted patents, of which close to 43% (1643 patents) have been granted in the period 2016-2022.

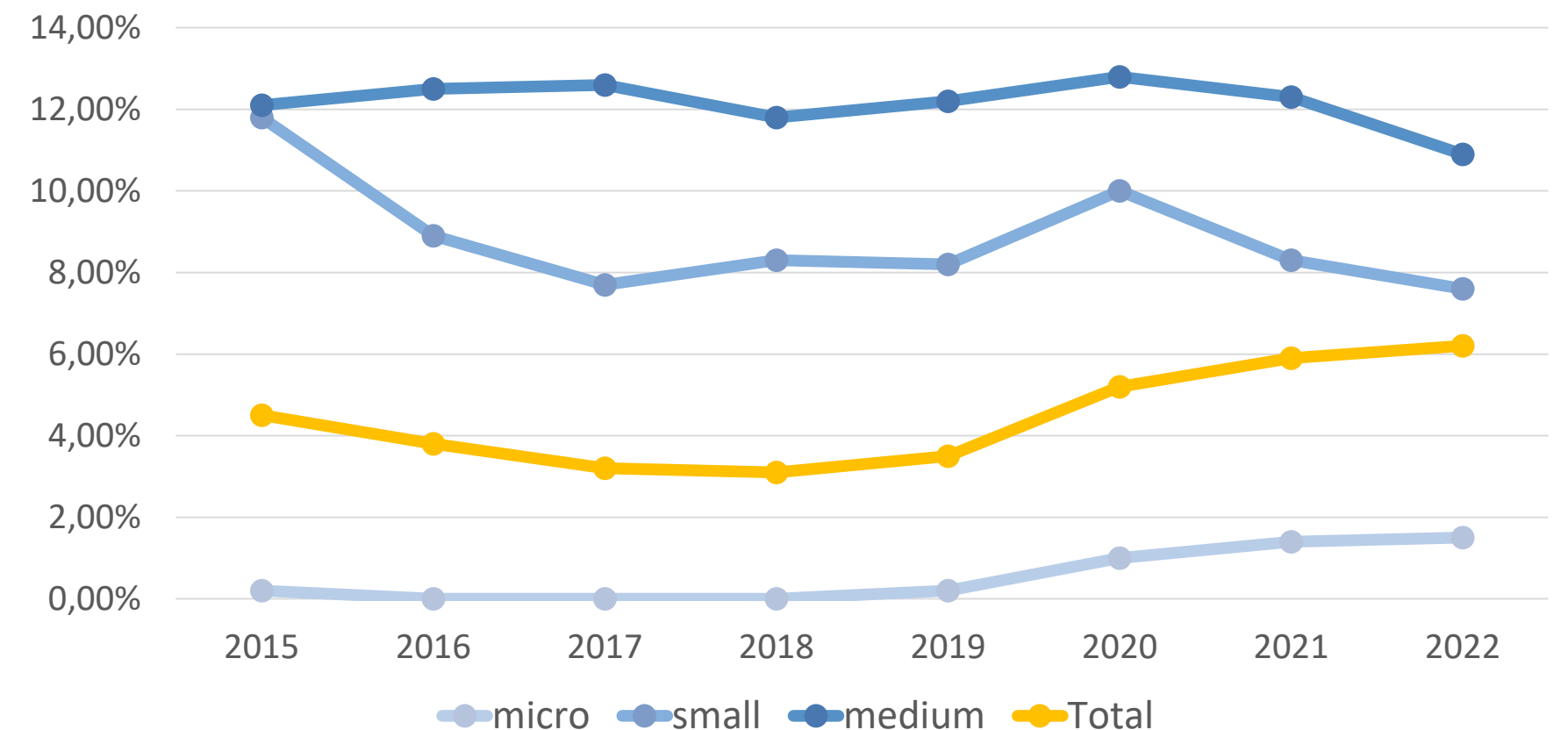
Key Findings: Financial performance

Liquidity: % firms with negative net cash position by firm size



The net cash position measures whether a firm is able to pay its short-term liabilities to banks and financial institutions with its current cash and cash equivalents. The percentage of companies with a negative cash position is smaller for “micro” companies than for “medium-sized companies”, although the proportion of medium-sized companies with a negative cash position decreases since 2019. The figure for 2022 seems to indicate a reversal, to be confirmed

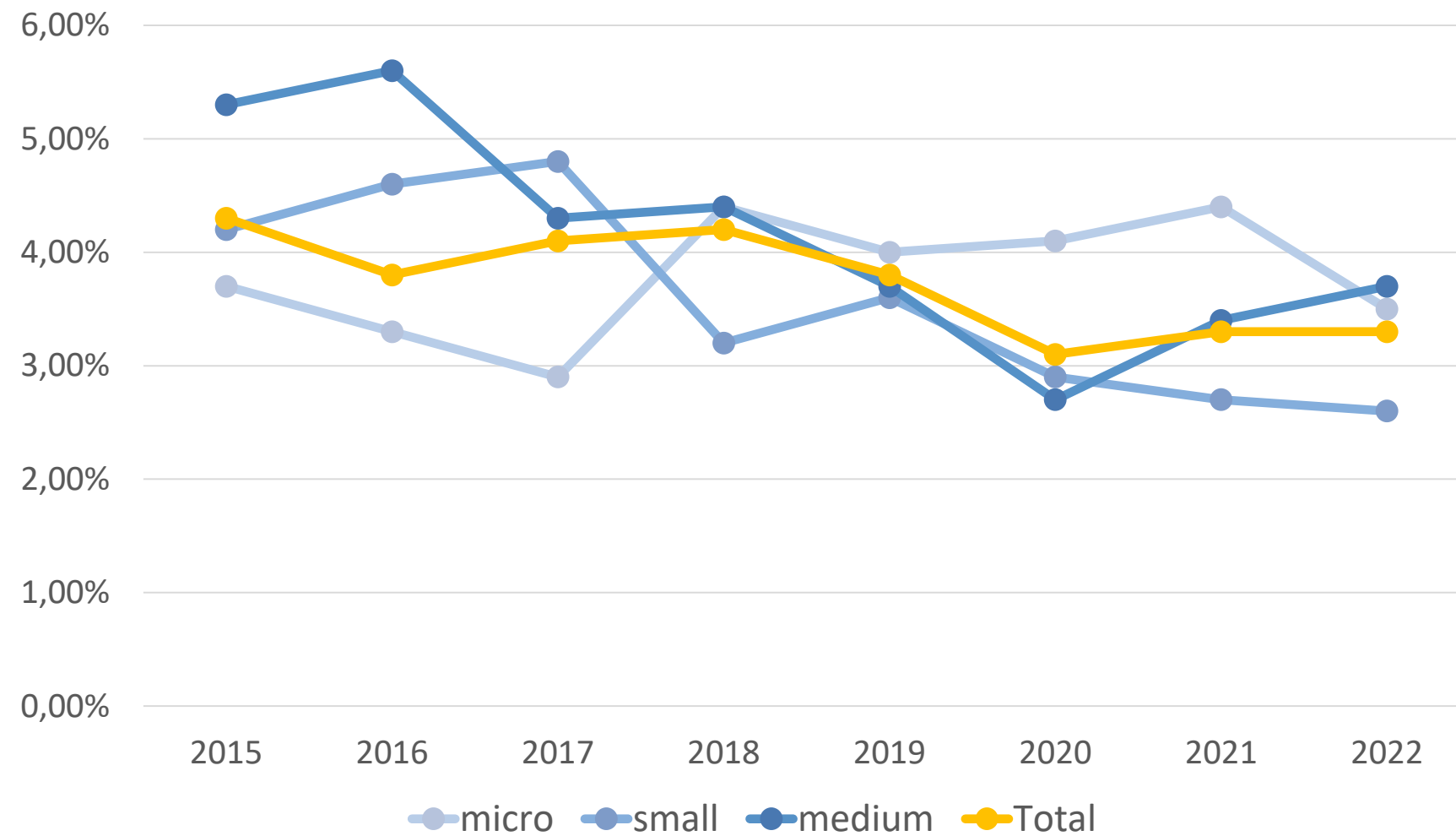
Leverage: Long-term debt to assets ratio by company size (for the median company)



The ratio of long-term debt to assets measures to what extent a company’s assets are financed by long-term financing, often bank loans. The graph shows that, overall, the percentage of long-term debt financing is low. The median micro company barely has long-term financing. In medium-sized companies the level of long-term debt financing is 11%, a level that remains stable over time but seems to be declining. This reflects that it is challenging for European Space SMEs to get access to long term debt financing such as bank loans.

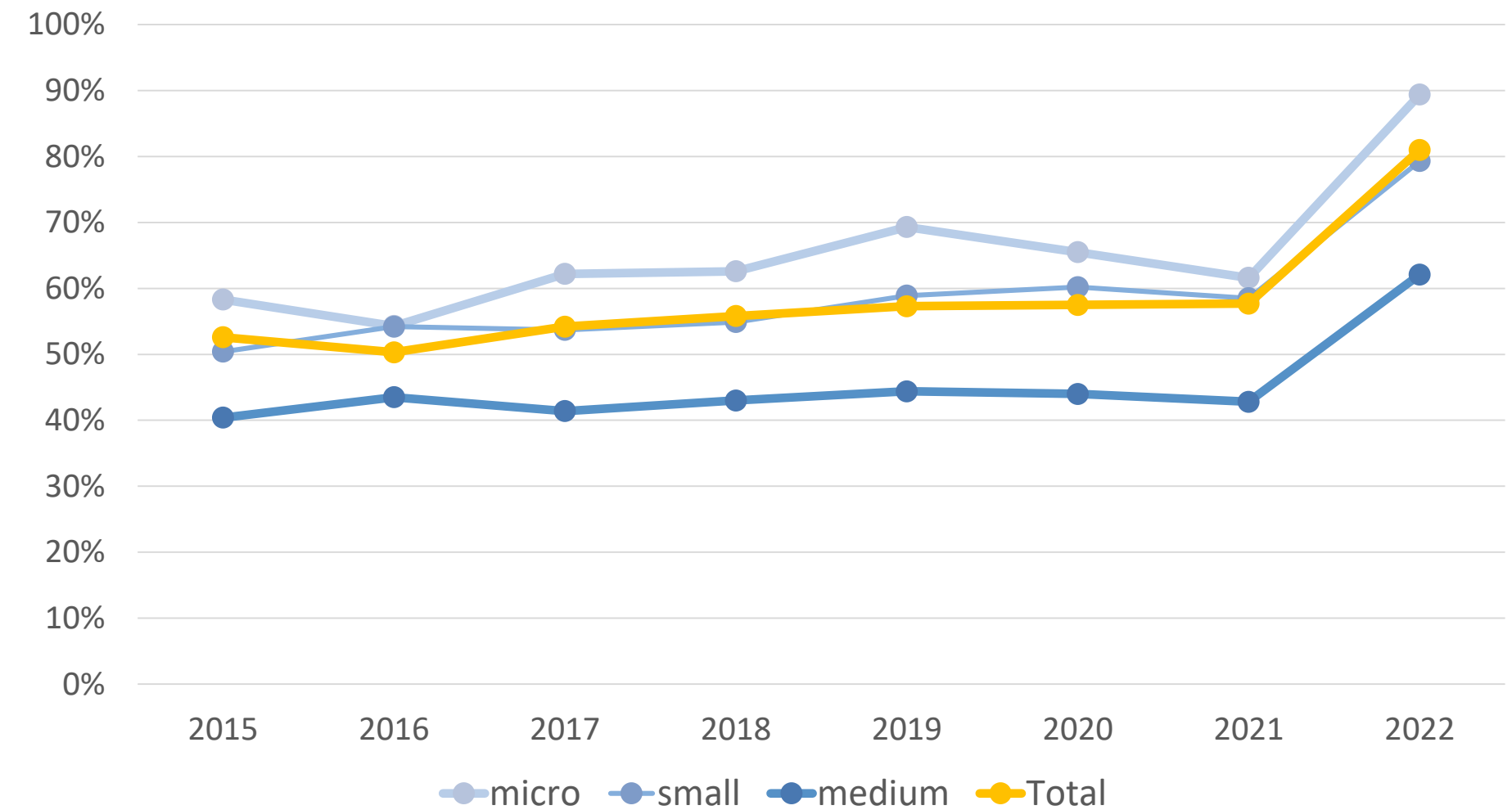
Key Findings: Financial performance

Profitability: ROA (Return on Assets)



The return on assets (ROA) measures net income over assets and is a widely accepted measure of profitability. Overall, the profitability for the median company is quite low (around 4%) and appears to be decreasing over time (to around 3%). We do not find a consistent trend with respect to differences between the size categories in profitability.

Profitability: gross sales margin

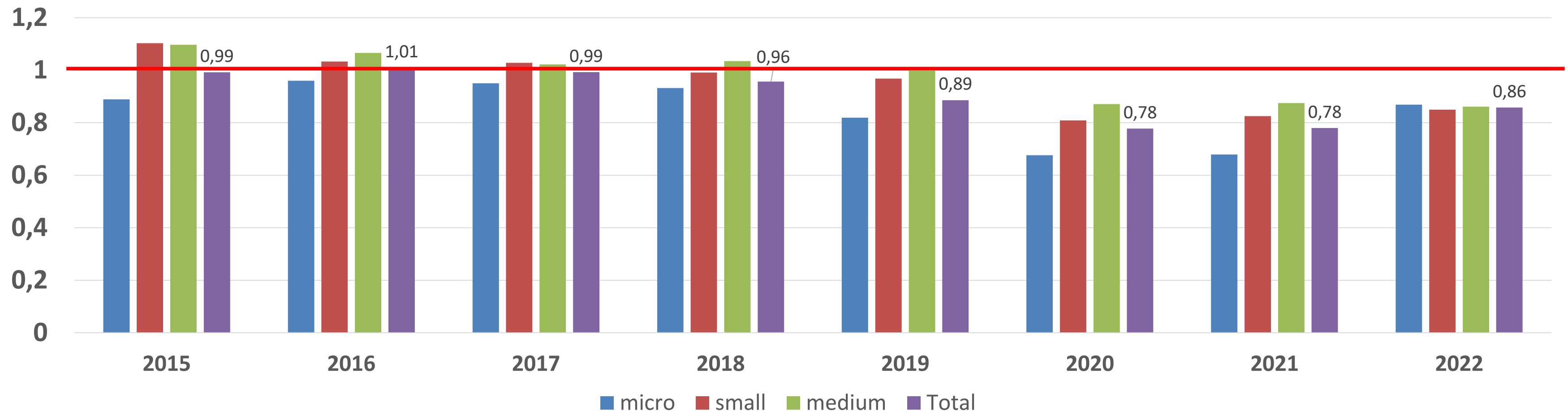


The gross sales margin, which measures gross profit over turnover, on average increased by 5 percent point during the period 2015-2022 and is close to 80%. The margin is highest for micro-sized companies and decreases with firm size. This indicates that European Space SMEs are on average in a comfortable position in terms of sales margin as only about half of the company's turnover is used for 'cost of goods sold' such as supplies (raw materials, finished goods) and labour expenses.

Key Findings: Space is a capital-intensive sector

The space industry requires significant capital investment for companies to remain competitive. In 2021, investments in total assets approached **5.8 billion euros** and the turnover-to-assets ratio, which indicates the amount of turnover produced per euro of invested assets regardless of the financing method (be it equity or debt), **is below 1** for the average (and medium) company.

Turnover/Total Assets



Support for the access to (long term) debt financing

- Next to efforts to support investments/VC
- Sustainability of the overall supply line is critical for Europe
- The bulk of our SMEs needs long term debt to sustain their growth
- Resurrection of the Lending Platform idea
- New Proposal: financing of the Non Recurring Costs

Non-Recurring Costs

- Inspiration from the aeronautics industry
- Public authorities support the start-up of new activities by covering these non-recurring costs
- Pre-financing of the build-up of the production facilities by the (national) public authorities (vs. only 1 prototype under existing schemes)
- Re-imbursed by the companies based upon the sale of the products (per “ship-set” in the aeronautical industry).
- The space industry is extremely capital intensive (a ratio Turn-Over/Assets of 0,86 for median SME in 2022) requiring huge resources for scaling-up the production facilities.

In a sentence...

SMEs in the European space industry

- play a significant role overall
- need a lot of investment
- are innovative
- offer a poor return
- pay their debts but are still not loved by banks

With the support of ESA SME Office



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