

MARKET SIGHT LINES



Doing Business in Space: Six Areas of This New Economy

By **Michael O'Keeffe, CFA**
Stifel's Chief Investment Officer



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My team and I regularly publish our **long-term investment themes** to help investors understand how changes in the world may create investment opportunities over time. One of our subthemes, Space Race, sits within Productive Competition, reflecting our view that rivalry can drive innovation and create value for consumers and the economy. Space is one area where such competition is on display. Private companies and governments are developing numerous capabilities, with applications ranging from communications and national security to artificial intelligence and manufacturing. Some of these applications are already in use, others are on the near-term horizon, and still others remain years away. In this SightLines, we explore six areas of opportunity in the space economy.

THE TAKEAWAY: THE SPACE ECONOMY IS DEVELOPING RAPIDLY

The investment opportunities reach beyond getting into orbit to what businesses can do once they are there. Falling launch costs help make more of these uses practical, but their development paths differ. In summary:

- **Building the space ecosystem:** Launch vehicles, satellites, and ground infrastructure make these applications possible, with reusable rockets lowering the cost of access, opening more opportunities like servicing and mining.
- **Connecting the world:** Satellite networks are extending broadband access and beginning to connect to ordinary smartphones, with useful applications for remote communities, aircraft, and ships.
- **Seeing Earth more clearly:** Satellites support weather forecasts, navigation, and observation, helping businesses manage agriculture, transportation, and infrastructure more effectively.
- **Protecting national security:** Governments are investing in space-based communications, surveillance, and missile tracking, creating demand for both space systems and the equipment supporting them.
- **AI infrastructure in orbit:** Orbital data centers could ease some constraints on land, power, and water, but cooling, communications, radiation, and cost are hurdles to overcome.
- **Making things differently in space:** While microgravity offers possibilities for things like manufacturing pharmaceuticals and specialized materials, and new forms of travel may develop over time, it will take time to get to commercial scale.

IN-DEPTH: FUELED BY PRODUCTIVE COMPETITION, THE SPACE ECONOMY IS DEVELOPING RAPIDLY

Our Space Race subtheme connects competition and innovation with practical uses on Earth and in orbit. The evidence ranges from services already operating to concepts still being tested. Going deeper:

- Building the space ecosystem – Lower launch costs are opening opportunities across the space ecosystem:
 - Costs to access low Earth orbit have fallen from over \$50,000 per kilogram in the Space Shuttle era to under \$3,000 today.
 - Next-generation reusable heavy-lift rockets may expand payload capacity and lower costs even further.
- Connecting the world – Satellite networks are expanding how people and businesses are connected:
 - Direct-to-device service is in early development, allowing ordinary smartphones to connect to satellites, with wider coverage, speed, and capacity dependent on improvements in the satellite networks.
 - Satellite broadband can serve rural areas, developing markets, aircraft, and ships where conventional infrastructure is expensive or impractical.
- Seeing Earth more clearly – Satellite data is helping us better understand and manage activity on Earth:
 - The current practical uses of satellite data include maritime, aviation, and weather applications.
 - Agriculture, insurance, and construction are among other industries that can benefit from space-enabled technologies, with opportunities including better decision-making and cost efficiencies.
- Protecting national security – National security priorities are driving investment in related space systems:
 - Military space systems already support communications, intelligence gathering, surveillance, and navigation, while the proposed Golden Dome missile-defense system will rely on space-based sensors and communications.
 - Infrastructure needs extend beyond space back to Earth, including the sensors, communications networks, and ground equipment needed to operate these systems.
- AI infrastructure in orbit – Orbital data centers may accelerate AI's growth even further:
 - Google reported that its Project Suncatcher prototype launched on October 1 and was operating as expected, with the experiment testing how its AI processors handle radiation and thermal conditions.
 - While some orbits can provide near-continuous sunlight, cooling requires something like heat pipes or radiators, as there is no airflow in space to carry away the heat.
- Making things differently in space – Space offers conditions that could enable new ways to manufacture and travel:
 - Microgravity changes how fluids move and crystals form, opening research and manufacturing possibilities in pharmaceuticals, optical fiber, and other materials.
 - More innovative manufacturing and travel are possible over a 10-30-year horizon, including very fast intercontinental travel and even space tourism.

WHAT WE THINK

Our **long-term investment themes** help us look beyond near-term market drivers to changes that can shape the economy – and the markets – for years to come. The space economy brings several of our themes together, including Productive Competition, the Fourth Industrial Revolution, and Securing Strategic Resources. We believe a useful approach is to focus on the problem each technology solves, the evidence that it works, and whether a business can earn an attractive return from it. Communications and observation services should be considered differently from experimental orbital data centers or more distant manufacturing and travel concepts. Innovation often creates economic value over longer periods of time.

Michael P. O’Keeffe, CFA 

Chief Investment Officer

michael.okeeffe@stifel.com | [StifelInsights.com](https://www.stifelinsights.com)

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