



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

The role of SMEs in and beyond the supply chain

Monday 28th October 2024



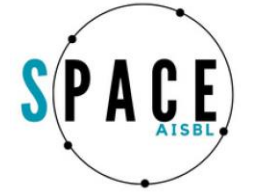
Hans Bracquené - SME4SPACE Chairman

SME4SPACE is a not-for-profit organisation registered in Leuven (Belgium)

The aim is to voice Space SMEs's position in a coordinated way and to facilitate the access to ESA and EU programs by:


- defining and defending common positions, representing the SMEs towards public authorities i.e. the European Space Agency, the European Union and its related agencies
- Organising seminars and information sessions
- Organising a network of SMEs in order to increase the possibilities to cooperate
- Carrying out research projects, participating at National, European and International calls in space and related activities

SME4SPACE currently support Space SMEs with key ESA & EU projects



- SPACE aisbl

The SPACE aisbl is an initiative of the European Commission and the 5 representative organisations of the space supply chain SME4SPACE, Eurospace, EASTRO, ESRE and EASN to **identify together the topics of the Horizon Europe work programmes 2025, 2026 and 2027 in the domains of Earth observation, Satcom and New space transportation systems.**

Under the co-programmed initiative, €100 million EU-funding will be allocated to the three topics mentioned and our  is to bring the voice of SMEs in the elaboration of the calls.

<https://www.linkedin.com/company/space-aisbl/posts/?feedView=all>

- ESA Harmonisation
- European Cooperation for Space Standardization (ECSS NexGen)
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SME4SPACE
provides
studies such as

KU LEUVEN

EUROPEAN SPACE SMES' FINANCIAL VIABILITY: INSIGHTS AND POLICY PERSPECTIVES

Prof. Marleen Willekens
Prof. Peter Teirlinck
Prof. Simon Dekeyser

KULeuven, Belgium

Mr. Jens Kauffmann
Mr. Pablo Marin

ESA SME Office

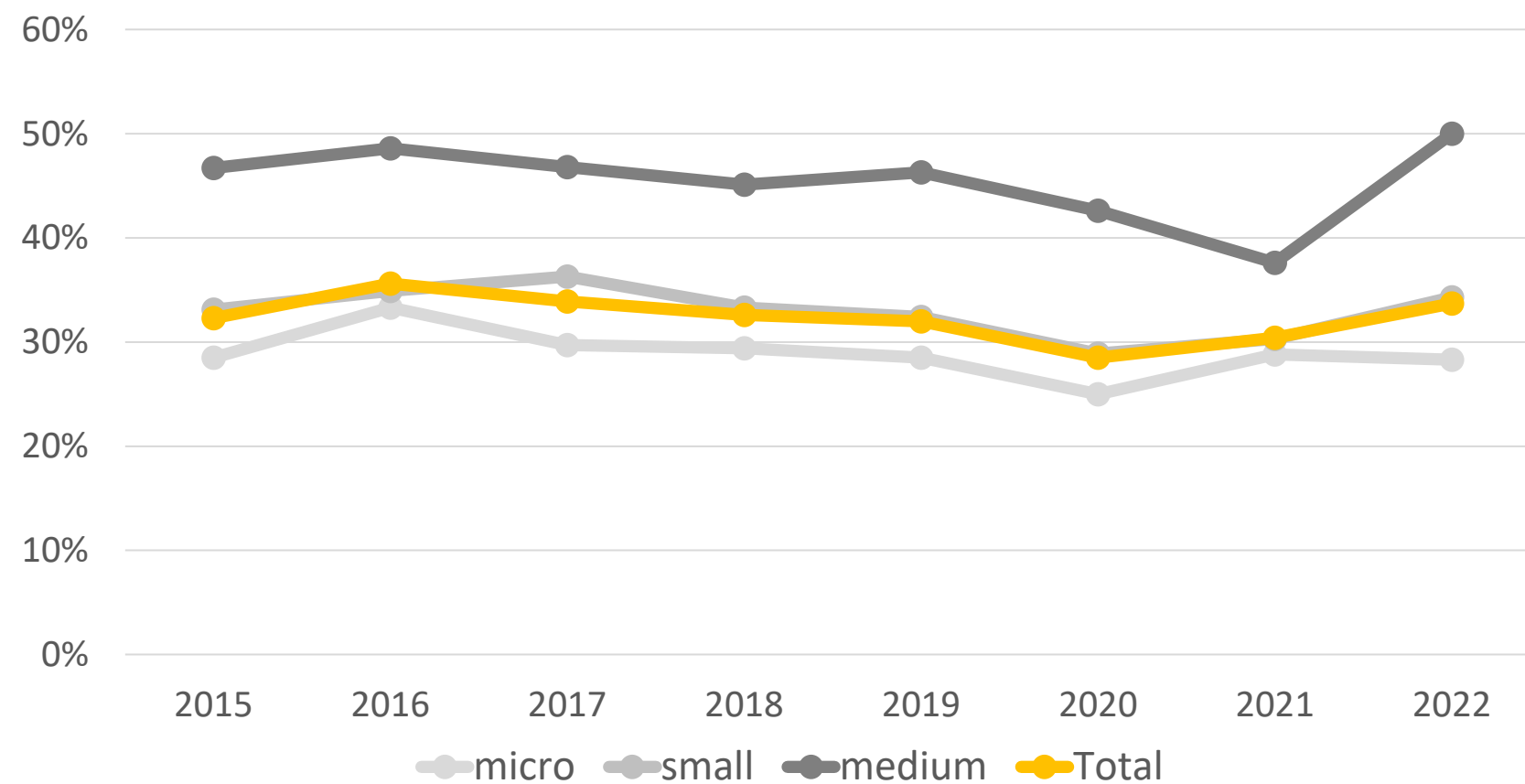
Mr. Hans Bracquené
Dr. Rosario Pavone

SME4SPACE

73rd International Astronautical Congress (IAC), Paris, France

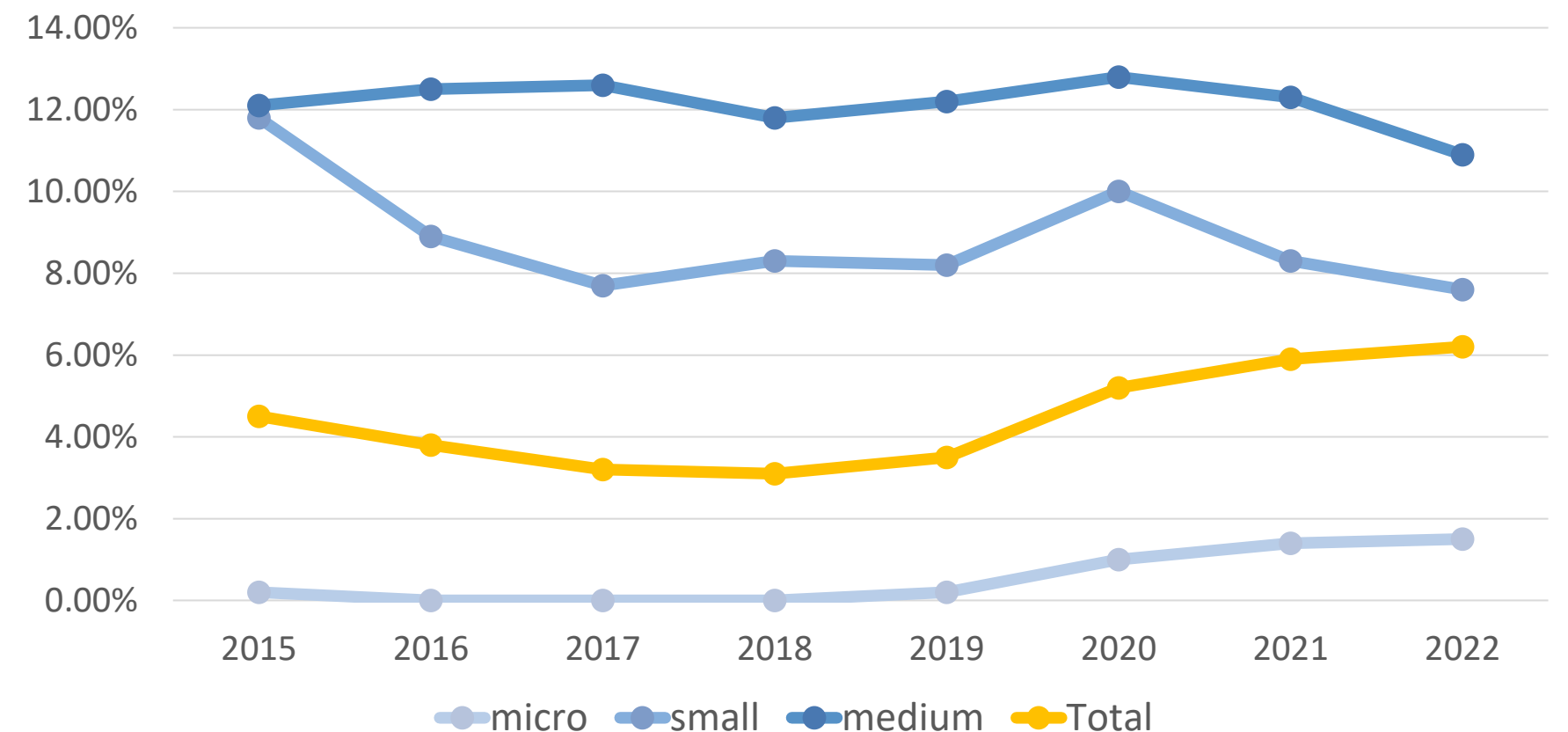
Key Findings: Financial performance

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

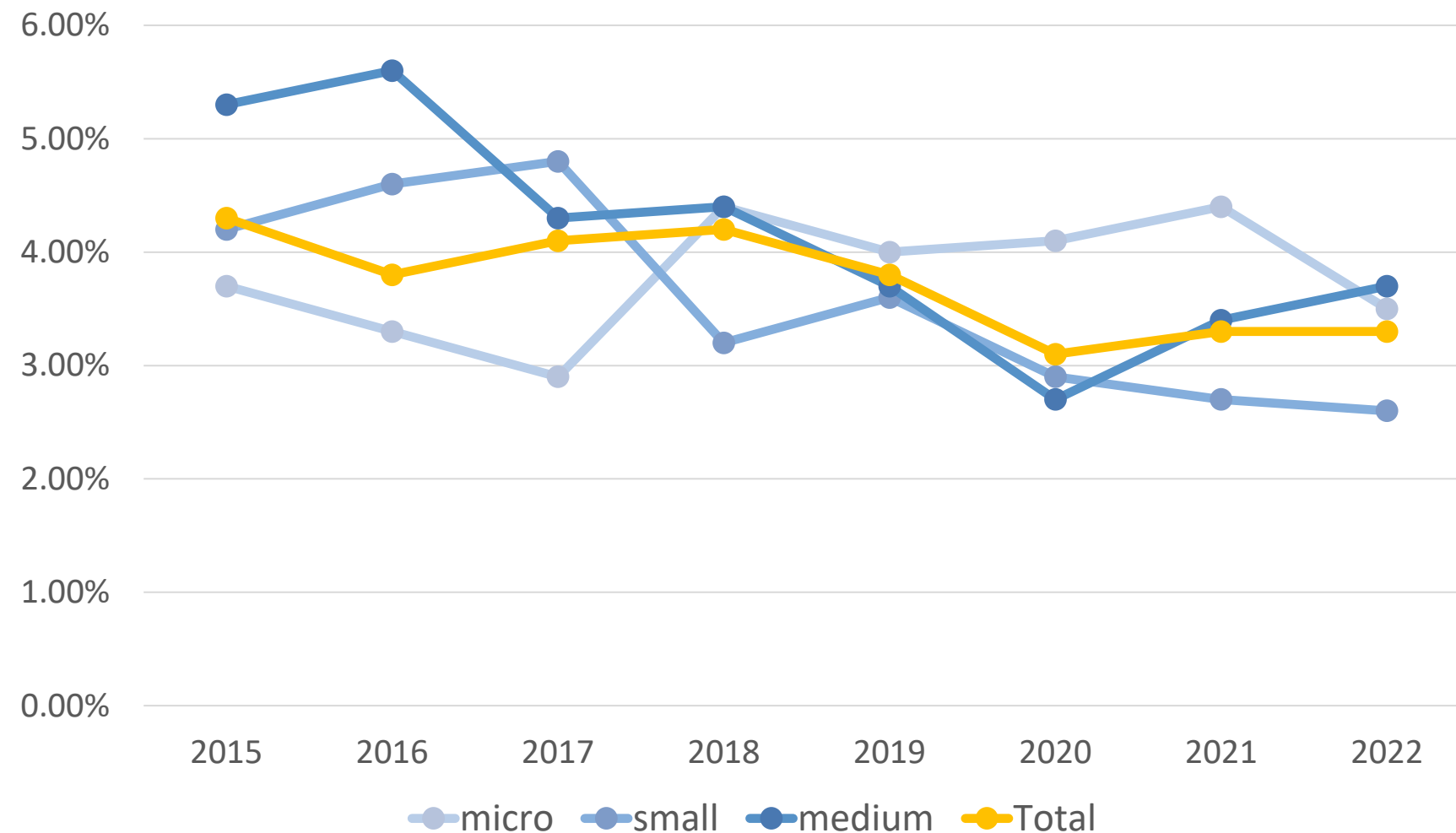
Leverage: Long-term debt to assets ratio by company size (for the median company)



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.

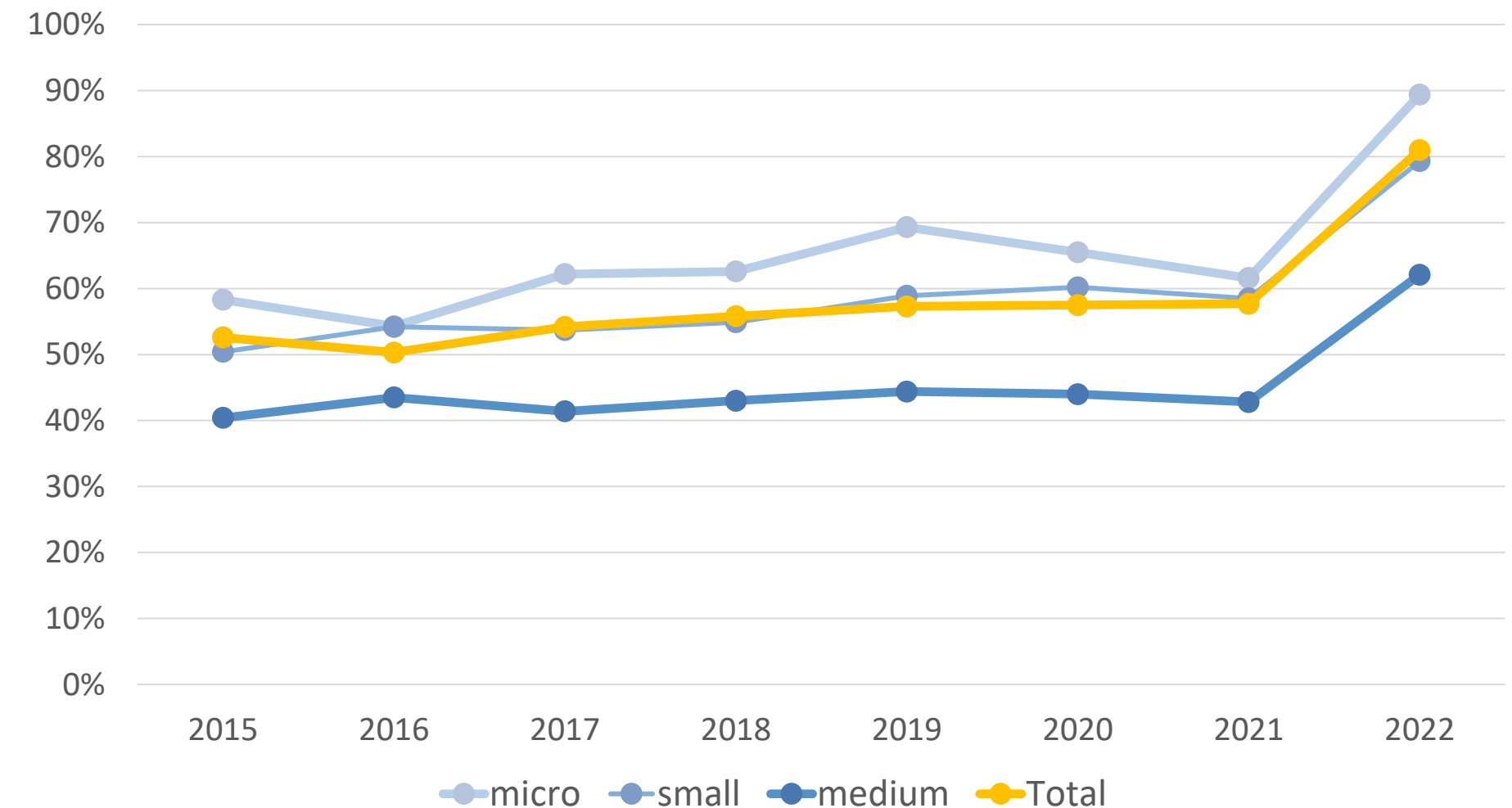
Key Findings: Financial performance

Profitability: ROA (Return on Assets)



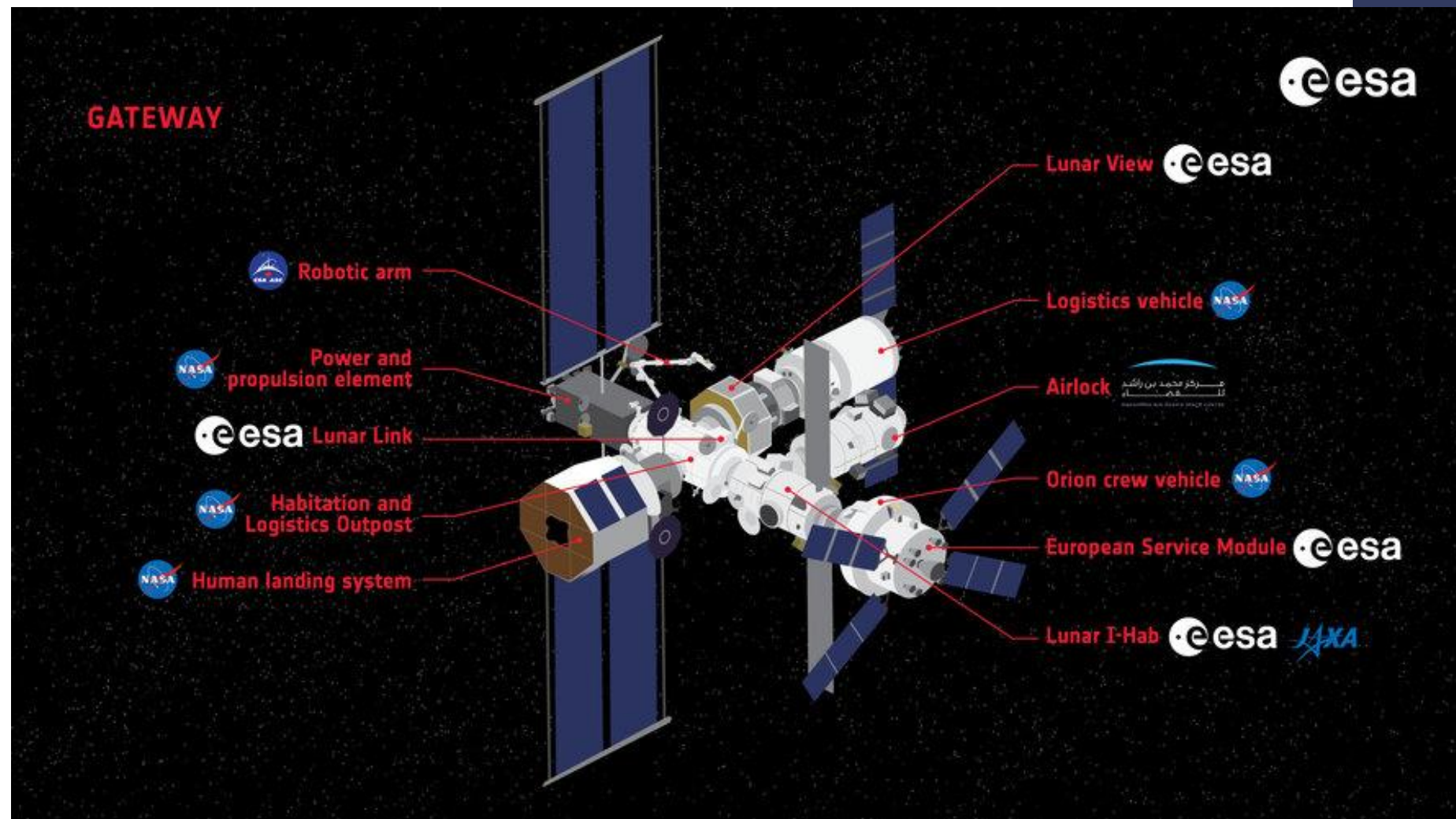
The return on assets (ROA) measures net income over assets and is a widely accepted measure of profitability. Overall, the profitability for the median company is quite low (around 4%) and appears to be decreasing over time (to around 3%). We do not find a consistent trend with respect to differences 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 2015-2021 and is close to 60%. 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.

What we do for SMEs in the supply chain



- Support ESA & EU profitability measures for SMEs
- Defend SMEs role in the programmes
- Propose new funding mechanisms and programs for SMEs
- Assure a level playing field in terms of information & financial and contractual conditions.

SMEs can do more than being part of the Supply chain

- End-to-End Products and Services
 - NewSpace and legacy players
 - Technology drivers with new opportunities
 - Upstream and Downstream
 - Public Authorities need to accept this new role, trust and support us
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- If you do not believe us: Space News August 6, 2024:
 - *LOGAN, Utah — Tight budgets for NASA could provide new opportunities for smallsats that have increasingly demonstrated their capability to perform low-cost science missions.*
 - *During a NASA town hall meeting held during the Small Satellite Conference here Aug. 5, agency officials argued that smallsats have become a key part of the overall portfolio of missions the agency uses to study the Earth, solar system and universe.*
 - *“Enabled by low-cost access to space, smallsats have revolutionized space sciences,” argued Peg Luce, acting deputy associate administrator for programs for NASA’s Science Mission Directorate (SMD). “We can pack more science into packages smaller than we could have imagined 25 or even 10 years ago.”*

SME4SPACE proposal : Small Programming

- Think small as smaller programming offers the opportunity to respond more directly to the new needs and challenges of the space community and lets SMEs take the lead more easily.
- End-to-end development of new products and services
- New smaller specific programs allow the Agency to respond to specific needs of markets, of member states, to implement new technologies and new business solutions (e.g. Artic Mission)
- Within existing programmes, the application of this method should lead to smaller projects giving the opportunity to even a single SME to participate or to propose a specific activity.
- A welcome side effect would be that difficult contractual situations within consortia (e.g. liability) can be eliminated further.
- ESA is a frontrunner here and the action under ARTES for IRIS² is an excellent example

SME4SPACE proposal : Pre-financing of Non-Recurring Costs

- Inspiration from the aeronautics industry
- Public authorities support the start-up of new activities by covering these non-recurring costs (approved under state-aid rules and WTO)
- 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.

How to be part of the Network

BENEFITS

- The possibility to have your voice heard by **ESA, the EU and its executive agencies**;
- The opportunity to **join a dynamic and reliable network of Space SMEs in Europe**;
- **Increasing your visibility** towards European stakeholders;
- The possibility to **find business opportunities and new collaborations**;
- **Participation in ESA and EU Space Policy creation processes**;
- **Participation in the ESA Harmonisation process**;
- The opportunity to **receive valuable information in advance** and in due time;

HOW TO JOIN US

- 2 different types of Membership are foreseen:
 - **Working Member (WM)** for Space Associations/Clusters;
 - **Individual Company Member (ICM)** for Space SMEs.
- Membership of SME4SPACE is **free of charge**.
- In order to apply as candidate member, it is necessary to fill in **2 documents**:
 - the application form for membership and
 - the **relative technical form**, depending whether you are an Association/Cluster or a SME:

www.SME4SPACE.org

Thank you