

## Whitestone Chambers

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### **Virgin Galactic becomes the world's first publicly traded space tourism venture**

Virgin Galactic has recently become the world's first publicly traded space tourism venture. It is a vertically integrated aerospace company within the Virgin Group, pioneering human spaceflight for private individuals and researchers.

Virgin Galactic ('Galactic') merged with venture capital firm, Social Capital Hedosophia in early October, prior to which Galactic had lost \$138 million in the first nine months of that year. It had spent \$100 million on research and development for testing rocket-powered space planes ahead of its first commercial flight scheduled for 2020.

The resulting company formed through the merger was named Virgin Galactic Holdings, Inc. ("VGH") and its common stock, units and warrants began trading under the ticker "SPCE" on 28 October 2019. Merging and trading as a public company are milestones on the path towards building a thriving commercial service business, with the projected worth of this public listing being \$2.7 trillion by 2045 according to Merrill Lynch.<sup>1</sup> The deal has given the company a cash influx of \$430 million which will ensure that there is sufficient funding while it finishes testing of its vehicle, SpaceShipTwo, which has been under development for more than a decade.<sup>2</sup>

The company plans to send paying customers in groups of 6 on scenic flights to space where they will experience weightlessness for a few minutes. The customers will also experience intense G-forces as the plane makes its way to more than 50 miles above Earth. 600 people already have tickets and have agreed to pay between \$200,000 and \$250,000 for their trips representing approximately \$80 million in total collected deposits and over \$120 million of potential revenues. The company is currently not taking any new customers, but its new financial filing has revealed that more than 3500 people have expressed an interest in purchasing tickets.<sup>3</sup>

One potential line of business for Galactic is in using space plane to conduct ultra-fast flights between cities. Sam Korus, an analyst at ARK invest, said that his research indicates that as many as 2.7 million people might be willing to pay up to \$100,000 for a long-distance hypersonic flight to reduce their current travel time. According to his research, the market could scale to \$270 billion in revenues annually.

Boeing has invested \$20 million for a 1% stake in the company to aid the development of hypersonic transit. The companies will work together to broaden commercial space access and

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<sup>1</sup> <https://www.washingtonpost.com/business/2019/10/28/virgin-galactic-takes-space-tourism-public-with-historic-nyse-listing/>

<sup>2</sup> <https://edition.cnn.com/2019/11/13/tech/virgin-galactic-earnings/index.html>

<sup>3</sup> <https://www.virgingalactic.com/articles/virgin-galactic-completes-merger-with-social-capital-hedosophia-creating-the-worlds-first-and-only-publicly-traded-commercial-human-spaceflight-company/>

transform global travel technologies. The investment brings together two companies with extensive experience in the space industry. Virgin Galactic brings with it the ability to design, build, test, and operate a fleet of advanced aerospace vehicles; Boeing has unparalleled experience transporting people to orbit and building and operating large structures within that environment.<sup>4</sup>

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<sup>4</sup> <https://www.virgingalactic.com/articles/boeing-to-invest-in-human-spaceflight-pioneer-virgin-galactic/>