pwc

Unlocking commercial growth in the space sector

Strategic considerations for the next chapter

2026

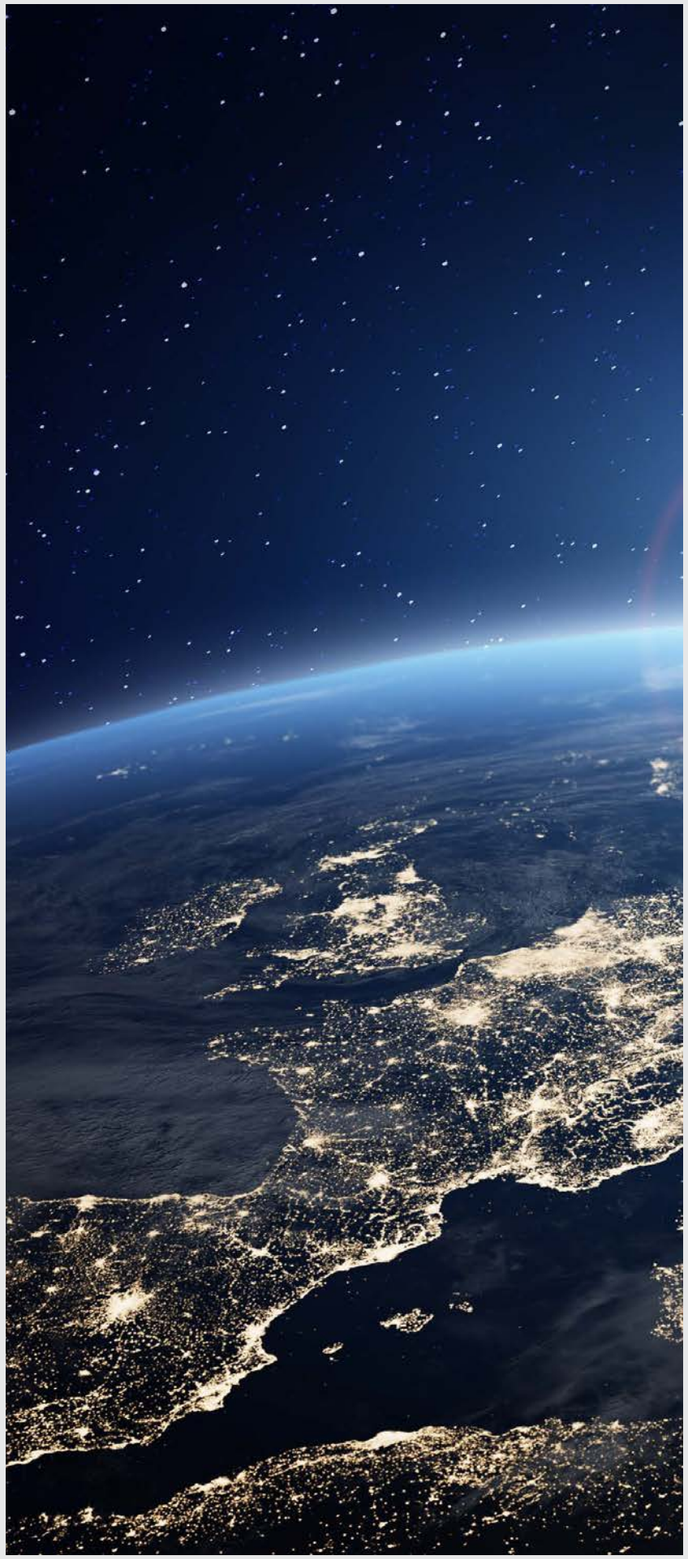
Executive summary

The UK space sector is at an inflection point.

Space demand is rising, primarily driven by the defence sector, a renewed focus on national security and the need for sovereign capabilities. However, there is a risk that this pulls focus from commercial (non-defence) growth opportunities,[1] particularly in the near term. Commercial space revenues remain far from the total market or enabled[2] revenue figures commonly quoted,[3] widening the credibility gap with investors. At the same time, AI disruption is expected to shake up the space value chain and potentially generate more demand. This may include plain English prompts delivering powerful geospatial analytics in familiar tools.

The need for change was highlighted in the recent House of Lords Engagement with the Space Committee which recognised that the space sector has to 'act now or lose out.'[4]

Against this backdrop, we present suggestions for accelerating the growth of the UK commercial space sector. We consider four critical questions for the sector.



1. Commercial space sector: space products and services sold directly to paying customers on a market basis. It excludes activity funded mainly through defence or civil government budgets, even where the underlying capabilities are dual use.

2. Enabled revenue: the revenue created in other sectors through the use of space-based services. This is distinct from the revenue captured directly by space companies.

3. Refer to our analysis in question 1, primarily based on the World Economic Forum report "Space: The $1.8 Trillion Opportunity for Global Economic Growth" https://www3.weforum.org/docs/WEF_Space_2024.pdf

4. https://committees.parliament.uk/committee/773/uk-engagement-with-space-committee/news/210034/government-needs-to-take-action-if-uk-is-to-be-a-winner-in-new-race-for-space/

5. Zombie firms: companies that subsist rather than grow or create meaningful economic value. In this paper, the term refers to firms that may tie up talent and capital. See question 3 below

6. https://committees.parliament.uk/writtenevidence/140511/html

Key questions and actions to unlock commercial growth

1 Where is the commercial space market really going?

- Defence-led demand is reshaping commercial business models
- The trillion-dollar headline market size or enabled revenue story is not the real revenue story. This results in a forecast versus reality gap

Action: Adopt realistic measures of commercial health. Track profitability, commercial contract volume, renewals and exports.

2 Should we rethink how space reaches its customers?

- Customers buy outcomes such as faster insurance claims or verified emissions. They do not buy satellites
- Adoption happens inside the tools and platforms that buyers already use

Action: Focus efforts on embedding space capabilities into existing systems. Prioritise integration into core business systems such as risk, asset management and compliance tools. Design for integration, not demos.

3 Is industry fragmentation undermining scale?

- Fragmentation constrains growth and the proliferation of small firms may limit the sector's ability to scale
- Zombie[5] firms are subsisting rather than growing, potentially tying up talent and capital

Action: Pursue market consolidation and alliance strategy. For example, mergers and acquisitions, cross-sector partnerships and vertical integration.

4 Will AI eat the space sector's lunch?

- AI is reshaping how space services are built and delivered. It can speed up design and operations and enable on-orbit processing that sends actionable information rather than raw pixels
- Big tech is entering fast, bundling geospatial AI into cloud platforms and assistants. Demand may grow but competition will tighten for firms without strong data rights or access to end users

Action: Set a clear AI strategy. Decide where to partner and where to compete. Protect data rights and customer relationships and build trusted outputs that plug directly into existing tools and workflows.

The following sections discuss these questions in detail and are based on our analysis of key market signals. We conclude that, to unlock growth in the commercial space sector, it is critical to change the narrative.

Commercial space revenue should be clearly defined to give a realistic starting point rather than relying on trillion-dollar market potential headlines. Our calculations show that commercial revenue is only around 6% of UK space sector revenue (refer to question 1, below). Tracking commercial sector health using universally understood metrics could direct effort to the most impactful areas.

Addressing the forecast vs reality gap will enable commercial space firms to build credibility with investors. Firms are likely to increase their chances of hitting their commitments if they base them on a realistic appraisal of market opportunities and challenges.

How customers buy is key: they buy results rather than satellites. Commercial space firms that focus on technology in isolation may find it difficult to grow. It is often the customer-centric rather than the most advanced solution that wins.

Scale is critical to growth. The UK space market is highly fragmented with only 1.6% of firms scaling over the last 10 years.[6] Pursuing initiatives that drive market consolidation could unlock growth and enable the UK to compete internationally. The UK could alter its space defence procurement approach to maximise the chances of it acting as a catalyst for market consolidation and commercial growth.

AI is both an opportunity and a threat to commercial space firms. On the one hand, prompt-driven geospatial analytics may lower downstream barriers and increase overall demand. On the other, customers may increasingly bolt on space services to their existing big tech relationships and edge out small specialists. A clear strategy to address the potential impact of AI on solutions and customer buying behaviour will be key for commercial space firms to prosper.

The intention of the paper is to share our perspective and stimulate discussion to benefit the commercial space sector. We thank the UK Space Agency for their review and suggestions.

Contents

01

Question 1

Where is the commercial space market really going?

- Is the true scale and commercial health of the ‘new space’ economy distorted by headline figures, market perceptions and published reports?
- If this distortion is present, what is the impact on the commercial space sector?

What do we mean by the commercial space sector?

The commercial space sector comprises space products and services sold directly to paying customers on a market basis. It excludes activity funded mainly through defence or civil government budgets, even where the underlying capabilities are dual use.

This section looks at the global picture first (market signals A and B), followed by the UK (market signal C).

Market signal A: The reality behind trillion-dollar headlines

The global space economy is forecast to reach around $1.8 trillion by 2035.[7] Demand is anticipated from multiple sectors including agriculture, insurance, supply chain and energy. But how does the commercial reality for space-sector firms stack up against these headlines?

To test this, we will use statistics from the World Economic Forum (WEF) 2024 Space Insight Report:[8]

$630 billion: estimated revenue of the total space economy in 2023.

$300 billion (48%) of this is enabled revenue, which WEF refers to as ‘reach’.

- Enabled revenue is the revenue generated in other sectors through the use of space-based services. This is likely to be distinct from the value captured directly by space companies. For example, a logistics company may derive substantial value from satellite navigation data but this does not translate into proportional revenue for the space sector. Other examples include smartphone applications, fintech applications and rideshare platforms.

$330 billion (52%) is backbone value

- Backbone revenue represents the part of the economy that does show up in the space value chain.
- **$205 billion** commercial backbone revenue is the remainder after removing state-sponsored civil and defence; $59 billion and $66 billion respectively.

The following table breaks down that $205 billion into finer detail:

Category (Commercial)	Revenue $Bn (2023)	Notes
Communications	133	103 consumer satellite TV & radio
Positioning, navigation and timing (PNT)	47	40 PNT receiver hardware
Earth observation	2	
Others	1	
Services and end user equipment	**183**	
Vehicles and satellite manufacturing	17	
Launch sites and operations	2	
Ground hardware and operations	2	
Others	1	
Infrastructure and support	**22**	
Total	**205**	

Table 1. WEF space revenue in 2023

However, this figure is potentially misleading in terms of the size of the space industry. It may be appropriate to remove two further elements when considering the commercial space opportunity. Note that this is PwC’s interpretation and not a finding of the WEF report. If we subtract:

Communications—satellite, TV and radio: $103bn

- Broadcast TV and radio are in structural decline due to cord-cutting and streaming.[9] Revenues remain significant but may be booked by terrestrial service providers rather than satellite operators. For space firms, the segment offers limited growth and shrinking strategic value, with capacity increasingly repurposed for broadband connectivity or phased out.

PNT—receiver hardware: $40bn

- Receiver revenue mostly relates to devices (e.g. smartphones), so it is not received by space firms.

$62 billion is the commercial space revenue figure we are left with. This represents ~10% of the $630 billion headline figure. Of this, the much-touted earth observation (EO) sector is only $2 billion which is 0.3% of the headline figure.

This analysis indicates that commercial space revenue is a fraction of the headline figures that are often quoted. It also illustrates that the picture is a complex one.

Figure 1. Snapshot poll taken during one of our public space webinars, 2025[10]

PwC has led multiple industry engagements over the years. These engagements have consistently highlighted a limited understanding of what the trillion-dollar space economy figures represent, as seen in Figure 1 (indicative only). This limited understanding is likely widespread and may apply to a significant proportion of key stakeholders across government, investors and even within the space sector.

So what? This limited understanding risks undermining industry credibility if huge headline figures are used indiscriminately. Investor and sector confidence can be eroded if the industry continues to promote a trillion-dollar “enabled revenue” narrative, whilst the value of actual sales to non-space commercial customers remains low.

Aligning ambition with addressable revenue and closing the execution gap will be critical to sustaining sector credibility and attracting the capital required for scale.

7. https://www3.weforum.org/docs/WEF_Space_2024.pdf, page 4

8. https://www3.weforum.org/docs/WEF_Space_2024.pdf, page 48

9. https://www.ofcom.org.uk/siteassets/resources/documents/research-and-data/multi-sector/media-nations/2025/media-nations-2025-uk-report.pdf

10. Space webinar covering question 1 hosted by PwC and the UK Space Agency on November 25th, 2025. Estimated number of poll respondents: c.20 (indicative only).

Market signal B: Mismatch of investment, forecast and reality

The commercial space sector is a more challenging investment prospect than it was just five years ago in 2021. For context, consider this quote on the space "SPAC"[11] boom:

> The peak year was 2021, when 28 transactions with combined disclosed deal volumes of €8.6bn were launched. Since then, deal volumes have fallen to €2.3bn over 21 deals in 2022 and just €727m over 23 deals in 2023.[12]

In the space sector, there appears to be a general mismatch of investment, forecast and reality. We discuss each in turn below.

01 Revenue and investment mismatch

A relatively large number of firms are competing for relatively small slices of commercial space revenue.[13] This may be particularly true in the areas of earth observation and launch services. This follows a wave of investment premised on addressable market expansion that has not yet materialised at scale, as well as declining investment activity.[14]

02 Forecast revenue: Once bitten, twice shy

Some significant space companies have been unable to hit their revenue forecasts[15] and the 2021–2023 investment drop acts as a "reality check for phenomena such as the SPAC boom."[16] The forecast versus actual credibility issue remains, even though certain firms have delivered groundbreaking technology and achieved record revenue.[17] Our market engagement indicates that investors are now more disciplined. They place greater weight on credible market sizing, realistic adoption timelines and evidence of go-to-market execution. Vision-led narratives no longer suffice.

03 The forecasting credibility gap

Industry stakeholders may overestimate the near-term size of commercially addressable demand and underestimate the friction involved in adoption.[18] Amongst the 20 space CFOs we engaged during our Space CFO Summit in 2025, there were many explanations for missed forecasts. These included overestimation of market readiness, underestimation of sales cycles, weak go-to-market discipline, over-reliance on grant funding and the operational complexity of scaling space-enabled services.

So what? Commercial space revenue is hard to realise. Defence is much more attractive, given recent geopolitical events and spend patterns.[19] Returning to our CFO summit:[20]

95% of respondents identified defence as the primary driver of industry revenue growth over the next three years

However, this risks sidelining the commercial space sector. Firms, worn down from attempts to secure funding and deliver against aggressive commercial revenue forecasts, focus instead on the lower friction defence sector.

11. SPAC: Special Purpose Acquisition Company, often formed to raise capital through an Initial Public Offering (IPO). Several space companies have used SPACs to list.

12. https://ionanalytics.com/insights/mergermarket/spacetech-hype-falls-to-earth-but-sector-could-still-fly-high-snapshot/

13. https://www.gim-international.com/content/news/satellite-based-earth-observation-market-strong-growth-and-fierce-competition

14. https://ionanalytics.com/insights/mergermarket/spacetech-hype-falls-to-earth-but-sector-could-still-fly-high-snapshot/

15. https://www.cnbc.com/2023/10/12/investing-in-space-a-reality-check-on-spac-frenzy-revenue-projections.html

16. https://www.espi.eu/wp-content/uploads/2025/06/Space_Venture_2024.pdf

17. https://www.satellitetoday.com/finance/2025/02/28/rocket-lab-q4-record-revenue-neutron-delay-and-a-new-constellation-sat-offering/

18. https://spacenews.com/the-trillion-dollar-question/

19. We note that, although the defence sector may be attractive at face value, firms that do not have an established route to the defence market may face challenges such as procurement rules and timelines

20. PwC Space CFO Summit in 2025, note – 20 attendees, small sample size limits the inferences that can be drawn

Market signal C: UK commercial reality

In many ways, the UK space sector is a success story.

When we look at space sector revenue as a proportion of government investment, the UK has punched above its weight in comparison to peer countries. For example, using OECD figures[21] the UK has a ratio of around 25:1 for space sector revenue to government investment, whereas France and Germany have 5:1 and 1.5:1 respectively.

These figures are from UK Space Agency's 'Size and health of the UK space industry in 2024'[22]

- £18.6bn sector income
- 55,550 employees
- £454bn, 18% of total UK GDP is supported by satellite services

As may be expected given the analysis in market signal A, our interpretation is that these figures do not necessarily indicate a significant commercial space sector. Table 2 below breaks down the UK space industry income, excluding DTH (Direct to Home) broadcasting, which accounts for £8.9bn of the £18.6bn. DTH broadcasting, while significant to space income, is not a source of growth. In 2023/24, "DTH occupies a similar share of UK space industry income as reported for 2016/17."[23]

Capability	2022/23 (£m)	% share
Satellite Communications (incl. broadcasting)	4,161	43%
Defence/Military	1,583	16%
Positioning, Navigation, Timing (incl. GNSS)	1,146	12%
Generic technologies / components that enable space capabilities (e.g. AI)	869	9%
Earth Observation (incl. Meteorology)	857	9%
Others	1,093	11%
Total	**9,708**	

Table 2. UK space industry income 2022/23 (Size and Health of the UK Space Industry 2024)

Table 2 indicates that:

- Direct commercial revenue is limited. If we apply a similar approach to Market signal A, roughly £1.1bn[24] of the £18.6bn sector income, or 6%, can be considered commercial space revenue
- Earth observation remains modest in scale, at £0.9bn. Enterprise client pull-through in key verticals (energy, finance, agriculture) appears early-stage and we understand there are few ongoing commercial contracts.

21. https://www.oecd.org/en/publications/the-space-economy-in-figures_fa5494aa-en/full-report.html (note - institutional space budget: space-related commercial revenues)

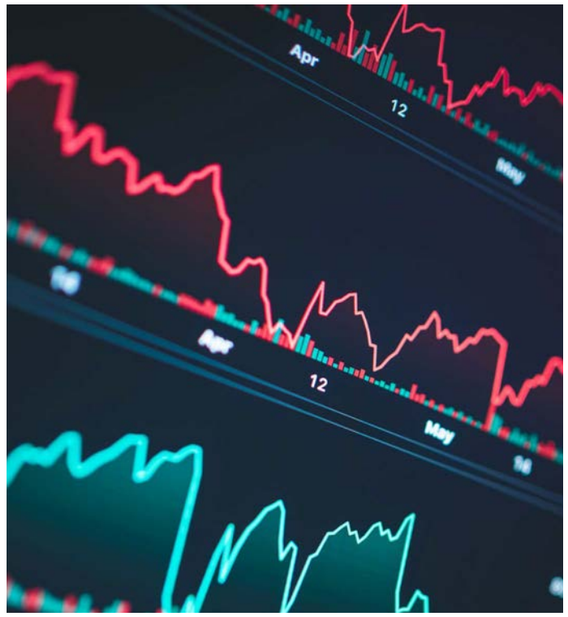
22. https://www.gov.uk/government/publications/size-and-health-of-the-uk-space-industry-2024/infographic-size-and-health-of-the-uk-space-industry-2024

23. https://assets.publishing.service.gov.uk/media/6874f724b1b4ebc2c2e4656f/LE-UKSA_-_Size_and_Health_of_the_UK_Space_Industry_2024_-_Final_Summary_Report_S2C11072025.pdf (note - table 2 is an aggregation of Table 6 on page 27)

24. From the table referenced in the footnote above, this figure is the combination of earth observation, meteorology, space transportation and space exploration.

Conclusion

The commercial space sector is small relative to headline figures, but it is more likely to attract funding and grow if expectations are aligned to the revenue that firms can realistically deliver. While defence demand is rising and strategically important, commercial growth will require realistic expectations and credible forecasting. The gap between perception and commercial reality should be addressed through more credible forecasts and transparent, standardised measures of commercial health. Government demand will continue to play an important role, but should support rather than marginalise the growth of commercial revenue. The UK market on its own is unlikely to sustain multiple scaled commercial space firms. This suggests that the UK should focus its commercial sector efforts on developing and exporting services where it has competitive advantages. This could include data-intensive and trust-dependent solutions such as risk assessment in insurance or financial market analysis.



To address these market dynamics, the commercial space sector should consider these questions:

- What is the realistic five-year commercial revenue opportunity by vertical (e.g. insurance, commodities, agriculture, utilities, logistics) and which types of space firms are best positioned to capture it?
- How should government policy and sector reporting evolve to track real commercial health? Should they use metrics like profitability or contract renewal and exports, rather than firm count or enabled revenue?
- If investor and policy fatigue is rising, how can the sector improve its forecasting credibility, sharpen prioritisation and embed go-to-market execution discipline to deliver meaningful commercial traction?
- If the UK market alone cannot support multiple scaled commercial space firms, what export markets and global supply chains should UK companies target to achieve growth?
- Can defence sector demand be used as a springboard to grow and scale the commercial sector through a government purchasing approach that favours solutions with ongoing commercial and export potential, rather than one-off demos or bespoke solutions?

02

Question 2

Should we rethink how space reaches its customers?

- Is commercial scale in space-enabled services constrained by go-to-market execution rather than technical readiness?
- Do customers buy business outcomes they can embed in existing platforms and processes rather than satellites?
- Are space companies that prioritise clients and proven routes to market more likely to scale?

Market signal A: Customers buy outcomes

Customers buy outcomes rather than satellites. Understanding the outcomes customers need, and why they need them, is fundamental across all sectors. Examples of these needs include faster claims settlements, higher crop yields, fewer outages, verified emissions, assured connectivity and improved compliance. Results should be delivered seamlessly in the tools and platforms customers already use. They are less interested in satellite specifications and data formats.

Customers make decisions within their tools and processes. They are unlikely to have the luxury of starting from scratch when they start to integrate space data into their business. Customers generally prefer to buy space services from partners they already trust, using platforms they already use. If customers do this, our experience is that one or more of the following benefits may accrue:

- Procurement cycles are shorter
- Integration risk is lower
- Time-to-value is faster
- Adoption scales more quickly

The integration of space data into business-critical platforms is key. These include enterprise resource planning (ERP), geospatial information systems (GIS), risk, asset management and trading. If we look outside of space to, say, fintech, it appears that understanding client needs and being embedded in their workflows can deliver better results, even with less advanced technology.

So what? Space firms that deliver solutions that meet customer needs and are embedded inside existing platforms are likely to have the recurring revenue required to scale. The opposite may be true for space firms that are more focused on technology in isolation.

25. Space webinar covering question 1 hosted by PwC and the UK Space agency on November 25th, 2025. Estimated number of poll respondents: c.20 (indicative only).

This was echoed in one of our recent polls. When we asked what would grow enterprise use of space-enabled services, the top two answers were “greater commercial maturity of suppliers” and “improved customer relevance.”[25]

Armed with a deep understanding of customer needs, which established platforms should firms in the commercial space sector target? We highlight five below (indicative only based on our market perspective): cloud, space original equipment manufacturers (OEMs), industry, intelligence providers and consultancies. Benefits are described from the perspective of a commercial space firm. See also Question 4 (AI).

01 Cloud

Cloud platform distribution partners (cloud, GIS, enterprise software). Here space capabilities are embedded directly into systems where decisions are made. Our understanding is that these huge players can bolt space services onto existing relationships.

- **Examples:** AWS, Microsoft Azure, Esri
- **Benefits may include:** lower friction (e.g. integration and procurement); faster trial, adoption and scaling.

02 OEM

OEM integrated models where space services are embedded into physical products and infrastructure. This makes the services default rather than optional for the asset life.

- **Examples:** Airbus, Boeing (aviation), Apple
- **Benefits may include:** high volumes, long contracts and low churn

03 Industry

Industry-specific brokers and distributors. These trusted intermediaries may bundle space-enabled insights into their existing services.

- **Examples:** Aon, Swiss Re, AXA Climate
- **Benefits may include:** lower customer acquisition cost, enhanced brand perception as space is embedded into regulated sectors where trust is paramount

04 Intelligence providers

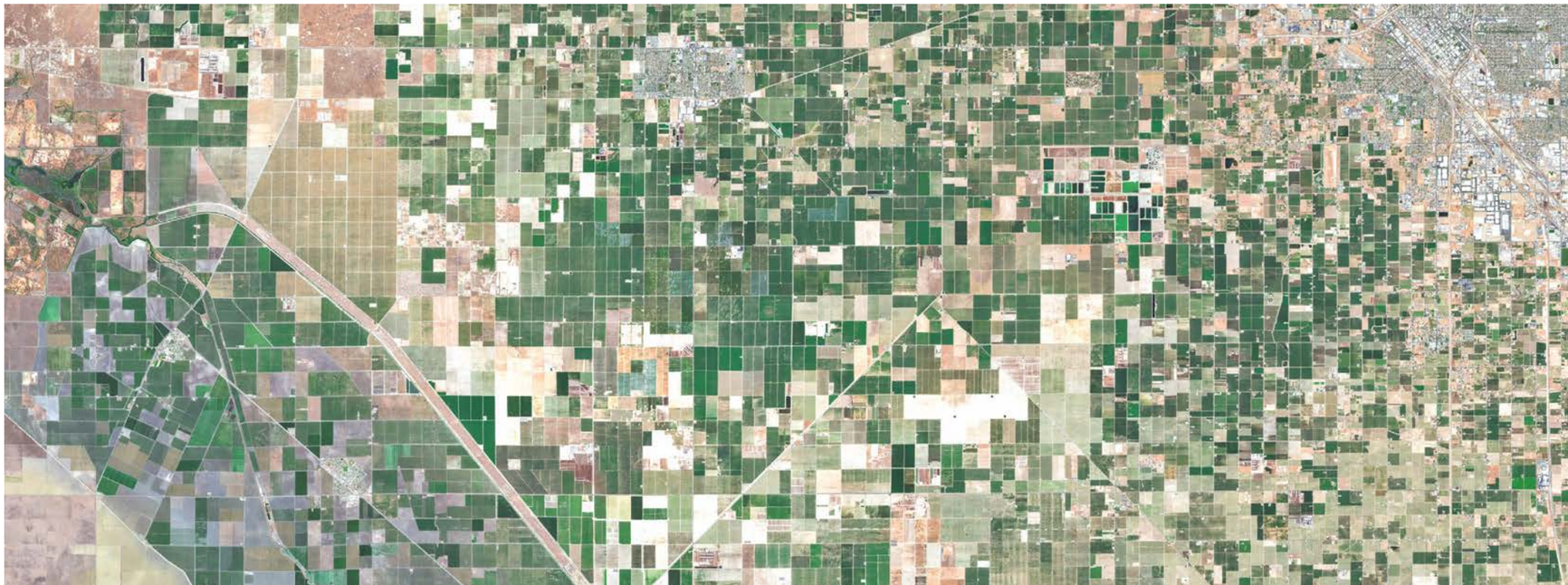
Data and intelligence providers that aggregate and distribute data at scale. Embedding space-derived data into their feeds may enhance their product offerings.

- **Examples:** Bloomberg, Refinitiv, S&P Global
- **Benefits may include:** low customer acquisition costs, scale and repeatable revenue

05 Consultancy

Consultancy and systems integrators that shape demand upstream (problem framing, investment justification) and may control delivery downstream (implementation and procurement).

- **Examples:** PwC, engineering-led integrators in infrastructure, energy, defence
- **Benefits may include:** enhanced brand perception, ability to shape the solution and staying embedded in delivery

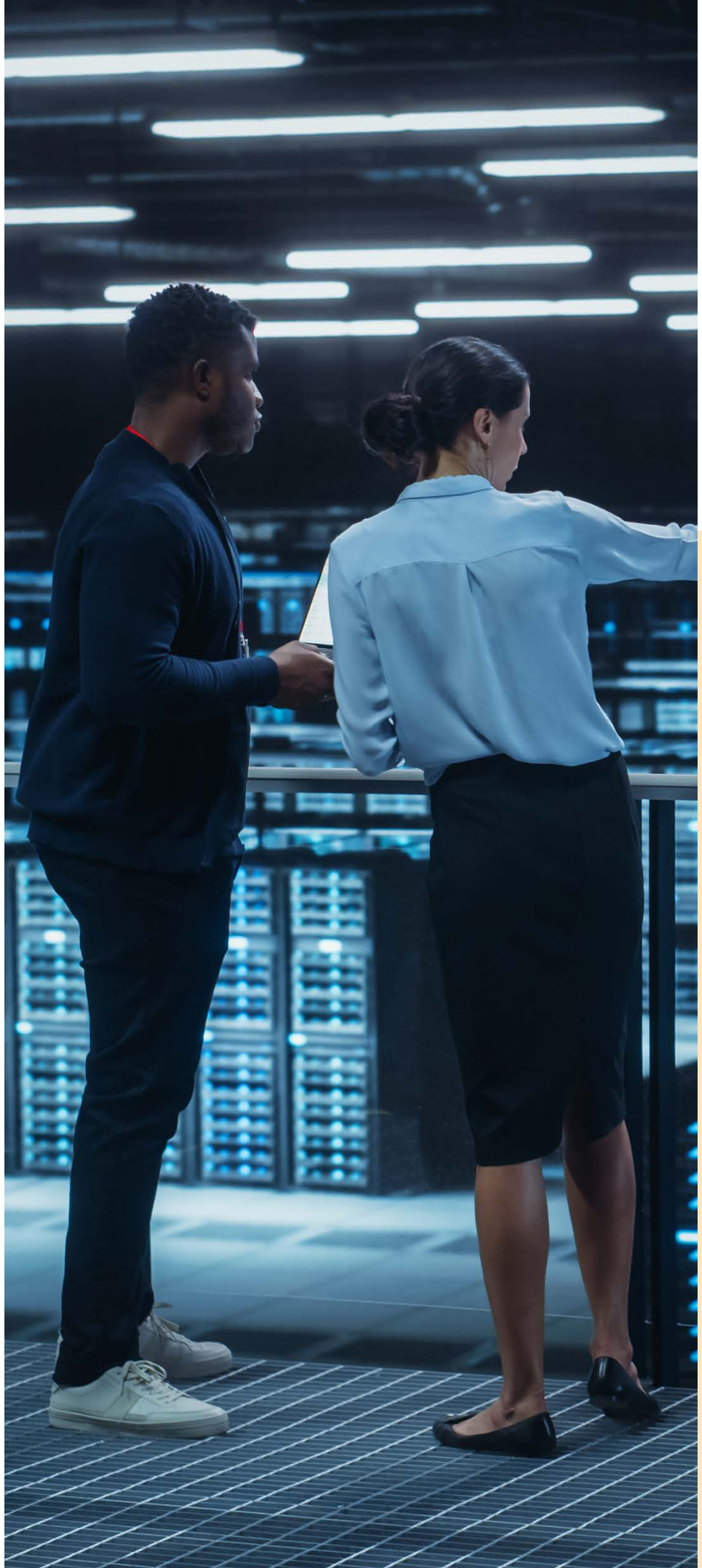


Market signal B: Lessons from SaaS and fintech

The SaaS (software as a service) and fintech markets have similarities to space. They are also data-intensive, trust-sensitive and integration-heavy. Our view is that the growth trajectories of SaaS and fintech may offer some insight for the space industry. We cover some considerations below.

- **Distribution-first mindset:** focus on building the best route to customers and embedding into dominant platforms and workflows. This is, arguably, prioritised more than technology
- **API-first integration:** design for integration, not demos. APIs as a primary distribution mechanism for embedding solutions at scale and succeeding through partner ecosystems
- **Outcome-based packaging:** per market signal A, customers buy outcomes rather than technical features
- **Predictable revenue models:** subscriptions and/or usage-based pricing are a focus. Initial wins are used to sell further services (land-and-expand). May be a factor in business stability and investor confidence
- **Customer success as a growth engine:** dedicated integration and adoption support (e.g. ‘customer success managers’) to maximise customer satisfaction and provide a platform for renewals and expansion
- **Specialisation:** successful firms often focus on specific sectors (e.g. fintech software, legal software) to solve specific customer problems, rather than building generic solutions
- **Ecosystem-led scale:** platform businesses (e.g. Salesforce, Snowflake) grow via partner marketplaces, developer toolkits and certification schemes to extend reach

Overall, the client is front and centre and there is little evidence of technology for technology’s sake. In our work supporting space-businesses to attract investment beyond early stages, there is a tendency for space firms to remain focused on selling their technology. UK space businesses are often engineering-led, grant reliant and/or focused on one-off projects. They may not be customer and route-to-market led. This risks limiting scale, reducing customer “stickiness” and may make it harder to attract repeat customers or investor capital.



Market signal C: How the UK could play to its strengths

We consider it unlikely that the UK will be a world leader in direct-to-consumer satellite constellations or high-volume launch. The UK could excel elsewhere. For example, it appears to have the components required to become one of the trusted providers of space inputs into financial, risk and regulatory systems.

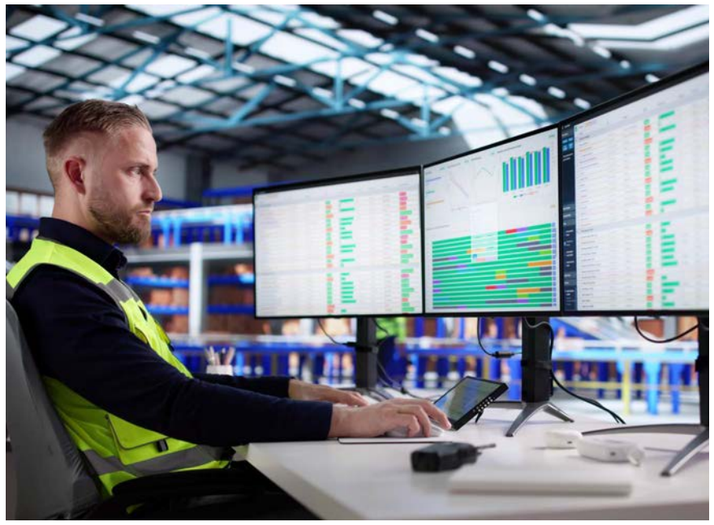
Is there a strategic opportunity for the UK to sharpen its focus on the high-trust, high-integration layer of the commercial space stack?

This is where space-derived services and insights flow into critical decision platforms, underwriting models, ESG disclosures and operational systems.

UK systems integrators, cloud partners and the leading financial services hub (including the London insurance market) could provide a ready-made distribution and trust infrastructure. The ability to package, assure and deliver space insights into enterprise-grade environments could be a unique comparative advantage.

Conclusion

Commercial scale in space-enabled services depends far more on customer adoption than on technical capability alone. Firms that deliver outcomes inside existing enterprise platforms are gaining traction, while technology-first models struggle to convert interest into repeatable revenue. The UK is well placed to compete in the high-trust, high-integration layer of the space stack, but progress will rely on sharper go-to-market execution and deeper alignment with established distribution channels. Embedding space into familiar systems is likely to be a key driver of commercial growth.



To reach customers effectively, the commercial space sector should consider these questions:

- What role should the UK space sector prioritise in the global commercial value chain?
- Which go-to-market channels are most likely to underpin commercial scale over the next decade?
- Who are the most influential partners the space sector should be targeting to enable commercial customer growth at scale and how can space companies more effectively engage them?
- What can the space sector learn from SaaS and fintech and their focus on the end client rather than the technology?

03

Question 3

Is industry fragmentation undermining scale?

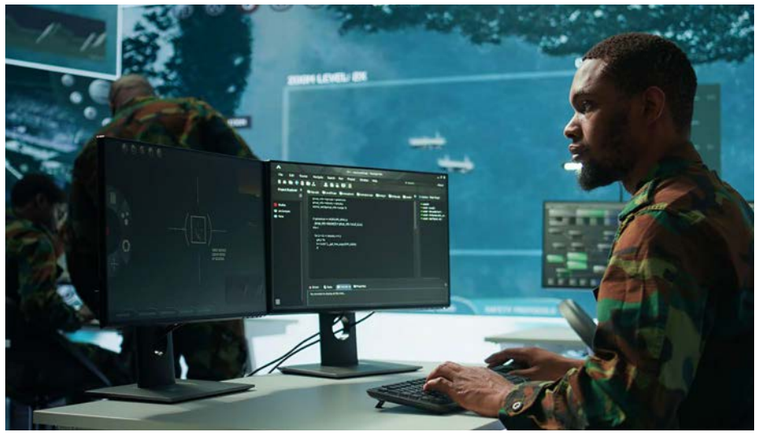
- How long can the UK space sector support a large number of small firms before consolidation becomes necessary?
- Which forms of consolidation are most likely to support commercial scale in the UK, including horizontal, vertical, cross-sector or capability-focused?
- Are firms that survive but do not scale tying up skilled workers and capital and making it difficult for ‘national champions’ to emerge?
- How can the sector shift from a technology-led and grant-driven innovation model to one that is centred on customer outcomes and commercial traction?

Market signal A: Why scale matters, and the rise of ‘zombie firms’

Fragmentation is common in the early stages of a sector’s growth. But scale is what ultimately drives credibility, competitiveness and access to capital. Recent UKSA analysis identifies 1,907 organisations in the UK space sector, with 12 generating around 69% of total income and 1,879 firms generating 25%.[26] If the UK space market remains highly fragmented, it may face challenges in all three areas:

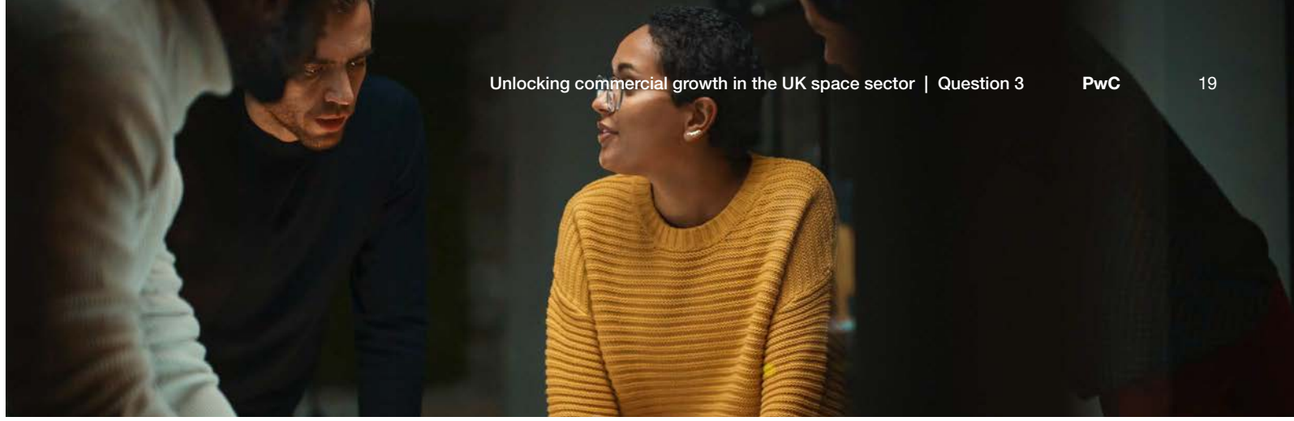
- **Customer perception:** large buyers (e.g. defence, insurers, utilities) are likely to prefer fewer, more reliable suppliers with operational scale. This may build delivery confidence and long-term relationships.
- **Competitiveness:**
  - **General:** firms with scale generally have lower costs than smaller firms. They may have a more significant budget to invest in innovation and can afford to invest in ideas that fail. Scale may give these firms an increased likelihood of success in the export market. Smaller firms may get stuck in ‘pilot purgatory’ where one proof of concept follows another and they never reach commercial volumes.
  - **Global:** peer countries such as the US and China seek to build national champions that have significant scale.
- **Investor appetite:** growth capital and institutional investors seek firms with predictable revenue, market leadership and consolidation potential. Fragmentation may deter mainstream funding, especially when set against the expectation gap covered in question 1.

Orbex, a UK-based launch firm that entered administration in February 2026, highlights the challenges of achieving scale in capital-intensive parts of the sector. Despite being one of the UK’s most high-profile launch ventures, its collapse shows that significant funding and public backing do not guarantee commercial success or sustainable scale.[27]



26. https://assets.publishing.service.gov.uk/media/6874f724b1b4ebc2c2e4656f/LE-UKSA_-_Size_and_Health_of_the_UK_Space_Industry_2024_-_Final_Summary_Report_S2C11072025.pdf

27. https://engineers.scot/news/2026-02-24-disappointing-doesnt-come-close-uk-rocket-firm-orbex-enters-administration-before-making-first-launch



Our recent analysis of UK company failures indicates that startups now account for a much smaller share of total insolvencies than in previous years.[28] Whether survival equates to success is, perhaps, another matter. This reduced startup share of insolvencies may mask the proliferation of ‘zombie firms.’ These are companies that ‘merely survive but do not thrive’ (see Figure 2: PwC Research on UK Company Failure Rates). Such firms may tie up talent and capital that could deliver more for the UK if redirected.

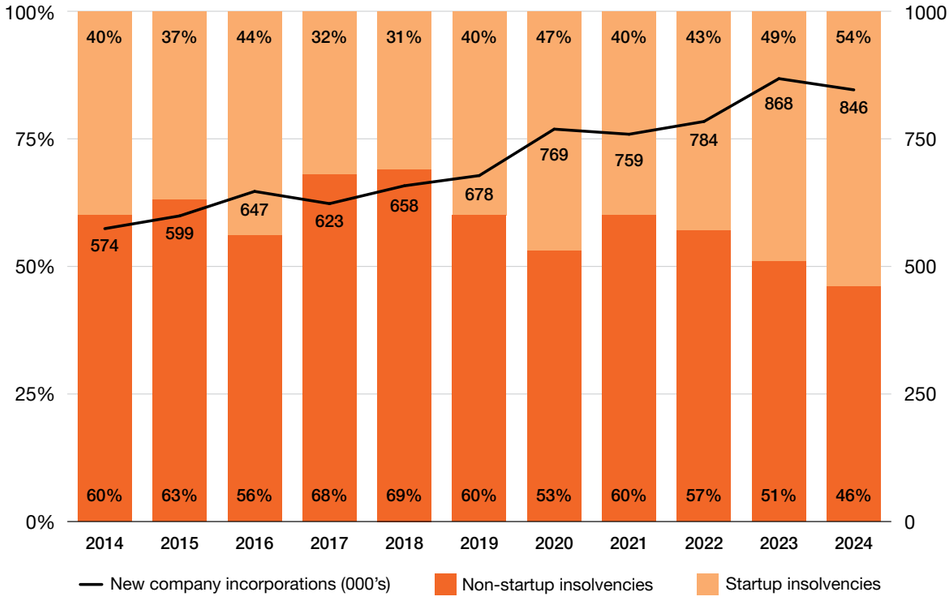


Figure 2. Proportion of UK startup and non-startup insolvencies vs new UK company incorporations, 2014 to 2024

If we consider the UK Engagement with Space Committee report from 2025,[29] we can infer that many space firms are persisting without scaling:

> 60% of UK space firms turn over less than £260,000 annually and only 1.6% have scaled in the last decade.[30]

The engagement characterises space sector funding as “numerous small-scale grants” with limited procurement opportunities, which is sub-optimal in supporting innovative firms to scale and may prop up firms which are otherwise not viable. It concludes that the sector lacks strategic direction and calls for a shift from small R&D grants to procurement that enables firms to scale.

28. https://www.pwc.co.uk/press-room/press-releases/research-commentary/2025/pwc-analysis-finds-failure-rates-amongst-startups-at-lowest-leve.html

29. https://publications.parliament.uk/pa/ld5901/ldselect/ldukspace/190/19006.htm

30. https://committees.parliament.uk/writtenevidence/140511/html

Market signal B: Consolidation may be coming

Some UK commentators argue that the wider UK space sector lacks coherence and will require greater structural alignment to prosper.[31] This has clear implications for the commercial space sector.

Over the past five years, many governments have focused on domestic capability for national security, resilience and sovereignty reasons. In some cases, this has led to funding multiple small firms that offer similar services. The rationale could be redundancy, supply chain diversification and/or sovereign capability. The result could be that government funding is spread too thinly.[32]

The unintended consequence of this approach may be a fragmented market consisting of many small suppliers overly reliant on government funding that struggle to compete globally.[33]

This has been particularly visible in:

- Earth observation, where governments have funded multiple niche firms
  - For example, InCubed initiatives[34] [35] and UKSA's Climate Services Call 3[36] support multiple small earth observation projects
- Launch services, where duplicate investments may dilute capital and limit scale
  - An example of many microlaunchers being supported at once is from the ESA European Launcher challenge. Here several similar firms were supported in parallel: Isar Aerospace, Rocket Factory Augsburg, Maiaspace, PLD Space and Orbex.[37]

The need for strategic consolidation to build scale is illustrated by the BROMO project. In October 2025, Airbus, Leonardo and Thales signed an MoU to combine their space activities into a new company, aiming for the critical mass to compete globally and grow on export markets. Press coverage has framed BROMO as Europe's response to SpaceX.[38]

If we zoom out to consider other industries, mergers and acquisitions (M&A) have often played a pivotal role in sector growth. The case studies below illustrate how M&A has been used, not just to consolidate market share, but to unlock multiple customer benefits and deliver sector growth. Could the commercial space sector learn from these examples?

01 Consumer Goods: Entering new markets and diversifying at scale

- Companies like Unilever have used M&A to rapidly enter adjacent categories (e.g. wellness, plant-based, sustainable brands) and integrate them into global supply chains.[39] Rather than building from scratch, they acquire high-growth innovators and plug them into their operational backbone.
- **Lesson for space:** Consolidation is not just defensive. It can be a way to rapidly enter new verticals by acquiring trusted niche providers, then scaling them through stronger go-to-market, assurance and infrastructure.

02 Airlines: Alliances and shared infrastructure without full merger

- The airline sector, facing regulatory and national barriers to full consolidation, created scale via alliances (e.g. OneWorld) that enable shared infrastructure, loyalty schemes and procurement while preserving sovereignty.[40]
- **Lesson for space:** The UK could adopt similar "virtual prime" models that enable small company consortia or regional clusters to act as a single credible supplier in large bids. This could lead to sharing of routes-to-market and infrastructure without formal M&A.

03 Veterinary services: Scaling fragmented services via private equity

- VetPartners grew from a single clinic into 700+ sites through a private equity backed roll-up.[41] [42] The key was recognising that a fragmented sector of competent operators could be scaled with shared systems, back-office integration and common branding.
- **Lesson for space:** Earth observation analytics, in-orbit services and niche SatCom solutions are prime candidates for roll-ups. Backing a consolidator with late-stage venture capital (VC) or private equity (PE) capital could transform a cluster of promising but small firms into an international commercial leader.

04 Professional services: Acquiring capability to broaden offering

- PwC built its global network not just organically, but through decades of M&A. This included acquisitions in strategy,[43] cyber and data. These deals were not just about market share. They were also key to building differentiated capabilities to serve evolving client needs.
- **Lesson for space:** M&A that addresses capability gaps can be just as important as consolidation. Space firms may be able to accelerate commercial maturity by acquiring (or partnering with) firms in high growth or key customer-enablement areas.

05 Pharma: Accessing innovation and accelerating commercialisation

- Firms like GSK use bolt-on acquisitions to expand their pipeline in strategic areas (e.g. oncology, vaccines[44]), acquiring innovation developed outside the core business. M&A is not just a financial instrument, it is also a product development strategy.
- **Lesson for space:** UK space primes or mid-tier firms can apply this logic by acquiring IP-rich but commercially early-stage players. Examples could include microgravity manufacturing, edge-AI analytics or 3D twin modelling.

31. https://www.geostrategy.org.uk/app/uploads/2024/11/No.2024_36-Better-space-consolidating-the-UK-national-space-enterprise1.pdf

32. https://www.electronicsweekly.com/news/act-now-or-lose-out-says-house-of-lords-space-committee-report-2025-11/

33. https://publications.parliament.uk/pa/ld5901/ldselect/ldukspace/190/190.pdf

34. https://www.esa.int/Applications/Observing_the_Earth/Introducing_InCubed

35. https://philab.esa.int/esa-incubed-and-uksa-fund-five-earth-observation-projects/

36. https://space.blog.gov.uk/2025/10/08/celebrating-climate-innovation-during-world-space-week/

37. https://www.esa.int/Newsroom/Press_Releases/European_Launcher_Challenge_preselected_challengers_unveiled

38. https://www.theguardian.com/business/2025/oct/23/airbus-leonardo-thales-european-rival-elon-musk-spacex

39. https://www.unilever.com/news/news-search/2023/how-our-1-billion-health-wellbeing-business-keeps-growing/

40. https://www.iata.org/en/iata-repository/publications/economic-reports/benefits-of-alliances-and-jointventures/

41. https://www.bcpartners.com/portfolio/vetpartners/

42. https://www.vetpartners.co.uk/news/exciting-times-ahead-for-guernseys-oldest-veterinary-practice/

43. https://www.strategyand.pwc.com/cn/en/press-releases/pwc-completes-booz-acquisition-cne.html

44. https://www.gsk.com/en-gb/media/press-releases/gsk-completes-acquisition-of-affinivax-inc/

Market signal C: UK implications

The challenge in the UK space sector is not a shortage of innovation, but a lack of industry coherence and demand and delivery at scale. While technical capability is abundant, many firms remain disconnected from customer workflows, poorly capitalised or duplicative. Other sectors have closed this gap through strategic M&A and, in our opinion, space now faces a similar inflection point.

Government may be able to help unlock scale. The first step would be to ensure that increasing scale in the commercial space sector is an explicit policy goal. Under this, government could consider policy that:

- Enables mid-tier firms to grow into national champions, learning from the US and China and using other levers such as public procurement programmes, export credit and targeted co-investment
- Creates conditions where consortia of smaller firms may compete on a comparable basis to traditional market primes on flagship programmes
- Signals that funding and support will reward scale and international traction for the commercial space sector (not just capability or ability to deliver for the defence sector)

Private capital will also matter and may be influenced by government policy and funding. Late-stage venture, private equity and institutional finance could fund consolidation and scale if they offer compelling value. Backing could flow to firms that can show customer traction, repeatable revenue and a clear plan to scale.

Conclusion

Fragmentation and the proliferation of sub-scale firms may be limiting the sector's ability to compete, attract investment and win major commercial contracts. Innovation is abundant, but its impact is diluted when talent and capital are spread thinly across too many small players. Other sectors have broken through similar constraints by pursuing consolidation, alliances and other pathways to scale. The UK's commercial space sector may now face the same inflection point: growth will depend on building fewer, stronger firms capable of securing customer trust and competing internationally. This could present a significant opportunity to private capital which will play a key role in market consolidation and is likely to be influenced by government policy and funding.

To address the fragmentation issue and scale effectively, the commercial space sector should consider these questions:

- How much longer can the UK space sector sustain a high number of sub-scale firms before strategic consolidation becomes essential?
- What can the UK government do differently to facilitate the scaling up of the commercial space sector?
- What M&A lessons from mature sectors (e.g. SaaS, telecoms, pharma, airlines) can inform the UK's next phase of commercial space development?
- What is the catalyst that could trigger accelerated market consolidation?

04

Question 4

Will AI eat the space sector's lunch?

- Will the impact of AI on space be net negative or positive?
- Does the impact of AI differ across upstream, midstream and downstream and who are the winners and losers?
- Is AI likely to have a major impact on current space specialist players, from smaller players to big GIS firms (e.g. Esri)?
- What is the space play of big AI (e.g. OpenAI) and big tech (e.g. Google), including bundling geospatial AI services with existing services?

What do we mean by AI, and how does the impact of AI differ across the value chain?

Classic machine learning (ML) and deep learning have powered prediction and perception on imagery, telemetry and radio frequency (RF) for years. The real step change is modern large language models (LLMs) and their agentic assistants. They use natural language to query and chain tasks across workflows. Amongst other things, this has the potential to democratise complex geospatial analytics. AI also facilitates edge processing. For example, where satellite analytics are carried out in orbit with structured results rather than raw data sent to Earth.

Figure 3 right summarises the winners and losers in each part of the value chain. Overall, the impact of AI is expected to be positive, particularly as agentic AI enables less technical users to get compelling results using plain English prompts (downstream). In turn, this is likely to increase demand for upstream and midstream services.

Figure 3. AI Impact, Winners and Losers (source: PwC)

Upstream
Design, manufacture, launch

Design and manufacture | **Launch and operate**

Impact (Medium)

Design, qualification and build speed up with assisted design and simulation. Door open to new entrants, playing field levelled for smaller companies

Winners

- Smallsat builders using assisted design and digital test
- Space qualified compute for on orbit filtering
- Vision-guided RPO and debris capture move from demo to commercial

Losers

Slow primes and manual supply chains with long lead times

Impact (High))

Edge processing means that information, not data, is provided. Bandwidth lowers and cost reduces. Provenance and digital signatures increasingly important

Winners

- Those delivering information, not raw pixels
- Providers of multi-sensor fusion platforms (e.g. RF, SAR, thermal, optical)
- Dynamic constellation ops (automated tasking, on-orbit filtering, etc)

Losers

Those unable to offer more complex, value-added solutions

Midstream
Collect and prepare

Data processing and assurance | **Data acquisition and storage**

Downstream
Combine and add value

Data aggregation | **Modelling and analysis**

End User
EO Applications

Services and solutions

Impact (High)

Natural language prompts deliver powerful analytical insights (fusion). Clients empowered to move services in-house as complexity reduces and incumbent GIS offer seamless AI integration. Cost reduced through up/mid efficiency, AI interpolation of cheap data, competition

Winners

- The “space sector” - grows as lower barriers and demystification drive more use cases and increase demand
- End users - faster, cheaper, more actionable insights
- Big tech / hyperscalers - prompt-led analytics, captive channels, one stop shop, commoditisation
- Major GIS - prompt-led simplicity, more powerful analytics, client retention

Losers

Niche analytics companies with replicable analytics, high cost bases and challenges attracting clients to scale

Market signal A: AI is already accelerating progress across the space sector

AI is accelerating upstream design, qualification and operations. It shortens test cycles, improves anomaly detection and supports autonomy. In parallel, midstream is shifting from pixels to information. If processed information rather than raw pixels is sent to Earth, this may increase decision-making speed and lower costs.

Illustrative examples from the market include:

- **OroraTech** on orbit wildfire detection.[45] Alerts and hotspotsare sent directly, rather than raw data to be analysed later. Cuts latency for responders and moves value from imagery delivery to time-critical decisions.
- **Φsat** on orbit cloud detection and filtering.[46] Downlinks clear, usable imagery rather than every frame. Reduces bandwidth and improves usable yield from each pass.
- **Spire × NVIDIA Earth 2** earth observation data and predictive AI. The combination delivers a faster, probabilistic alternative to traditional physics-based NWP (numerical weather prediction), with commercial 20- to 45-day forecasts for energy and commodities.[47]

So what? If information, not pixels (raw data), is sent from orbit, there will be reductions in bandwidth, latency and cost. Provenance and audit trail move into the core flow and client needs increasingly drive satellite tasking.

45. https://ororatech.com/resources/news-blog/ororatech-launches-world-s-first-satellite-constellation-for-wildfire-detection-and-data-accumulation

46. https://Earth.esa.int/eogateway/missions/phisat-2

47. https://spire.com/press-release/spire-global-launches-breakthrough-ai-weather-models-built-on-nvidia-omniverse-blueprint-for-Earth-2

Market signal B: Not the same old AI, significant changes are afoot

Computer vision, classic ML and deep learning have powered EO analytics for years. They detect ships, roads, buildings and changes. What is new is that LLM-enabled agentic assistants can orchestrate complex models and tools, demystifying and democratising a field previously dominated by deep technical specialists. If users can use plain English to obtain complex geospatial analytics results, we expect that this will increase overall demand and grow the space sector. Results will often be delivered in familiar forms, for example ArcGIS layers. Meanwhile, the “same old AI” is getting faster, more accurate, more ubiquitous and more cost effective.

48. https://www.wired.com/story/google-earth-gemini-ai-chatbot/

49. https://www.esri.com/about/newsroom/announcements/esri-collaborates-with-microsoft-to-bring-arcgis-users-new-ai-enhancements

50. https://arxiv.org/pdf/2212.12794

51. https://www.esa.int/Applications/Observing_the_Earth/ESA_and_IBM_collaborate_on_TerraMind

Illustrative examples from the market include:

Assistants

- **Google Earth AI** chatbot-style questions to find changes in the climate, e.g. “find algae blooms”[48]
- **OpenAI × Esri AI** assistants in ArcGIS to ask plain English questions over imagery and metadata[49]

“Same old AI” progress

- **Google DeepMind** state-of-the-art global weather model trained on ERA5 reanalysis, see the GraphCast example[50]
- **IBM × European Space Agency TerraMind,** an AI foundational model.[51] A generative earth observation model that can fuse data from multiple sensors and sources

So what? LLMs and agents have the potential to democratise complex geospatial analytics and increase overall space sector demand. Costs may be driven downwards from this increased demand and the improved efficiency of the “same old AI” processing, along with the midstream changes in market signal A. This may shift value to products that ship with provenance, confidence levels and audit trails.

Market signal C: Big tech is muscling into space

Hyperscalers already own identity, billing and marketplaces. They host the tooling for training and deploying models. Big AI firms are building foundation models that absorb more tasks, including weather and earth observation. This makes it likely that geospatial analytics will increasingly be bundled into cloud platforms and assistant products. Buyers may respond by consolidating platforms to reduce risk and simplify governance. That could restrict access to data, or to the interfaces required to build downstream services.

The rapid increase in demand for AI services means that a significant number of data centres are required, along with up to $3 trillion in investment over the next five years.[52] These data centres will be power hungry. Some of them may be in space where the Sun could serve as a power source, although perhaps not in the near future.

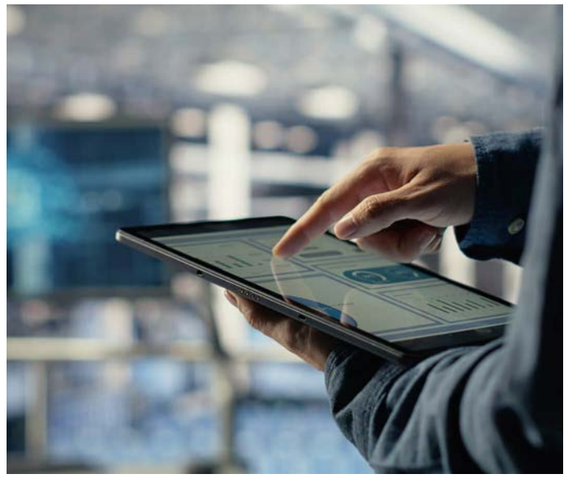
Illustrative examples from the market include:

- **Microsoft × HPE × NASA** Spaceborne Computer-2 (ISS) linked to Azure for edge-to-cloud inference[53]
- **AWS × D-Orbit × Unibap** (experiment) in-orbit ML that prioritises what to send[54]
- **AWS** combines hosting and geospatial services,[55] making it easy to bundle geospatial analytics into broader cloud procurement
- **xAI × SpaceX** merger that could deliver AI data centres in space. SpaceX CEO Elon Musk said:

> In the long term, space-based AI is obviously the only way to scale… To harness even a millionth of our Sun's energy would require over a million times more energy than our civilisation currently uses! The only logical solution therefore is to transport these resource-intensive efforts to a location with vast power and space.[56]

So what? Distribution and compute already sit with the cloud providers. Big tech providers will bolt prompt-led, complex geospatial analytics on top and pull demand through their long-established channels (one-stop shop for clients). Geospatial analytics are likely to be increasingly commoditised and sold as part of an overall package, refer also to Question 2. For smaller firms, the opportunity may lie in focusing on their USPs and working with big tech, for example through partnerships and/or listing their solutions in big tech marketplaces.

If we consider the potential for space-based data centres, we arguably have something more than big tech muscling into space. We may have a seismic shift in the importance of the space sector.



52. https://www.jll.com/en-uk/newsroom/global-data-center-sector-to-nearly-double-to-200gw-amid-ai-infrastructure-boom?

53. https://azure.microsoft.com/en-us/blog/connecting-azure-to-the-international-space-station-with-hewlett-packard-enterprise/

54. https://aws.amazon.com/blogs/publicsector/aws-successfully-runs-aws-compute-machine-learning-services-orbiting-satellite-first-space-experiment/

55. https://docs.aws.amazon.com/sagemaker/latest/dg/geospatial-getting-started

56. https://www.reuters.com/business/aerospace-defense/musks-mega-merger-spacex-xai-bets-sci-fi-future-data-centers-space-2026-02-04/

Conclusion

AI is reshaping the space value chain and is likely to increase overall demand, particularly when plain English prompts and agentic AI deliver results in familiar tools and platforms. It is also likely to intensify competition, particularly from big tech and hyperscalers. They own a significant number of clients and will increasingly bundle geospatial analytics along with existing services. The midstream move from raw pixels to actionable information may offer end clients lower latency and cost but could adversely impact the market share of some downstream providers. UK firms that build trusted solutions and a clear route to clients may benefit from this shift; those that rely on raw data sales or niche analytics may find their market position weakened. Space-based data centres may significantly boost sector relevance and revenue in the medium to long term.

To capture the potential upsides of AI, the space sector should consider these questions:

- Who wins and who loses as midstream shifts from imagery to detections and decisions, and what are the UK implications?
- Which UK downstream analytics offerings are most exposed to AI impacts and how can this be addressed?
- How should UK firms prepare for a potential increase in data scrutiny, e.g. requirements to prove provenance and show audit trails?
- Where do hyperscalers and big AI play, and how can UK firms partner without losing the customer relationship?
- What are the UK implications of space data centres?

Contacts

Faye Melly

UK Space and Government Partner

faye.melly@pwc.com

Cara Haffey

UK Industrials & Services Lead and Space Deals Partner

cara.haffey@pwc.com

Jamie Berry

Space Deals Assistant Director

jamie.berry@pwc.com

Craig Roberts

Head of Aerial Intelligence & Innovation

craig.roberts@pwc.com

pwc.co.uk

RITM0388728