

Business

Satellite entrepreneurs plan astronomical growth

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Simon Duke

A pair of British entrepreneurs have minted paper fortunes of nearly \$1 billion each since launching their space venture on to the US stock market this month.

David Williams and David Bestwick listed Arqit Quantum on the Nasdaq exchange through a merger with a blank cheque company.

The company has caught the attention of risk-hungry investors with its claim that satellites can be used to protect corporate IT systems from the most sophisticated cyber attacks.

Despite having negligible revenues, shares in Arqit have more than doubled since the company went public, lifting its market value to \$3.4 billion.

Williams, 52, and Bestwick, 55, own stakes of 27 per cent and 24 per cent in the London-based business. At Friday's closing price of \$24.24, their holdings were worth \$920 million and \$816 million.

The UK taxpayer is sitting on a paper profit of nearly £100 million from Arqit's flotation, according to Williams, the chief executive. The Future Fund invested £8.5 million in the company last year through loans that convert into shares.

Williams, a former Goldman Sachs banker, founded Arqit in early 2017, several months before he quit Avanti Communications, then a listed satellite operator.

He and Bestwick established Avanti in 2007 and the company became a stock market darling for a time, before an industry sell-off decimated its share price five years ago. Avanti, which had borrowed heavily to launch satellites, subsequently fell into the hands of creditors, who took the company off the stock market in 2019.

Williams said he came up with the idea for Arqit while working with Avanti's customers in the defence industry and intelligence services. He said that advances in computing power were weakening legacy encryption systems, which date back to the 1970s and were founded on public key infrastructure (PKI).

"PKI is not fit for a hyper connected world and that's why you're seeing attacks against targets like the Colonial pipeline and big software companies," Williams said.

"It's going to get worse. The computing power available to adversaries is only going to rise over the coming years," he added.

The technology industry's next great leap will render PKI obsolete, according to Williams. Quantum computers are expected to operate millions of times faster than today's



Arqit claims that satellites can be used to protect corporate IT systems from the most sophisticated cyber attacks, and the price of its shares has more than doubled

advanced supercomputers, allowing them to break today's encryption codes with ease.

Williams said that Arqit had developed a new system based on "symmetric encryption", in which two devices can communicate with each other using a key consisting of a random number thousands of digits long.

To avoid the codes being intercepted by hackers master keys are transmitted to data centres via satellite and individual codes are

then sent to devices. "Information captured in an individual particle of light cannot be stolen and broken," Williams said.

Arqit raised \$115 million through its US listing, which Williams said was twice the amount it needed to develop its technology.

The company employs 72 people but plans to increase that number to about 2,000 over the next five years. Its service is currently delivered over earth-bound networks, but Arqit plans to launch two satellites into

orbit in 2023.

Williams said that it had binding contracts worth \$130 million with customers including the UK government, the European Space Agency (ESA), BT and Sumitomo Corporation, and had a pipeline of \$975 million of future work.

Because of the looser rules around Spac flotations, Arqit has been able to deliver some astronomical growth projections.

According to its filings at Companies House, Arqit generated no revenues

in the 12 months to the end of September last year, although it declared £1.5 million in operating income from a contract with the ESA. It made a pretax loss of £891,000 in the period.

Arqit has told the US market that it will report sales of \$14 million and a loss of \$6 million this year. By 2025 it expects revenues to soar to \$660 million, resulting in earnings before interest, depreciation, tax and amortisation of \$477 million.