WHY DID GOOGLE INVEST $1 BILLION IN SPACEX?

News / Finance

Did you notice this big investment Google made last year? You may have missed it. After all, the U.S. space company hadn't yet earned itself a name for successfully landing a rocket on the ground just after the rocket delivered a payload in space.

But the investment shouldn't be overlooked. Indeed, it may be one of Alphabet's (NASDAQ:GOOG) (NASDAQ:GOOGL) (formerly Google) boldest moonshots yet: the tech giant made a big investment into SpaceX.

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Falcon

FALCON 9 ROCKET. IMAGE SOURCE: SPACEX.

The origins of a $1 billion SpaceX investment

It's no surprise that **Alphabet** is interested in space. After all, **Amazon.com**, Virgin Group, **Facebook**

, and **Qualcomm**, are among tech companies that have invested in the development of either rockets or satellites. Space offers another frontier for the information and communication that technology companies hold so dear -- particularly Google. And it gives big companies a bigger purpose to strive for. But what was surprising about Alphabet's SpaceX investment was how big it was. The company, along with **Fidelity**, together invested $1 billion into SpaceX for 10% ownership of the private U.S. space company.

"Space-based applications like imaging satellites can help people more easily access important information, so we're excited to support SpaceX's growth as it develops new launch technologies," said Don Harrison, Google's vice president for corporate development, in a statement about the SpaceX investment, according to *The New York Times*.

And, notably, Harrison joined the board of SpaceX.

Based on Harrison's statement, the origins of the company's motivation for the investment was likely rooted in SpaceX CEO Elon Musk's announcement just before Google's investment. Musk noted SpaceX would set out to build and deploy the world's largest global communications systems via a network of hundreds of satellites.

"Our focus is on creating a global communications system that would be larger than anything that has been talked about to date," Musk told Bloomberg last year.

Alphabet may be more serious about space than it lets on

Before Alphabet was formalized last year, the company's projects like these were considered "moonshots." But with the creation of Alphabet in August, these "moonshots" were upgraded to "Other Bets" as the company structured its business in a way it can give more focus to these side projects.

You can bet that whatever satellite initiative Alphabet works on in regard to SpaceX, it's going to be one of the company's bigger bets. With 10% ownership of SpaceX in conjunction with Fidelity, the company arguably has a solid stake in what could become the most important space company in our lifetimes.

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FALCON 9 AS IT SUCCESSFULLY LANDS AFTER RETURNING FROM SPACE. IMAGE SOURCE: SPACEX.

And it's worth noting that Alphabet's SpaceX investment has likely already panned out to be a bargain. Now that SpaceX has proved it can successfully land one of its rockets after returning from space, and with the rocket company now aiming for a 70% rocket landing success rate during 2016 and planning to launch its Falcon Heavy later this year, it probably sports a much greater valuation in the private markets than it did when Google invested in it early last year.

Time will tell what Alphabet makes of its SpaceX investment, but don't be surprised if it turns into something significant.

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