



Rating  
**Buy**

North America  
United States

TMT  
Telecom Services

Company  
**AST SpaceMobile**

Reuters  
ASTS.OO

Bloomberg  
ASTS US

Exchange  
NSM

Ticker  
ASTS

Date  
17 August 2021

## Results

Price at 13 Aug 2021 (USD)	9.54
Price target	35.00
52-week range	22.50 - 7.08

# 2Q Marks Progress In MNO Agreements & Regulatory

## Our View On The Stock

AST SpaceMobile is building a global network of satellites to provide cost-effective, high-speed mobile broadband service to standard mobile phones held by consumers around the world. We believe that, while still very early, this business has the potential to generate substantial returns for investors who are willing to accept a higher degree of risk than is typical of public equities, and who have the luxury of a relatively long time investment horizon. We outline the key tenets of our investment thesis below.

\* **Massive TAM** - Roughly 4B people, or about half the world's population, remain unconnected to mobile broadband. We expect very high demand for SpaceMobile service from this group given the importance and utility of connectivity.

\* **Unique Competitive Advantage** - AST is the only company (that we are aware of) building a broadband service that can be delivered from satellites to standard cell phones (and with ubiquitous global coverage). The company is using its proprietary RF technologies combined with a unique satellite design that features a 25m x 25m antenna array to essentially create a giant antenna.

\* **Very Attractive Wholesale Business Model** - The company is partnering with MNOs globally to (1) gain access to new markets/customers very efficiently, (2) navigate the regulatory process in each country timely and cost effectively, and (3) hand off the costs of customer acquisition, provisioning, billing, handset issues, etc to the MNO partners in exchange for a 50/50 revenue split. This should result in margins of more than 95% at scale.

\* **Strong Funding Position** - Phase I of the company's commercial plan, which is expected to achieve revenue and EBITDA on a standalone basis, is fully funded based on the company's current cash balance (the product of the SPAC/PIPE transactions from earlier in the year). This puts AST in a favorable position in which it should not have to raise additional funding for some time, and not until it has further proven out its business (at which point funding costs should be more reasonable).

While significant technological, operational, and logistical risks remain, we think the tremendous value creation potential from this business (if successful) provides

## Valuation & Risks

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a very favorable risk/reward ratio, which we think makes the stock an attractive investment. For context, our four valuation scenarios (see figure 2) imply stock price returns of -\$9 and -\$1 downside in our negative scenarios, and +\$36 and +\$77 in our upside scenarios (see figure 4), and we see much greater potential upside longer term if the business succeeds. Our \$35 PT, which is based on expected value, is more than 3x the current stock price, and implies that in 2024 ASTS will trade at only ~6x our 2025 EBITDA estimate.

We encourage investors to refer to our detailed initiation report [here](#).

#### Highlights From The Results/Call & Recent Events

\* **BlueWalker 3 Delay** - In late July, AST announced that BlueWalker 3, the company's next major test satellite would be launching in March 2022 aboard a SpaceX rocket, instead of on an international mission that was previously expected to occur in late 4Q21. We outline our key takeaways below:

- The primary payload for the prior launch vehicle (belonging to an unnamed international company) was delayed, which would have caused BW3, the rocket's secondary payload, to be delayed as well. However, whatever the issue was, it was outside of AST's control.
- Working with SpaceX, a well established US based launch partner, should provide AST with greater certainty and visibility as it moves forward with its development process for BW3. Additionally, this should provide easier transportation to the ultimate launch site (Texas to Florida) compared to the previous launch plan.
- It appears that the timeline for AST's commercial launches have generally been pushed back by 1-2 quarters, based on commentary from the 10Q (compared to the initial proxy filing). We believe this is due primarily to the later launch timing for BlueWalker3. Importantly, we do not expect this to materially impact the commercial outlook for the business, and we are broadly maintaining our estimates (our model already takes a material haircut to management's projections in order to reflect the risk of cost overruns and delays).

\* **A Smart Move** - In early July, AST announced it had signed an MOU with Smart Communications, one of the two largest mobile network operators in the Philippines (at over 70M subscribers). We think the Philippines, a nation of 110M people, is particularly challenging to serve from a wireless network deployment standpoint, as a result of having more than 7K islands. According to an [OpenSignal report](#) from 2020, the Philippines ranked 67th out of 100 countries surveyed in terms of 4G availability (despite having the 13th greatest population globally), and according to the Asia Foundation, 45% of the country's population lacked internet access (as of 2018). We think this agreement between AST and Smart is an important proof point of the demand for SpaceMobile from MNOs in markets that are lagging in terms of mobile broadband connectivity.

AST also announced that it has signed partnerships with several additional carriers as well, and now covers 1.5B POPs with its carrier partnerships (up from 1.3B as of the last update).

\* **AST has now received regulatory approval in 6 countries** (the largest of which is Nigeria) with a cumulative population of over 360M. AST's application with the FCC remains outstanding, although management is confident that it will ultimately be approved (the US market is not going to be covered by AST until later commercial



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phases anyways).

**\* The company already has all of the necessary components for BlueWalker3 on hand**, and the global chip shortage should not impact the timing of that build. More complex components for the commercial launches later on are being procured far in advance in order to avoid any such delays.

**\* Management expects that testing via BW3 will take place in the months following that launch**, which will prove out the full system design (including the ability to unfold a large array in space and to connect directly from a satellite in orbit to a handset on the ground using carriers' spectrum). However, note that BW3's array is not as large as those that Bluebird 1 satellites (commercial satellites that AST will use) will attempt to use.

**\* The company expects to be able to produce 6 spacecraft per month in its Midland, Texas facility once the facility is fully built out.**

#### [Model Changes & Estimate Revisions](#)

We are tweaking our model to reflect AST's 2Q21 earnings report, however given the early stage of the business today, our forward estimates are effectively unchanged.

We are slightly pushing back some of the satellite launches to reflect updated commentary from the company's filings.



Figure 1: ASTS Model Summary

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total Subscribers (000s)		0	9,000	44,000	108,000	234,000	373,000	468,000	531,000	620,000
Total ARPU			\$1.76	\$1.96	\$2.01	\$2.05	\$2.13	\$2.20	\$2.22	\$2.21
Growth %				11.3%	2.7%	2.0%	3.9%	3.1%	0.9%	-0.2%
<b>Total Revenue</b>	<b>9.7</b>	<b>11.7</b>	<b>108.4</b>	<b>637.4</b>	<b>1,849.7</b>	<b>4,224.0</b>	<b>7,777.4</b>	<b>11,106.5</b>	<b>13,308.9</b>	<b>15,302.8</b>
Growth %				488.0%	190.2%	128.4%	84.1%	42.8%	19.8%	15.0%
<b>Adj. EBITDA</b>	<b>(84.6)</b>	<b>(68.3)</b>	<b>38.4</b>	<b>557.4</b>	<b>1,754.7</b>	<b>4,104.0</b>	<b>7,632.4</b>	<b>10,936.5</b>	<b>13,113.9</b>	<b>15,082.8</b>
Growth %				1351.1%	214.8%	133.9%	86.0%	43.3%	19.9%	15.0%
% Margin				87.4%	94.9%	97.2%	98.1%	98.5%	98.5%	98.6%
Capex	(68.6)	(860.0)	(1,215.0)	(20.0)	(25.0)	(110.0)	(667.0)	(948.0)	(45.0)	(400.0)
<b>Free Cash Flow</b>	<b>(142.0)</b>	<b>(920.0)</b>	<b>(1,247.5)</b>	<b>256.9</b>	<b>1,057.7</b>	<b>2,571.9</b>	<b>4,473.9</b>	<b>6,666.2</b>	<b>9,314.8</b>	<b>10,432.7</b>
Growth %					311.8%	143.2%	74.0%	49.0%	39.7%	12.0%

\*All Dollars in Millions, Except ARPU

Source : Deutsche Bank estimates, company information.

Figure 2: Our \$35 PT is based on equally weighting four different scenarios, two positive and two negative

ASTS Valuation				
	"Management Scenario" (A)	"DB Model" (B)	"Conservative" (C)	"Zero" (D)
Adj. EBITDA ('24E)	1,014.0	557.4	270.9	
<b>EV/EBITDA Multiple (CY)</b>	<b>25.0x</b>	<b>25.0x</b>	<b>15.0x</b>	
<u>Enterprise Value ('24E)</u>	<u>25,350</u>	<u>13,936</u>	<u>4,064</u>	
Net Debt ('24E)	1,391	1,391	1,738	
<u>Market Cap ('24E)</u>	<u>23,959</u>	<u>12,545</u>	<u>2,325</u>	
Discount Rate	15.0%	15.0%	15.0%	
<u>Market Cap ('22E)</u>	<u>18,132</u>	<u>9,494</u>	<u>1,760</u>	
<b>Stock Price ('22E)</b>	<b>\$86.00</b>	<b>\$45.03</b>	<b>\$8.35</b>	<b>\$0.00</b>
Shares Outstanding ('22E)	210.8	210.8	210.8	
Scenario Weight	25.0%	25.0%	25.0%	25.0%
			<b>Price Target</b>	<b>\$34.85</b>

Source : Deutsche Bank estimates, company information, Bloomberg Finance.

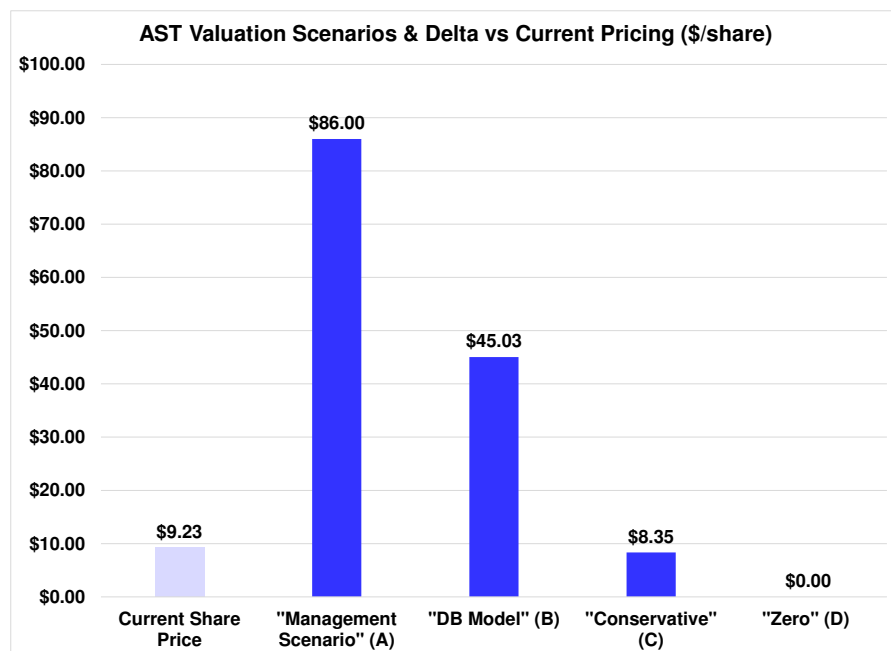


Figure 3: Our \$35 PT implies that ASTS would trade at 20x 2024E and 6x 2025E EV/EBITDA, which we think is very reasonable given the growth outlook (assuming success)

<b>ASTS Valuation Multiples</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Share Price	\$9.23	<b>\$35.00</b>	\$40.23	\$46.25	\$53.16	\$61.11
Growth		279.4%	15.0%	15.0%	15.0%	15.0%
EOP Shares	210.8	210.8	210.8	210.8	210.8	210.8
Market Capitalization	1,944.9	7,379.0	8,482.2	9,750.3	11,208.0	12,883.6
Net Debt	(317.5)	602.5	1,850.0	1,593.2	535.4	(2,036.5)
Minority Interests + Other	(202.4)	(202.4)	(202.4)	(202.4)	(202.4)	(202.4)
Adjusted Enterprise Value	1,425.0	7,779.2	10,129.8	11,141.1	11,541.0	10,644.7
Unlevered Free Cash Flow (Fully Taxed)	(135.1)	(899.8)	(1,169.8)	378.8	1,196.3	2,742.9
Yield (CY)				3.4%	10.4%	25.8%
Yield (CY+1)	26.6%	4.9%	3.7%	10.7%	23.8%	
EBITDA	(84.6)	(68.3)	38.4	557.4	1,754.7	4,104.0
EV/EBITDA (CY)				20.0x	6.6x	2.6x
EV/EBITDA (CY+1)	2.6x	14.0x	18.2x	<b>6.3x</b>	2.8x	
Levered FCF (Fully Taxed)	(142.0)	(920.0)	(1,247.5)	256.9	1,057.7	2,571.9
Levered FCF Yield (CY)				2.6%	9.4%	20.0%
Price/FCF (CY)				38.0x	10.6x	5.0x
Price/FCF (CY+1)	7.6x	28.7x	33.0x	9.2x	4.4x	

Source : Deutsche Bank estimates, company information, Bloomberg Finance.

Figure 4: Our \$35 PT represents the equal probability weighting of four scenarios; these scenarios imply an asymmetrically positive risk/reward ranging from +\$77 to -\$9 per share (compared to ASTS' current price)



Source : Deutsche Bank estimates, company information, Bloomberg Finance.



# Appendix 1

## Important Disclosures

\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
AST SpaceMobile	ASTS.OQ	9.54 (USD) 13 Aug 2021	1, 2, 7

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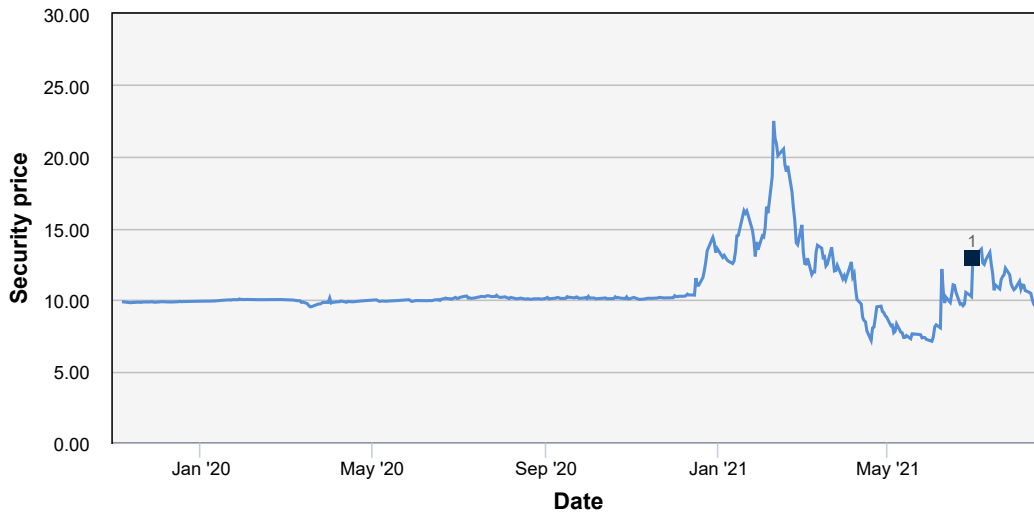
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Historical recommendations and target price: AST SpaceMobile (ASTS.OO)

(as of 08/13/2021)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

1. 06/30/2021 Buy, Target Price Change USD 35.00 Bryan Kraft

Equity Rating Key

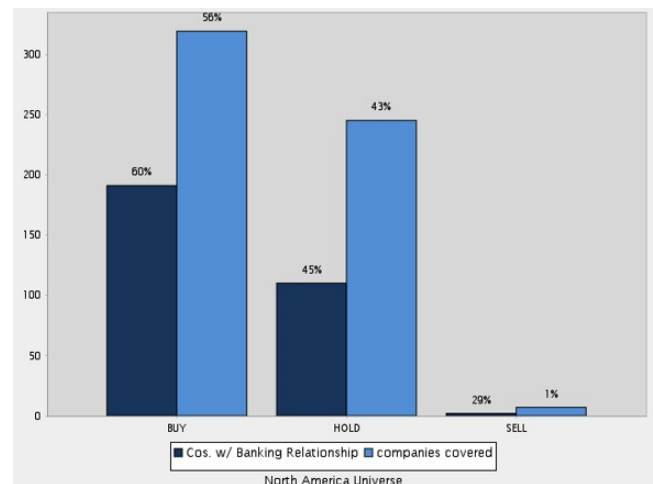
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