



Rating  
**Buy**

North America  
United States

TMT  
Telecom Services

Company  
**AST SpaceMobile**

Reuters ASTS.OQ    Bloomberg ASTS US    Exchange NSM    Ticker ASTS

Date  
23 May 2022

**Results**

Price at 20 May 2022 (USD)	7.73
Price target	31.00
52-week range	13.30 - 5.13

## Post 1Q22 Thoughts & Model Update

### Our Thoughts On The Stock

Although it has only been a short time since the company's last business update, AST continues to make progress on its business plan. AST is approaching key milestones, including the launch of the BlueWalker 3 test satellite, which management said is on track for the planned launch this summer on a SpaceX launch vehicle from Cape Canaveral.

We remain bullish on AST SpaceMobile's long term business opportunity given the large TAM, highly differentiated technology, partnerships with many of the world's largest mobile network operators (MNOs), and attractive wholesale/revenue share business model.

While there are still material execution and technology risks given the relatively early stage of the business and the newness of the company's technology, the market appears to be pricing in a low probability of success with the stock price under \$8/share, which we do not think properly values AST's long term potential.

Our \$31 PT, which we lowered from \$32 due to a modest downward revision to our 2024E EBITDA, represents the average of four scenarios (two bullish and two bearish), and we believe implies a risk/reward that skews overwhelmingly positive (see figures 3-4).

### Key Takeaways

- AST reiterated its timeline for key business milestones, including:
  1. The BlueWalker 3 test satellite launch remains "on target" for this summer (although more specific timing was not provided).
  2. Construction on AST's second manufacturing facility, which will increase production capacity to six satellites per month during 2023, should be completed later in 2022. AST plans to use an assembly line production process to drive lower costs, faster manufacturing timelines, and other scale benefits over time.
  3. The company plans to launch the first tranche of commercial BlueBird satellites in 2Q23, which we think represents additional specificity, rather than a change in timing. The timing for the first BlueBird launches as of AST's recently filed 10K was "during 2023".

### Valuation & Risks

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### Key changes

TP	32.00 to 31.00	↓	-3.1%
EPS (USD)	-0.50 to -0.59	↓	-16.6%
Revenue (USDm)	15.5 to 14.4	↓	-7.2%

Source: Deutsche Bank

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- AST noted that the assembly and ground testing processes for BW3 are substantially complete at this stage, having achieved "satisfactory and timely completion" for the 700+ tests they've already conducted. AST is now shifting its investment toward production of the commercial Bluebird satellites.
  - On May 2nd, AST received an experimental test license from the FCC, which enables AST to perform space to ground testing via BW3 in the US. We view testing in the US market as an important part of the BW3 testing process.
  - On May 6th, AST announced an agreement for \$75M in committed equity financing at AST's option, exercisable over a 2 year period. We view this as a positive sign that AST has access to capital markets at relatively attractive terms (shares would be issued at a 3% discount to VWAP), even during uncertain periods in the market such as we are currently seeing. Management believes the company has adequate capital to fund its plans over the next 12 months.
  - AST signed an MOU with Globe Telecom (in the Philippines), adding 86M new covered subscribers to AST's network of MNO partners (which currently covers 1.8B total subscribers).
  - We've updated our assumptions for AST's capex to more accurately reflect the updated timelines for BlueBird satellite launches; and for opex to grow modestly from 1Q22 levels.





Figure 1: ASTS Estimate Revisions

	Current Estimates				Variance to Prior Estimates			
	2022	2023	2024	2025	2022	2023	2024	2025
Total Revenue	14.4	30.7	509.6	1,750.1	(1.1)	(15.5)	(1.4)	26.6
Total Opex	152.5	105.0	100.0	115.0	27.5	20.0	20.0	20.0
Adj. EBITDA	(138.1)	(74.3)	409.6	1,635.1	(28.6)	(35.5)	(21.4)	6.6
% Margin	-959.5%	-241.5%	80.4%	93.4%	-253.4%	-157.6%	-4.0%	-1.1%
Capex	181.6	685.0	735.0	350.0	(228.4)	(80.0)	165.0	(25.0)

Source : Deutsche Bank estimates, company information.

Figure 2: ASTS Model Summary

	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total Subscribers (000s)		0	1,500	39,500	103,500	229,500	368,500	463,500	526,500	615,500
Total ARPU			\$1.58	\$2.00	\$2.02	\$2.05	\$2.13	\$2.20	\$2.22	\$2.22
Growth %				26.7%	1.0%	1.8%	3.9%	3.1%	0.9%	-0.2%
Total Revenue	12.4	14.4	30.7	509.6	1,750.1	4,124.6	7,676.9	11,004.9	13,207.1	15,201.2
Growth %				1557.5%	243.4%	135.7%	86.1%	43.4%	20.0%	15.1%
Adj. EBITDA	(83.8)	(138.1)	(74.3)	409.6	1,635.1	3,984.6	7,511.9	10,814.9	12,992.1	14,961.2
Growth %				-651.6%	299.2%	143.7%	88.5%	44.0%	20.1%	15.2%
% Margin				80.4%	93.4%	96.6%	97.9%	98.3%	98.4%	98.4%
Capex	(54.8)	(181.6)	(685.0)	(735.0)	(350.0)	(180.0)	(450.0)	(590.0)	(595.0)	(350.0)
Free Cash Flow	(134.5)	(293.9)	(731.1)	(549.2)	589.5	2,311.2	4,451.5	6,834.9	8,676.0	10,423.7
Growth %					-207.3%	292.1%	92.6%	53.5%	26.9%	20.1%

\*All Dollars in Millions, Except ARPU

Source : Deutsche Bank estimates, company information.

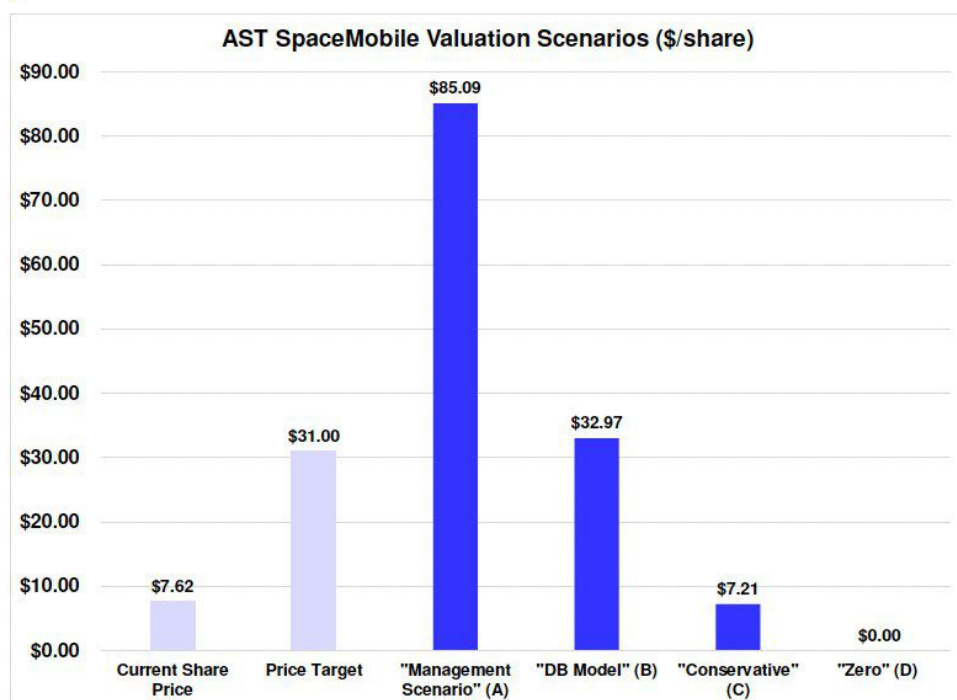


Figure 3: Our \$31 PT is based on equally weighting four different scenarios, two positive and two negative

	ASTS Valuation			
	"Management Scenario" (A)	"DB Model" (B)	"Conservative" (C)	"Zero" (D)
Adj. EBITDA ('24E)	1,014.0	409.6	216.6	
<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>10,239</u>	<u>3,249</u>	
Net Debt ('24E)	1,450	979	1,224	
<u>Market Cap ('24E)</u>	<u>23,900</u>	<u>9,261</u>	<u>2,025</u>	
Discount Rate	15.0%	15.0%	15.0%	
<u>Market Cap ('22E)</u>	<u>18,088</u>	<u>7,008</u>	<u>1,532</u>	
<b>Stock Price ('22E)</b>	<b>\$85.09</b>	<b>\$32.97</b>	<b>\$7.21</b>	<b>\$0.00</b>
Shares Outstanding ('22E)	212.6	212.6	212.6	
Scenario Weight	25.0%	25.0%	25.0%	25.0%
			<b>Price Target</b>	<b>\$31</b>

Source : Deutsche Bank estimates, company information.

Figure 4: Our \$31 PT represents the equal probability weighting of four scenarios; these scenarios imply an asymmetrically positive risk/reward ranging from +\$77 to (\$8) per share (compared to ASTS' current price)



Source : Deutsche Bank estimates, company information.