



Rating

Buy

North America  
United StatesTMT  
Telecom Services

Company

AST SpaceMobile

Reuters  
ASTS.OQBloomberg  
ASTS USExchange  
NSMTicker  
ASTS

Date

17 November 2021

Results

Price at 15 Nov 2021 (USD)	12.52
Price target	35.00
52-week range	22.50 - 7.08

## Post-3Q21 Thoughts & Model Update

### Key Takeaways From 3Q Business Update

- Management is likely to delay Bluewalker 3 by another 1-2 months**, vs the current March-April 2022 window. We believe this is being driven by the company's focus on making sure they execute the build, ground testing, launch, and in-orbit testing as flawlessly as possible; as opposed to a specific underlying cause driving the postponement (e.g. design obstacles, component availability). While any delay is modestly disappointing, we don't see this one as substantive or representative of incremental risk to the overall project.
- With the purchase of a second facility in Midland, Texas; **AST has now secured the manufacturing space it needs to reach its target of completing 6 satellites per month by mid-2023**.
- Progress was made on the commercial side of the business in the form of **three new MOUs signed** with MTN Group, YTL (Malaysia), and Somcable (Somaliland); representing 300M current subscribers and bringing the total subscribers under MOU to 1.5B.
- New details were shared regarding the objectives and timing of the Bluewalker 3 trial**. The in-orbit trial should last about 6 months.
- Management provided guidance on R&D, G&A, and Engineering expenses, as well as color on the capex outlook; **improving investors' visibility in spending levels**.
- Supply chain/component availability it is not an obstacle** for BlueWalker 3; all components are on hand.

### Our View On The Stock

AST SpaceMobile is planning to use its proprietary technology and partnerships with global wireless carriers to offer consumers around the world ubiquitous and affordable mobile broadband services. AST's product will be unique in its ability to connect directly to standard cell phones via the company's network of low earth orbit satellites. Given the large size of the TAM, highly differentiated product, and competitive position cemented by MNO relationships, we think AST offers asymmetrically favorable risk/reward (despite currently being very early in the process). However, we also see a range of possible outcomes, including the potential for AST to fail, which would result in substantial downside for investors. Please see our initiation report ([link](#)) for a more detailed breakdown of the

### Valuation & Risks

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company's opportunity and business plans.

#### Additional Details From The 3Q Business Update

- A key disclosure was that AST is considering postponing, and likely will, the launch window for BlueWalker 3 by a month or two, from the current window of March to April 2022 (subject to ASTS paying a re-booking fee, and SpaceX agreeing to the new date). The company has not made the final decision yet on whether to postpone, but it must do so by December 1 in accordance with the SpaceX agreement. We do not believe that anything in particular has gone wrong with the development of BW3 to cause the major delay, and that this shift in timing is being contemplated in order to ensure a higher probability of success post launch.

A delay of BlueWalker 3's launch would obviously be disappointing, however we do not think this would substantially change the outlook for the business overall (either in terms of the size of the opportunity, or the probability of success for the business on a multi-year basis). Importantly, we understand that the BlueBird 1 commercial satellites are being developed alongside BlueWalker 3, which means that a short delay for the test satellite may not have a meaningful impact on the timeline for the commercial launches.

That said, we do think that this is one example of the volatile nature of investing in a long-term high-risk / high-reward opportunity such as AST SpaceMobile; and that some short-term delays and other obstacles during the development and commercialization process are to be expected.

- The company currently has all of the components it needs for BW3 already on hand, which limits supply chain risks in the near-term. AST is assembling the satellite on site, which provides greater control over the process and costs. The company is working to source supplies for the commercial satellites with long lead times in order to avoid any supply shortages.
- Management announced that AST has entered into an agreement to purchase an additional manufacturing facility in Texas (close to its Midland headquarters), which will enable AST to ramp up production to its target of 6 satellites/month by mid-2023. The cost of this facility is around \$8M, and AST will invest another \$3-4M over the next year to develop the space.
- AST signed 3 new MOUs with additional mobile operators, the largest of which is MTN (at over 280M subs). The company currently has 1.5B POPs under MOU, which we think should provide a strong on-ramp for subscriber growth once the satellite network is deployed.

#### Model Changes & Estimate Revisions

We are tweaking our model to reflect AST's 3Q21 earnings report. However given the early stage of the business today, our forward estimates are effectively unchanged. We are including costs related to the purchase of the new Texas facility, as well as slightly higher near-term expenses (based on management's commentary), which slightly reduce AST's cash balance over the next year.

Our \$35 PT, which is based on expected value, is 2.7x the current stock price, and implies that in 2024 ASTS will trade at only ~6x our 2025 EBITDA estimate. As management executes the business plan successfully, the risks will decrease, leaving much room for multiple expansion, in our view, given the growth opportunity.



Figure 1: AST SpaceMobile 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	488,000	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%
Total Revenue	9.2	11.7	108.4	637.4	1,849.7	4,224.0	7,777.3	11,106.5	13,308.9	15,302.8
Growth %				488.0%	190.2%	128.4%	84.1%	42.8%	19.8%	15.0%
Adj. EBITDA	(82.0)	(108.3)	28.4	562.4	1,759.7	4,109.0	7,637.3	10,941.5	13,118.9	15,087.8
Growth %				1880.7%	212.9%	133.5%	85.9%	43.3%	19.9%	15.0%
% Margin				88.2%	95.1%	97.3%	98.2%	98.5%	98.6%	98.6%
Capex	(68.0)	(860.0)	(1,215.0)	(20.0)	(25.0)	(110.0)	(667.0)	(948.0)	(45.0)	(400.0)
Free Cash Flow	(146.1)	(955.5)	(1,254.6)	251.4	1,040.7	2,535.6	4,418.7	6,614.6	9,281.3	10,402.5
Growth %					314.0%	143.7%	74.3%	49.7%	40.3%	12.1%

\*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	562.4	270.9	
EV/EBITDA Multiple (CY)	25.0x	25.0x	15.0x	
Enterprise Value ('24E)	25,350	14,060	4,063	
Net Debt ('24E)	1,450	1,450	1,813	
Market Cap ('24E)	23,900	12,610	2,251	
Discount Rate	15.0%	15.0%	15.0%	
Market Cap ('22E)	18,087	9,543	1,703	
Stock Price ('22E)	\$85.79	\$45.26	\$8.08	\$0.00
Shares Outstanding ('22E)	210.8	210.8	210.8	
Scenario Weight	25.0%	25.0%	25.0%	25.0%
			Price Target	\$34.78

Source : Deutsche Bank estimates, company information.

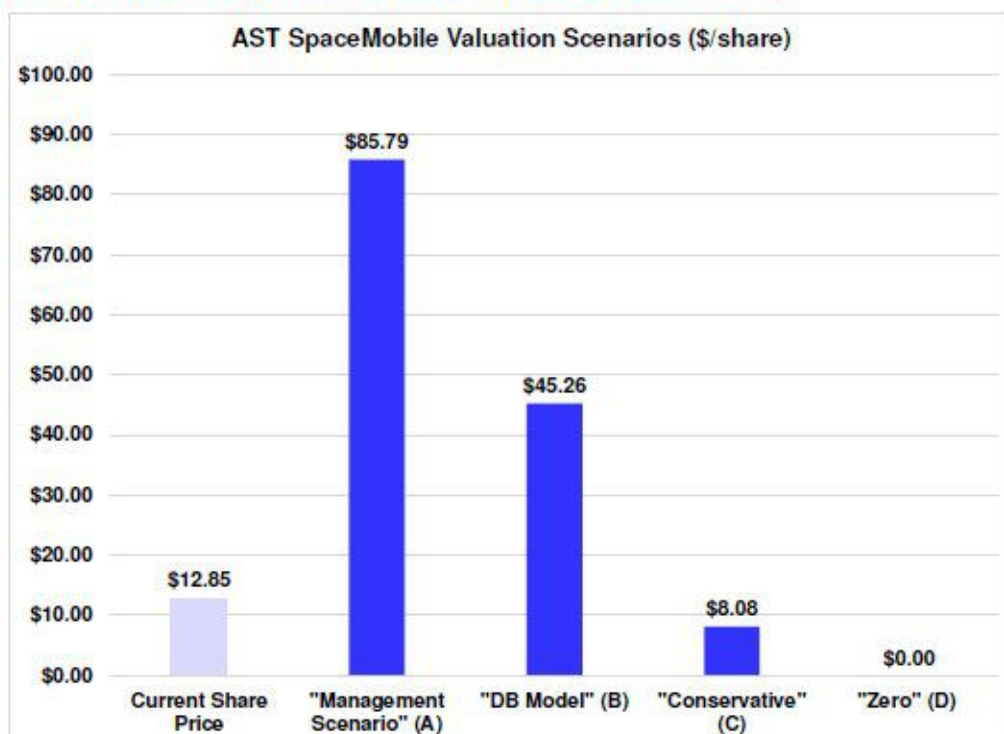


Figure 3: Our \$35 PT implies that ASTS would trade at 20x 2024E and 6x 2025E EV/EBITDA, which we think is very reasonable given the growth outlook (assuming success)

ASTS Valuation Multiples	2021	2022	2023	2024	2025	2026
Share Price	\$12.85	\$35.00	\$40.23	\$46.25	\$53.16	\$61.11
Growth		172.5%	15.0%	15.0%	15.0%	15.0%
EOP Shares	210.8	210.8	210.8	210.8	210.8	210.8
Market Capitalization	2,708.1	7,379.0	8,482.2	9,750.3	11,208.0	12,883.6
Net Debt	(310.0)	649.5	1,904.1	1,652.7	612.1	(1,923.5)
Minority Interests + Other	(202.4)	(202.4)	(202.4)	(202.4)	(202.4)	(202.4)
Adjusted Enterprise Value	2,195.7	7,826.1	10,183.9	11,200.6	11,617.6	10,757.6
Unlevered Free Cash Flow (Fully Taxed)	(134.7)	(936.1)	(1,177.2)	373.4	1,179.4	2,706.7
Yield (CY)				3.3%	10.2%	25.2%
Yield (CY+1)	17.0%	4.8%	3.7%	10.5%	23.3%	
EBITDA	(82.0)	(108.3)	28.4	562.4	1,759.7	4,109.0
EV/EBITDA (CY)				19.9x	6.6x	2.6x
EV/EBITDA (CY+1)	3.9x	13.9x	18.1x	6.4x	2.8x	
Levered FCF (Fully Taxed)	(146.1)	(955.5)	(1,254.6)	251.4	1,040.7	2,535.6
Levered FCF Yield (CY)				2.6%	9.3%	19.7%
Price/FCF (CY)				38.8x	10.8x	5.1x
Price/FCF (CY+1)	10.8x	29.4x	33.7x	9.4x	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 +\$73 to -\$13 per share (compared to ASTS' current price)



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