



Rating  
**Buy**

North America  
United States

TMT  
Telecom Services

Company  
**AST SpaceMobile**

Reuters ASTS.OQ    Bloomberg ASTS US    Exchange NSM    Ticker ASTS

Date  
31 March 2022

Results

Price at 30 Mar 2022 (USD)	10.30
Price target	32.00
52-week range	13.30 - 5.13

## 4Q21 Results & Business Update

### Our View On The Stock

We remain bullish on AST SpaceMobile's long term opportunity given the large TAM, groundbreaking technological solution, partnership with many of the world's largest mobile network operators (MNOs), and attractive wholesale/revenue share business model. However, there are material execution and technology risks given the relatively early stage of the business and the newness of the company's technology.

The upcoming launch of BlueWalker 3, AST's test satellite that is scheduled to launch this summer, represents what we believe could be the first major catalyst for the business. BW3 is important because, if successful, it should increase the probability of success by de-risking elements of the project; including the deployment of the array, in-orbit operation of the satellite, and interoperability with MNO partners' networks. Furthermore, BW3's success should catalyze additional carrier MOUs/agreements, regulatory approvals, and funding activities; as well as drive greater interest in the stock among investors.

Our \$32 12-month PT (~3x the current stock price) represents the weighted average outcome of four scenarios we model, including: (1) AST management's original forecast from its public filings and slides; (2) Our forecast, which is more conservative than the company's projections; (3) An even more conservative scenario, where demand is lower and costs are higher; and (4) A total loss scenario where the technology and/or execution are unsuccessful and the stock is worth zero (see figure 3).

### Highlights From The Call And Recent Events

- AST SpaceMobile's recent agreement with SpaceX helps to lower one of the elements of execution risk by ensuring launch vehicle availability for AST's next 3 satellites launches (BlueWalker3 and the first two BlueBird commercial satellites), while also providing a framework for subsequent launches as well. This is especially important given that the conflict in Ukraine is driving a reduction in launch capacity across the industry.
- AST is continuing to make progress in signing MOUs with new MNO partners, most recently with Orange (to test AST's service in one country in Africa). Orange has a global footprint including +220M subscribers across 26 countries in Europe, the Middle East and Africa. We see potential for this initial partnership to expand over time (to possibly include commercial

### Valuation & Risks

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Key changes			
TP	35.00 to 32.00	↓	-8.6%
Revenue (USDm)	11.7 to 0.0	↓	-100.0%

Source: Deutsche Bank

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activity across additional Orange markets) as AST demonstrates successful execution of its plans (starting with BW3). The Orange MOU brings total POPs covered by MOUs/agreements with MNOs to 1.8B.

- AST has not received an FCC license for BW3, although management expressed confidence that they will have it before the BW3 launch this summer. This has been a red herring issue in the market for the past few months since AST does not require an FCC license to launch BW3, nor to conduct international testing. An FCC test license is only required for testing in the US. The early stages of AST's commercial deployment are planned to take place in the equatorial regions of the globe, which means that not receiving the FCC license this year would not necessarily delay the business plan.

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## Model Changes

We have changed our forecast to reflect a shift in timing for the company's planned Bluebird commercial satellite launches. This changed the timing of capital investment, as well as the launch of commercial service and revenue generation. These changes lowered our 12 month PT to \$32, from \$35.



Figure 1: ASTS Estimate Revisions

	Current Estimates				Variance to Prior Estimates			
	2021	2022	2023	2024	2021	2022	2023	2024
Total Revenue	12.4	15.5	46.2	511.0	3.2	3.8	(62.2)	(126.4)
Total Opex	96.2	125.0	85.0	80.0	5.1	5.0	5.0	5.0
Adj. EBITDA	(83.8)	(109.5)	(38.8)	431.0	(1.9)	(1.2)	(67.2)	(131.4)
% Margin	-675.8%	-706.1%	-83.9%	84.3%	216.5%	222.6%	-110.1%	-3.9%
Capex	54.8	410.0	765.0	570.0	(13.2)	(450.0)	(450.0)	550.0

Source : Deutsche Bank estimates, company information.

Figure 2: ASTS Model Summary

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total Subscribers (000s)		0	3,000	38,000	102,000	228,000	367,000	462,000	525,000	614,000
Total ARPU			\$1.58	\$2.00	\$2.03	\$2.06	\$2.14	\$2.20	\$2.22	\$2.22
Growth %				26.7%	1.5%	1.6%	3.8%	3.1%	0.9%	-0.2%
Total Revenue	12.4	15.5	46.2	511.0	1,723.5	4,098.1	7,650.2	10,978.1	13,180.1	15,174.4
Growth %				1005.7%	237.3%	137.8%	86.7%	43.5%	20.1%	15.1%
Adj. EBITDA	(83.8)	(109.5)	(38.8)	431.0	1,628.5	3,978.1	7,505.2	10,808.1	12,985.1	14,954.4
Growth %				-1211.1%	277.9%	144.3%	88.7%	44.0%	20.1%	15.2%
% Margin				84.3%	94.5%	97.1%	98.1%	98.5%	98.5%	98.6%
Capex	(54.8)	(410.0)	(765.0)	(570.0)	(375.0)	(110.0)	(667.0)	(948.0)	(45.0)	(400.0)
Free Cash Flow	(134.5)	(499.5)	(824.4)	(347.7)	665.4	2,597.2	4,552.9	6,725.0	9,330.7	10,431.4
Growth %					-291.4%	290.3%	75.3%	47.7%	38.7%	11.8%

\*All Dollars in Millions, Except ARPU

Source : Deutsche Bank estimates, company information.





Figure 3: Our \$32 PT is based on equally weighting four different scenarios, two positive and two negative

<b>ASTS Valuation</b>				
	<u>"Management Scenario" (A)</u>	<u>"DB Model" (B)</u>	<u>"Conservative" (C)</u>	<u>"Zero" (D)</u>
Adj. EBITDA ('24E)	1,014.0	431.0	217.2	
<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>10,775</u>	<u>3,258</u>	
Net Debt ('24E)	1,450	1,175	1,469	
<u>Market Cap ('24E)</u>	<u>23,900</u>	<u>9,599</u>	<u>1,789</u>	
Discount Rate	15.0%	15.0%	15.0%	
<u>Market Cap ('22E)</u>	<u>18,088</u>	<u>7,265</u>	<u>1,354</u>	
<b>Stock Price ('22E)</b>	<b>\$85.79</b>	<b>\$34.46</b>	<b>\$6.42</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>\$31.67</b>

Source : Deutsche Bank estimates, company information.