



Rating
Buy

North America
United States

TMT
Telecom Services

Company
AST SpaceMobile

Reuters ASTS.OQ Bloomberg ASTS US Exchange NSM Ticker ASTS

Date
16 August 2022

Forecast Change

Price at 15 Aug 2022 (USD)	12.75
Price target	30.00
52-week range	12.95 - 5.13

Post 2Q Thoughts & Model Update

Our Thoughts On The Stock

AST continues to make progress on its plan, and **we are now on the cusp of the first major business catalyst since the stock went public** (ie the BlueWalker 3 launch, set for early-mid September 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, we still see a meaningfully positive risk/reward outlook, even with the recent run in the stock (+55% YTD, vs the S&P 500 down 10%). At ~\$14/share, the market appears to be pricing in a relatively low probability of success, which we do not think properly values AST's long-term potential.

We are updating our model following AST's 2Q22 business update. We are including higher unit costs per satellite and a later launch window for the first 20 commercial satellites, reflecting management's updated guidance, and are also including the sale of AST's 51% stake in NanoAvionics for \$28M, which was announced in July and is expected to close later in 3Q. Net net, our PT is moving to \$30 (from \$31), which is still >2x the current stock price.

Key Takeaways

- **The Bluewalker 3 launch and subsequent tests should provide a series of catalysts for the stock over the next 1-3 quarters.** Since the last business update, the company executed on several important milestones with respect to the BW3 test satellite, including completing the assembly process at the AST facility in Texas, conducting final environmental testing in California, and transporting the satellite to its launch site at Cape Canaveral on August 9th. BW3 is on track to launch in early-mid September and will test various mechanical and technical elements for the system in space (including unfolding a large phased antenna array in orbit), as well as the system's ability to communicate with ordinary cell phones that reside on terrestrial wireless networks and interoperate with MNO networks. The process to verify that the system is functioning and the array has unfolded

Valuation & Risks

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Key changes

TP	31.00 to 30.00	↓	-3.2%
EPS (USD)	-0.59 to -0.48	↑	18.1%
Revenue (USDm)	14.4 to 13.7	↓	-5.1%

Source: Deutsche Bank



properly should take between a few weeks up to two months post launch, and interoperability testing with handsets and MNO networks should take around six months post launch. We believe demonstrating successfully that the system works will materially de-risk the business plan and lead to a positive re-rating of the stock.

- **Compared to the company's prior update, the costs and timing for the first batch of commercial satellites have slipped.**

Notably, the expected cost for the first 20 satellites has increased to \$300-340M (\$16M/sat) vs \$260-300M (\$14M/sat) prior, as a result of inflation and supply chain issues, as well as the decision to use existing components from the BW3 build for the first 5 Bluebirds. This production method should improve the time-to-market for these satellites, although it means higher unit costs (compared to the parts used for the scaled production method and second generation components).

Additionally, the timing for the first commercial satellite launch was pushed back to "late 2023" vs 2Q23, as of the prior update. However, we think this does not represent a significant delay to the project since, based on our understanding, only 1-2 sats were planned to launch in 2Q, and launching 5 all at once later in 2023 should lead to efficiency gains (even if the first couple sats are launched later).

- We continue to believe that AST will need to raise capital to fund the long-term business plan, however **the \$200M in cash on hand as of 2Q should cover the company's expenditures over the next 12 months**. We think it makes strategic sense to wait until after more of the technical risks have been addressed (ie via the BW3 testing program) before raising additional funding. A successful Bluewalker 3 technical trial should significantly lower the project's risk and lower the company's cost of capital.



Figure 1: ASTS Estimate Revisions

	Current Estimates				Variance to Prior Estimates			
	2022	2023	2024	2025	2022	2023	2024	2025
Total Revenue	13.7	7.1	471.2	1,704.6	(0.7)	(23.6)	(38.4)	(45.5)
Total Opex	147.7	90.0	85.0	100.0	(4.8)	(15.0)	(15.0)	(15.0)
Adj. EBITDA	(134.0)	(82.9)	386.2	1,604.6	4.1	(8.6)	(23.4)	(30.5)
% Margin	-981.3%	-1168.5%	82.0%	94.1%	-21.8%	-927.0%	1.6%	0.7%
Capex	103.6	635.0	920.0	350.0	(78.0)	(50.0)	185.0	0.0

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	750	37,750	101,750	227,750	366,750	461,750	524,750	613,750
Total ARPU			\$1.58	\$2.04	\$2.04	\$2.06	\$2.14	\$2.20	\$2.22	\$2.22
Growth %				29.4%	-0.2%	1.3%	3.7%	3.0%	0.9%	-0.2%
Total Revenue	12.4	13.7	7.1	471.2	1,704.6	4,078.3	7,629.7	10,957.0	13,158.6	15,152.3
Growth %				6540.7%	261.8%	139.3%	87.1%	43.6%	20.1%	15.2%
Adj. EBITDA	(83.8)	(134.0)	(82.9)	386.2	1,604.6	3,953.3	7,479.7	10,782.0	12,958.6	14,927.3
Growth %				-565.8%	315.5%	146.4%	89.2%	44.2%	20.2%	15.2%
% Margin				82.0%	94.1%	96.9%	98.0%	98.4%	98.5%	98.5%
Capex	(54.8)	(103.6)	(635.0)	(920.0)	(350.0)	(180.0)	(450.0)	(590.0)	(595.0)	(350.0)
Free Cash Flow	(134.5)	(238.3)	(691.0)	(756.8)	546.7	2,259.3	4,396.6	6,781.0	8,629.5	10,378.3
Growth %					-172.2%	313.3%	94.6%	54.2%	27.3%	20.3%

*All Dollars in Millions, Except ARPU

Source : Deutsche Bank estimates, company information.

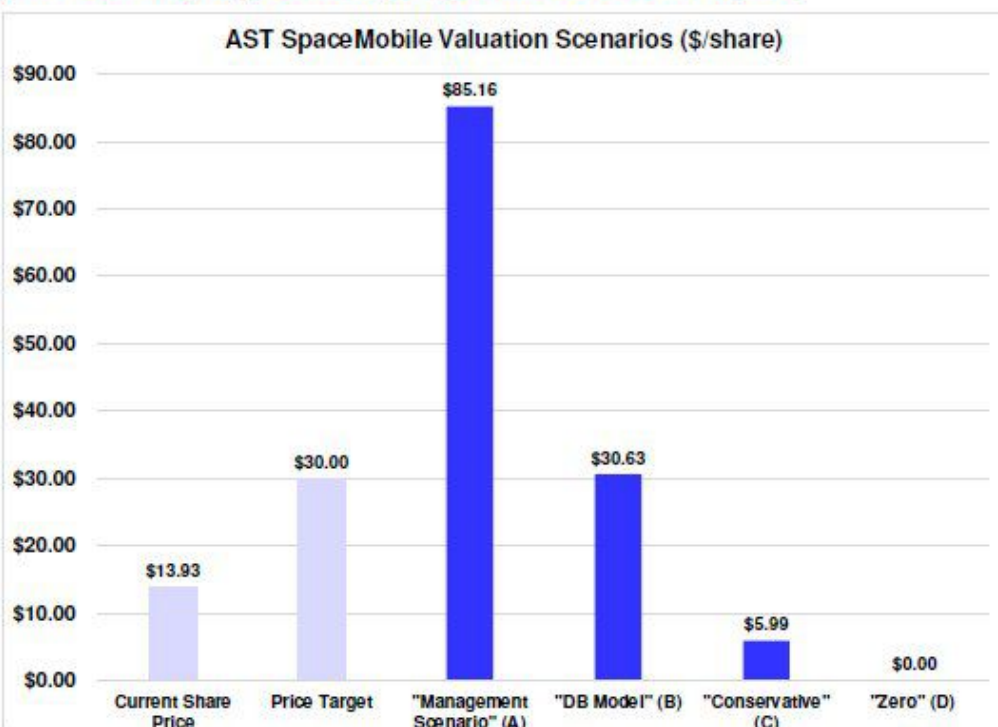


Figure 3: Our \$30 PT is based on equally weighting four different scenarios, two positive and two negative

ASTS Valuation				
	"Management Scenario" (A)	"DB Model" (B)	"Conservative" (C)	"Zero" (D)
Adj. EBITDA ('24E)	1,014.0	386.2	200.2	
EV/EBITDA Multiple (CY)	25.0x	25.0x	15.0x	
Enterprise Value ('24E)	25,350	9,654	3,004	
Net Debt ('24E)	1,450	1,061	1,326	
Market Cap ('24E)	23,900	8,593	1,677	
Discount Rate	15.0%	15.0%	15.0%	
Market Cap ('22E)	18,088	6,503	1,269	
Stock Price ('22E)	\$85.16	\$30.62	\$5.98	\$0.00
Shares Outstanding ('22E)	212.4	212.4	212.4	
Scenario Weight	25.0%	25.0%	25.0%	25.0%
			Price Target	\$30.4

Source : Deutsche Bank estimates, company information.

Figure 4: Our \$30 PT represents the equal probability weighting of four scenarios; these scenarios imply an asymmetrically positive risk/reward ranging from +\$71 to (\$14) per share (compared to ASTS' current price)



Source : Deutsche Bank estimates, company information.