



Rating  
**Buy**

North America  
United States

TMT  
Telecom Services

Company  
**AST SpaceMobile**

Reuters ASTS.OO    Bloomberg ASTS US    Exchange NSM    Ticker ASTS

Date  
2 April 2024

**Forecast Change**

Price at 1 Apr 2024 (USD)	2.63
Price target	19.00
52-week range	6.85 - 2.60

**Making Progress**

**Conclusion**

AST SpaceMobile took a number of important steps this quarter to advance its business plan, including making significant progress toward funding the satellite build and launch, signing commercial agreements, and working toward regulatory approvals. We remain constructive toward AST SpaceMobile's long-term business opportunity given the company's large TAM, differentiated technology, partnerships with many of the world's largest mobile network operators (MNOs), and attractive wholesale/revenue share business model. At \$2.10/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, nor does it reflect the progress AST has made against its business plan. That being said, given the early stage of the business, the risk of failure is higher than it is for most public companies in the sector, and there's still a wide range of outcomes.

We are updating our model to reflect AST's recent financing activity and commercial agreements, its latest color on the timing and costs for satellite launches, and a lower capex outlook for 2024 vs our prior model (ie, about \$80M). We are also adjusting down our multi-year subscriber forecast to be conservative regarding the ramp of the business. This is partially offset by incremental revenue from the government and public service market (see figure 1 for our full estimate revisions). We are lowering our 12-month price target to \$19 (vs \$23 previously), mainly due to dilution from recent financing activity. This still implies about a 9x return based on the current share price, a reflection of the positive risk/reward the stock offers, in our view.

**Risks**

Key risks include AST's technology not working as planned, failure to deploy the company's large arrays in space, satellite anomalies, launch failures, delays meeting key business plan milestones, cost overruns, failure to sign new carrier partners or loss of existing partners, lower-than-expected consumer demand, failure to gain regulatory approvals, greater-than-expected competition from new or existing players (including wireless MNOs), failure to receive additional funding on attractive terms, and changes to the business model that result in lower returns.

**Valuation & Risks**

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Key changes			
TP	23.00 to 19.00	↓	-17.4%
EPS (USD)	-0.85 to -0.93	↓	-8.9%
<small>Source: Deutsche Bank</small>			

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### Key Takeaways

- **AST announced a series of funding arrangements in January, totalling up to \$307M;** which we think will fund the business plan until sometime in 2025, when AST will need to tap additional external financing sources. We believe the recent financing activity significantly derisks the stock.
  1. AST announced a strategic investment of \$155M from AT&T, Google and Vodafone, made up of: (1) a new \$110M convertible note (paid in kind at 5.5% and convertible at \$5.75) that was privately placed with the three strategic partners; and (2) revenue commitments of at least \$25M from Vodafone and \$20M from AT&T.
  2. AST also issued \$100M in common shares at a price of \$3.10, with another potential \$15M from underwriter options.
  3. AST has the ability to draw up to \$51.5M from its existing senior secured credit facility, but we believe AST would prefer to leverage other lower cost alternatives. Specifically, we believe that AST remains in discussion with additional strategic and government-related partners.
  4. In addition to the funding agreement, Google and AST are collaborating on *"product development, testing and implementation plans for SpaceMobile network connectivity on its Android and related devices"*.
  
- **AST also announced its first commercial agreements in February, which represents a significant milestone for the company;**
  1. AST was awarded a revenue generating contract with the US Government, leveraging BlueWalker 3 and the first 5 commercial BlueBird satellites. The terms of this contract were not disclosed, but revenue is expected to commence this quarter (1Q24). We expect AST to grow its business with the US government as the company wins new contracts and potentially expands the current initial contract.
  2. AST, along with Rakuten, announced that Rakuten Mobile *"plans to provide satellite-to-mobile service in Japan with AST SpaceMobile starting in 2026."* We believe the company plans to have at least 45-60 satellites in orbit covering Japanese latitudes by 2026 (these same satellites will cover the US and Europe since they are at the same latitude range).
  
- **AST also made meaningful progress on the regulatory front this quarter, which further positions the business for success.** The FCC voted by a 5-0 margin in mid-March to approve a draft of *Supplemental Coverage from Space* rules, *"to enable collaborations between satellite operators and terrestrial service providers to offer ubiquitous connectivity, directly to consumer handsets using spectrum previously allocated only to terrestrial service."* We believe that the final rulemaking process will require a public notice period followed by a final approval; which we anticipate will take a couple months to complete. Based on our understanding, this proposal would clear around 200 MHz of low-band spectrum (which is already incorporated in AST's satellite design) for direct to device use, while also streamlining the application process for the business. We have long thought that the emergence of direct to device satellite services would fall squarely within the agency's goals of connecting the underserved population, and we think that this announcement provides tangible evidence of that.



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- **The company's timeline is marginally, but not materially, changed from the prior update.** The first 5 Block 1 BlueBird satellites are now set to launch in July-August (vs 2Q24 prior), and the first Block 2 BlueBird in the December '24 to March '25 timeframe. We believe it will take about 3 months following launch to begin offering commercial service (which we think puts a SpaceMobile commercial launch in 4Q24). The company experienced testing and production delays in the quarter tied to certain vendors, and as a result has brought additional manufacturing processes in-house to minimize these issues going forward. However, we believe the costs for the Block 1 (\$23M/sat) and Block 2 (\$16-18M/sat) builds remain unchanged.

We believe subsequent Block 2 satellites will utilize the company's newly developed ASIC chip set, and will launch a few at a time. Our understanding is that the first Block 2 BlueBird, which is using an FPGA chip, is being launched as a single satellite in order to accelerate the project's timeline.



Figure 1: ASTS Estimate Revisions

	Current Estimates				Variance to Prior Estimates			
	2024	2025	2026	2027	2024	2025	2026	2027
Total Revenue	60.0	274.3	961.7	2,246.1	30.1	25.6	(73.0)	(360.6)
Total Opex	136.8	129.1	141.1	155.1	27.9	13.4	12.1	9.5
Adj. EBITDA	(76.8)	145.2	820.6	2,090.9	2.2	12.2	(85.1)	(370.1)
% Margin	NA	52.9%	85.3%	93.1%	NA	-0.5%	-2.2%	-1.3%
Capex	82.0	475.0	615.0	570.0	(198.0)	(105.0)	55.0	140.0

Source : Deutsche Bank estimates, company information.

Figure 2: ASTS Model Summary

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total Subscribers (000s)	0	1,750	16,750	56,750	121,750	231,750	356,750	496,750
Total ARPU		\$1.90	\$2.06	\$2.05	\$2.03	\$2.06	\$2.08	\$2.10
Growth %			8.7%	-0.4%	-0.9%	1.2%	1.2%	0.5%
<b>Total Revenue</b>	<b>0.0</b>	<b>60.0</b>	<b>274.3</b>	<b>961.7</b>	<b>2,246.1</b>	<b>4,444.9</b>	<b>7,448.4</b>	<b>10,829.0</b>
Growth %			357.4%	250.6%	133.5%	97.9%	67.6%	45.4%
<b>Adj. EBITDA</b>	<b>(167.9)</b>	<b>(76.8)</b>	<b>145.2</b>	<b>820.6</b>	<b>2,090.9</b>	<b>4,274.3</b>	<b>7,264.9</b>	<b>10,637.8</b>
Growth %		-54.2%	-289.0%	465.1%	154.8%	104.4%	70.0%	46.4%
% Margin		-128.1%	52.9%	85.3%	93.1%	96.2%	97.5%	98.2%
Capex	(118.8)	(82.0)	(475.0)	(615.0)	(570.0)	(300.0)	(255.0)	(235.0)
<b>Free Cash Flow</b>	<b>(267.7)</b>	<b>(180.5)</b>	<b>(366.6)</b>	<b>(27.7)</b>	<b>950.6</b>	<b>2,820.9</b>	<b>5,044.2</b>	<b>7,546.3</b>
Growth %			103.0%	-92.4%	-3534.0%	196.7%	78.8%	49.6%

\*All Dollars in Millions, Except ARPU

Source : Deutsche Bank estimates, company information.



Figure 3: Our \$19 PT is based on weighting three different scenarios: our model, a more conservative scenario, and a zero value scenario

<b>ASTS Valuation</b>			
	<u>"DB Model" (A)</u>	<u>"Conservative" (B)</u>	<u>"Zero" (C)</u>
Adj. EBITDA ('26E)	820.6	410.3	
<b>EV/EBITDA Multiple</b>	<b>20.0x</b>	<b>10.0x</b>	
<u>Enterprise Value ('26E)</u>	<u>16,412</u>	<u>4,103</u>	
Net Debt ('26E)	251	313	
<u>Market Cap ('26E)</u>	<u>16,162</u>	<u>3,790</u>	
Discount Rate	15.0%	15.0%	
<u>Market Cap ('23E)</u>	<u>10,640</u>	<u>2,495</u>	
<b>Stock Price ('23E)</b>	<b>\$37.48</b>	<b>\$8.79</b>	<b>\$0.00</b>
Shares Outstanding ('23E)	283.9	283.9	
Scenario Weight	40.0%	40.0%	20.0%
		<b>Price Target</b>	<b>\$19</b>

Source : Deutsche Bank estimates, company information.



Figure 4: ASTS Valuation Multiples

<b>ASTS Valuation Multiples</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Share Price	\$2.10	\$19.00	\$21.84	\$25.11	\$28.86
Growth	-56.4%	804.8%	15.0%	15.0%	15.0%
EOP Shares	238.9	283.9	283.9	283.9	283.9
Market Capitalization	501.8	5,393.8	6,200.2	7,127.1	8,192.6
Net Debt	(26.1)	45.6	418.5	452.9	(490.6)
Minority Interests + Other	(202.4)	(202.4)	(202.4)	(202.4)	(202.4)
Adjusted Enterprise Value	273.3	5,237.0	6,416.3	7,377.7	7,499.7
Unlevered Free Cash Flow (Fully Taxed)	(217.4)	(132.0)	(339.3)	38.5	1,019.3
Yield (CY)			-5.3%	0.5%	13.6%
Yield (CY+1)	373.0%*	19.5%*	15.9%*	13.8%	
EBITDA	(167.9)	(76.8)	145.2	820.6	2,090.9
EV/EBITDA (CY)			44.2x	9.0x	3.6x
EV/EBITDA (CY+1)	0.2x*	2.6x*	3.0x*	3.5x	
Levered FCF (Fully Taxed)	(267.7)	(180.5)	(366.6)	(27.7)	950.6
Levered FCF Yield (CY)			-5.9%	-0.4%	11.6%
Price/FCF (CY)			(16.9x)	(257.5x)	8.6x
Price/FCF (CY+1)	0.5x*	5.7x*	6.5x*	7.5x	

\* '27E Multiple

Source : Deutsche Bank estimates, company information.



# Appendix 1

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\*Other information available upon request

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AST SpaceMobile	ASTS.OQ	2.63 (USD) 01 Apr 2024	1, 2, 7, 15, 21, 24, 26

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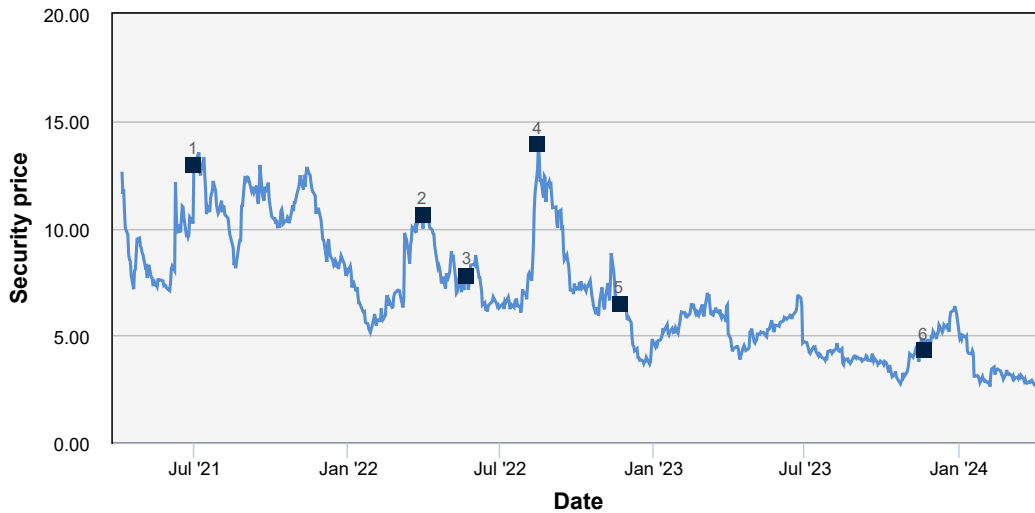
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Historical recommendations and target price: AST SpaceMobile (ASTS.OO)

(as of 04/01/2024)



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, Current Price USD 12.94 Bryan Kraft	4.	08/16/2022	Buy, Target Price Change USD 30.00, Current Price USD 13.93 Bryan Kraft
2.	04/01/2022	Buy, Target Price Change USD 32.00, Current Price USD 10.59 Bryan Kraft	5.	11/22/2022	Buy, Target Price Change USD 32.00, Current Price USD 6.48 Bryan Kraft
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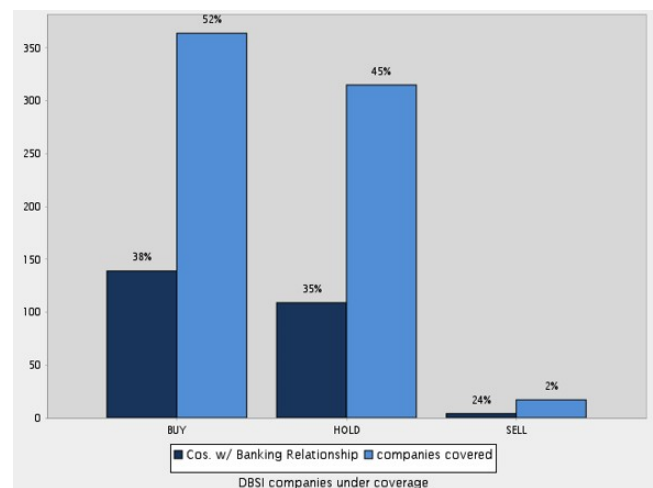
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