

## AST SpaceMobile (ASTS) / 1 Apr 24 / 2023 Q4 Earnings call transcript

Company Profile

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Scott Wisniewski	executive
Abel Avellan	executive
Sean Wallace	executive
Christopher Quilty	analyst
Michael Crawford	analyst
Benjamin Soff	analyst
Christopher Schoell	analyst

Operator

Print

Good day, and thank you for standing by. Welcome to the AST SpaceMobile Fourth Quarter 2023 Business Update Call. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your host today Scott Wisniewski Chief Strategy Officer of AST SpaceMobile. Please go ahead.

Scott Wisniewski

Thank you, and good afternoon, everyone.

Let me refer you to Page 2 of the presentation, which contains our safe harbor disclaimer.

During today's call, we may make certain forward-looking statements. These statements are based on current expectations, assumptions, and as a result, are subject to risks and uncertainties. Many factors could cause actual events to differ materially from the forward-looking statements on this call.

For more information about these risks and uncertainties, please refer to the Risk Factors section of AST SpaceMobile annual report on Form 10-K for the year ended December 31, 2023, with the Securities and Exchange Commission and other documents filed by AST SpaceMobile with the SEC from time to time. Readers are cautioned not to put undue reliance on forward-looking statements and the company specifically disclaims any obligation to update the forward-looking statements that may be discussed during this call. Also, after our initial remarks, we will be starting our Q&A section with questions submitted in advance by our shareholders.

Now referring to Page 3.

For those of you who are new to our company in mission, there are over 5 billion mobile phones in use today around the world, but many of us still experience gaps and coverage as we live, work and travel.

Additionally, there are billions of people without cellular broadband who remain unconnected to the global digital economy. These markets that we are pursuing are massive, and the problem we are solving is important and touches nearly all of us. In this backdrop, AST Space Mobile is building the first and only global cellular broadband network in Space to operate directly with everyday unmodified mobile devices, supported by our extensive IP and patent portfolio and design for both commercial and government use. With that, I would like to introduce Chairman and CEO, Abel Avellan.

Abel Avellan

Thank you, Scott. I would like to welcome everybody to our Q4 2023 business update call. It has been an incredibly busy few months here at AST SpaceMobile, and I will walk you through updates on our key areas of focus today.

First, at the start of the year, we announced strategic investments from AT&T, Google and Vodafone, which represent a [ board ] of confidence in our technology and business model. With this, we have necessary funding on hand to execute near-term strategic land for the launch of 5,700 square foot Block I BlueBird satellites and the initial next-generation 2,400 square foot BlueBird, which will surpass Block I as the largest phase array in Low Earth Orbits. We're also very excited to continuing to advance discussion with additional strategic partners following the [ Blueprint ] strategic investment alongside commercial payments.

Another great development on our commercialization was a new contract award we announced with the United States government through a prime contractor, which we believe will open the door for dual use commercial and government applications of our satellites.

On the regulatory front, we have received great news recently with the new FCC rules, which we provide a pathway to log over 200 megahertz of spectrum for direct-to-device to support the rollout of our technology. The FCC voted March 14 to approve the supplemental coverage from the Space, which was published in February. This should facilitate AST's SpaceMobile FCC application to provide commercial services in the U.S. This will simplify the overall application process by making the standard rules which will cover the majority of AST SpaceMobile applications. We anticipate many regulatory entities globally will follow the new U.S. regulatory regime to regulate our services. We're starting to see this in large countries like Brazil.

Moving to Manufacturing.

Our 185,000 square foot Texas facility are fully operational with production, assembly and testing. Unfortunately, production was negatively impacted primarily by 2 suppliers, leading to delays in integration and testing for the 5 700 square foot Block I BlueBird, while we have also faced initial challenges on the manufacturing of our new grade microns to be used for Block I and Block II. In order to accelerate production of our next satellites and reduce dependence on outside suppliers, we acquired a license to manufacture one of the components and replace the other supply with our own IP and design. At the same time, we are rapidly stabilizing our micro production line. This is important because these are the same micron building block for our next satellite launch.

With the supplier fixes, we will be able to manufacture in-house and through our third parties of our own IP approximately 95% of all satellite subsystems for our next-generation Block II BlueBird satellite, securing our supply chain further.

Next, I can share updates on our orbital launches to provide a near-term time line.

We expect that the 5 700-foot Block I BlueBird satellite will be transported from our assembly facility to [indiscernible] side between July and August 2024. And looking ahead, we have secured an additional launch contract for the first 2,400 square foot next-generation Block II BlueBird satellite, with a contract launch window from December 2024 to March 2025, which will surpass Block I as the largest phase array in loaded orbits. Also, as we announced last week, our custom ASIC entered the tape-out phase, which is planned to enable 120 megabits peak data rate on 40 megahertz spectrum channels. This novel costume and low power architecture was developed [ and able ] up to tenfold improvement in processing bandwidth on each next-generation 2,400 square feet Block II BlueBird satellite. The design of our custom ASIC with a processing balance of approximately 10,000 megahertz per satellite, along with the phase -- with a large phase array is the enabler of true space-based cellular broadband with a relatively small number of satellites. This effort represents over 4 years equivalent to an estimated 150 man years of intensive work as well approximately [ \$145 million ] of development on the ASIC alone. And lastly, in addition to the strategic discussion refers earlier, we are very excited to have received 3 nonbinding letter of interest for nondilutive [indiscernible] governmental funding.

As a result, we have initiated the process with these funding sources, and Sean we will be spending more to you about this.

Turning to age 5. The investments from AT&T, Google and Vodafone are of a great significant for us. They are some of our largest prospective customers alongside the U.S. government. With Google, in particular, the agreement to collaborate on product development will be a great benefit for our prospective MNO customers. We had agreements and understanding with more than 40 mobile network operators globally, which have over 2 billion existing subscribers globally. AT&T and Google joined Vodafone, Rakuten, American Tower and Bell Canada as investors. I could not be more proud to have these great organizations alongside us on the execution of our mission. And as stated before, we continue to advance discussions with additional strategic partners following the blueprint of strategic investments and onside commercial payments.

Turning to Page 6. A few weeks ago, we announced a [ new award ] with the United States government through a prime contractor. I want to take a step back on what is the opportunity here.

Our large phased array antenna technology in space is able to address many potential opportunity for mission-critical capabilities in the government sector. The large aperture and high power deliver into orbit at a low cost compared with historical benchmark, fit the desired governmental model for capturing commercial networks with dual use capabilities. And while we remain focused on a large commercial opportunity for our business, we're excited about initiatives underway with U.S. government as well.

We have begun recording initial revenue under this contract in Q1 2024. Also, there are potential other awards, including additional phases of this contract available to us in calendar year 2024.

Turning to Page 7. I want to take a moment to walk through why having our ASIC is really a big deal, and it's critical to achieve true broadband [indiscernible] space.

Our novel custom and low-power architecture was developed to enable up to tenfold improvement in processing bandwidth on each satellite. Satellite, which will be lighter, cheaper to produce and will require less mass to orbit. The tape-out will be completed with TSMC, the world's leading foundry following work with leaders in the semiconductor industry over the last years.

For those of you who are not familiar with the industry jargon, the tape-out means that we and our development partners completed the design of the ASIC. After 4 years of work and \$45 million of investment, we have now formally handed over those designed to TSMC. To produce the chip for the initial set of ASICs to enable the 2,400 square foot next-generation Block II BlueBird, which will be expected to receive later this year. I am extremely proud of the team's effort to reach this critical milestone.

Our ASIC along with our Large Antenna will be enabled up to 120 megabits per second data rate per beam on a 40 megahertz channels and 10,000 megahertz of processing bandwidth that combined with our large phase array is the key enabler for true broadband from space to the phone that [indiscernible] in your pocket. I will now pass it to Scott to provide a brief regulatory update.

Scott Wisniewski

Thank you, Abel. On Page 8, I'll take us through some of the important progress on our regulatory front. To provide a reminder for everyone, we made our first filings with the SEC back in 2020, and we've been in front of them regularly around direct-to-device using standard unmodified cellular phones from a very early stage.

Importantly, the unanimous decision to adopt the new rules in March facilitates our FCC application to provide commercial service in the U.S. because it specifically enables over 200 megahertz of low band frequencies for direct-to-device use. And just prior to this FCC vote, we also filed an updated application to reflect a licensing jurisdiction with the U.S. This represents a closer strategic alignment of AST SpaceMobile's network build-out and future network operations in the United States. And internationally, Brazil announced an initial regulatory framework for direct to device as well. This framework enables us to test in Brazil with TIM Brazil and Claro, a subsidiary of America Mobile. And with that, I'll hand it off to Sean for our financial update.

Sean Wallace

Thanks, Scott, and good afternoon, everyone. The AST SpaceMobile business continued to make progress this quarter with a significant fundraising in January, continued work on the regulatory front and a substantial level of activity in our assembly, integration and testing facility in Midland, focusing on the production of 5 BB-1 satellites. I would also like to point out that we have entered the tape-out phase of our custom ASIC chip. The ASIC chip will provide for increases in processing capacity that will significantly raise the inventory of gigabytes on future planned satellites, we can sell through our MNO partners to end users. The ASIC design has been an almost 4-year process [ deported ] by a large investment which we believe will be difficult for competing systems to develop from a standing start.

As we get closer to the completion of the production of our 5 Block-1 satellites, I want to recognize and thank the hard-working teams of engineers, technicians and suppliers who are completing this incredible task. We believe our strategy of backward integration into the assembly integration and testing of satellites will enable us to build our constellation years ahead of an outsourced strategy and at a lower cost. I want to move on to reviewing our key operating metrics for the fourth quarter that are displayed on Slide 9.

On the first chart, we see the fourth quarter of 2023, we had non-GAAP adjusted cash operating expenses of \$38.6 million versus \$37.3 million in the third quarter. Non-GAAP adjusted operating expenses excludes certain noncash operating costs, including depreciation and amortization and stock-based compensation.

Our fourth quarter non-GAAP adjusted operating expenses increased by \$1.3 million versus the third quarter.

Our research and development expenses rose by \$1.5 million this quarter due to increased expenditures on engineering models and prototypes in connection with our manufacturing process.

Our R&D expenses consist primarily of nonrecurring development activities for which we typically engage third-party vendors and payments are based on the completion of milestones.

Our engineering services expenses increased by \$0.5 million and our general administration expenses decreased by \$0.6 million in the fourth quarter as compared to the third quarter.

Turning towards the second chart on this page.

Our capital expenditures for the fourth quarter were \$33.9 million versus \$71.7 million for the third quarter. This figure was made up of some modest launch payments capitalized direct materials for the Block-1 satellites, additional facility and production equipment for our assembly, integration and test facility in Midland and the delivery of commercial-grade software from Nokia.

As of the end of the fourth quarter, we have spent over 90% of the expected amounts for the 5 Block-1 satellites.

We are still projecting to spend approximately \$115 million for the 5 BB-1 satellites. And on the final chart on the slide, we ended the first quarter with \$210.8 million in cash.

We are continuing to pursue using the balance of our senior credit facility, which would add an amount of capital in the low 40s. Efforts around raising strategic capital may take precedence over the senior credit facility, and at a minimum, the deferment has reduced a bit of the negative carry we would have incurred if we had accessed the facility earlier.

As we stated in our 10-K, we believe this cash as well as our ability to raise capital through our existing facilities is sufficient to support our expenditures for at least the next 12 months.

As we have also discussed in our 10-K, our cost positions and capital plans are quite modular and these characteristics provides us the flexibility to increase or decrease our rate of expenditures depending upon changes in our build-out plans and availability of capital. This flexibility provides us comfort that we can manage our liquidity profile dynamically depending on our rate of raising capital. Earlier this year, we provided guidance on our expected operating expense levels.

We have been supporting the development efforts of our 2 critical satellite designs, Block-1 and Block-2, our ASIC chip design and the construction of 5 BB-1 satellites. The completion of this BB-1 work and a significant portion of the BB-2 and ASIC design work is expected to result in a material reduction in our adjusted operating expenses and future capital expenditures. This reduction in cash expenditures will be done without a material reduction in our employment head count as most of these reductions are related to the completion of third-party work. Overall, our adjusted operating expenses is expected to decline from an average of \$38.7 million per quarter during 2023 to an average of \$30 million per quarter for 2024 as the Block I design is completed and the Block II design approaches completion. These figures will vary depending upon manufacturing activity in each period. This guidance does not include the expected cost of approximately \$15 million related to the takeout and initial production of our ASIC chips. These ASIC related costs will be recognized as an R&D expense in subsequent quarters in 2024 as the milestones are completed.

We also plan to reduce our outlook for capital expenditures as we reach the final investment for BB-1. The next 3 quarters, we expect to spend in the aggregate approximately \$50 million to \$60 million in capital expenditures. Any increase beyond these levels will be in conjunction with the timing of the deployment of our Block II satellites, which could be either in late 2024 or the first quarter of 2025. Timing of the changes in our adjusted operating expenditures and capital expenditures, as I have just described, could be delayed or may not be realized due to a variety of factors. On a final note, I'd like to provide some additional detail on one of our additional funding strategies, which is complement to our recent strategic round. Satellite and other infrastructure providers have historically utilized government and quasi-government institutions, which are known as export credit agencies to source cost-effective, long-term debt funding of large projects. The key underpinning of these funding structures has been proven technology and the sale of significant capacity through long-term agreements to large creditworthy entities.

We have begun the process of approaching these funding institutions which includes the hiring of an adviser and developing marketing materials.

As a preliminary discussions with a few of these agencies, we have received letters which indicate their willingness to evaluate this type of financing with us.

We are in the very early stages of this process. And as we progress, I will provide updates on these potential financings. There can be no assurance that we will be successful in the pursuit of this type of financing and funding. And with that, this completes the presentation component of our earnings call, and I pass it back to Scott.

Scott Wisniewski

Thank you, Sean.

Before we go to the queue of analyst questions, I would like to address a few of the questions submitted ahead of the call by our investors. Operator, could you please start us off with the first question?

Operator

Trevor from Colorado asks, where is the company on scaling of production to be able to meet the 4-satellite per month figures? Will that production begin immediately? Or will there be a serious delay while the facilities are being built?

Abel Avellan

Thank you, Trevor, for the question.

So first of all, let me [indiscernible] the facilities are fully built. We had all the testing facilities for our build in-house. We do not require in any step of the build of our satellites to be taken out of our facilities. We had 185,000 square feet facility of manufacturing capability.

We are with the addition of these 2 suppliers that cause us problems in Block I we are getting to a 95% vertical integration, holding away from the ASIC to all these structures and everything that is required to build and launch this space graph.

So we don't anticipate any delays related to facility building or manufacturing building. Also, the other aspect is the same building block that we use for Block I that it took this time to get stabilized and to and to produce at pace will be the same part that we will use for Block II and further satellites going forward.

So of course, our focus right now is putting the Block Is in orbit. Again, we estimate that we will be at the launch path in July or August. And we're already working and producing on the next launch that is on a window between December or March.

Operator

Christian from Estonia asks, could you please give comments on \$100 million stock offering early this year, reasoning why it was rushed and structured the way it was launched?

Sean Wallace

Thank you for that. Taking the advice of our banks, we believe the offering structure we chose was the best route to raise additional capital to complement our strategic capital raise. At the end of the day, the transaction achieved our goal of providing a significant level of funding so that we continue to pursue our business plan.

Moving forward, we will continue to look to raise capital with strategic players in the wireless ecosystem like we did in January, and we are working to raise long-term low-cost debt capital with export credit agencies, as I described during my presentation. I'd also point out that most of the senior management team is aligned with the shareholders as most of their compensation is made up of restricted shares and options.

Abel Avellan

So complemented to Sean's answer on why we needed to do that public equity deal. We needed to prioritize timing. We need to complement the investment from AT&T, Google and Vodafone to keep on target to our production plan and our build and our launches. And at the same time, we have continued, and we are very excited about the additional strategic support that we will continue to have and also the nondilutive funding that Sean and the team is working in order to complement strategic financing with nondilutive financing, which is what we have commenced to receive a letter of interest on that regard.

In addition with prepayments from MNOs and government payments.

Operator

Dennis from [indiscernible]. Due to their larger size do BlueBird satellites and Block II need a Space X Star Ship rocket to be launched?

Abel Avellan

Thank you, Danny, for the question. No, the answer is not.

As a matter of fact, we're launching 5 Bluebird Is in the next launch. And we can launch also on Falcon 9 and other providers, including the one that we'll be using for our next launch -- past the launch for Block I.

So we have built our satellite to be completely agnostic to one launch provider is used. We obviously count on Falcon 9, Ion VI, ISRO, the [indiscernible] new launches, future [indiscernible] and other launch providers that have medium- to last size vehicles.

So the answer to your question is no, we do not require -- we don't -- we're not counting with the Star Ship for our Block II launched.

Operator

[indiscernible] from New Zealand asks how does the Bell's appointment as a commissioner of the ITU affect the ASTS mission?

Abel Avellan

Linden. I mean, listen, our mission is to enable broadband globally regarding where people, live, work and regarding the phone that they had in the pocket. And the Broadband Commission had a single focus in making sure that the 2.6 billion people that remain unconnected get connected. And I do not know any other program that had a global scope that has truly the ability to make a significant dent than in the amount of people that get connected to broadband through their phones that our program.

So this is an alignment with the broadband commissioning in the broadband commission, we had great participants like [indiscernible], the owner of Telmex in Mexico.

We have the Chairman of the FCC, we have the Chairman of Verizon. We had the Chairman of many of the large wireless ecosystem, including a very vibrant and full participation of governments, regulators, and people that core interest is making sure that the fact that connectivity is a human right, get instituted on a global basis.

So we see this something that support our mission. It is a program where we are proud to be part of it in the broadband commissioner, we have many new initiatives and tests like low-cost funds for the [indiscernible] to knowledge and information universal network available to everybody on a global basis.

So we think that this is supportive. It's part of our work on making sure that everybody regarding where we live or work have access to broadband in their phone.

Scott Wisniewski

And with that, I'd like to thank our shareholders for submitting these questions. Operator, let's open the call to analyst questions now.

Operator

[Operator Instructions] Our first question comes from the line of Chris Quilty with Quilty Analytics.

Christopher Quilty

Just a first question on the microns and bringing those in-house. When you look at the supply chain for the Micron manufacturing, are there any elements of that, that were -- you view as particularly difficult or where you might have pricing issues relative to a vendor that might have had higher volumes associated with certain components in order to manufacture them?

Abel Avellan

Chris, thank you for the question. The Micron part, which is, as you know, is the building block of the satellite is is all components are either designed or manufactured with us. We basically manufacture from the solar panel. All the way to the -- all the electronics, batteries, structures, everything that goes into them. Currently, for this launch, the microns are based on FPA.

So that's we're buying those from from existing stores.

For the first Block I, there will be also be FPA, and then we move forward with the following launches are with the ASIC with the AST-5000 launch.

So the -- just as a clarification, the 2 suppliers that give us an issue, we are not naming them. They were not in the microns they were part of the ControlSat system.

Christopher Quilty

Perfect.

Second question, with the redomiciling for regulatory purposes to the U.S., how does that impact your standing in any regulatory filings or does it?

Abel Avellan

We don't see that impact none of that.

I think we are finding our opportunity with U.S government, potential fundings from United States and the -- now that the FCC had had a framework that we think will lead the rest of the world in how to regulate our product globally. We thought that there was the right time and the right process to actually move our size to a U.S. flag.

So we're very proud of that, and we see that to be able to accelerate. We're working very closely now with the FCC, and we are obviously very happy with the new regulatory framework that now we start seeing replicated in large countries through the process of basically reusing spectrum that is used in terrestrial deployments from space, which is actually the core of our technology, reusing the existing fund that is already in the focus of everybody using it for connecting regardless what the people live, regardless of where their phone is on a global basis.

Operator

Our next question comes from the line of Mike Crawford with B.Riley Security.

Michael Crawford

I heard that you're putting 5 Block I BlueBird on Falcon 9 at the end of the summer. How many Block IIs can you fit on to the launch that you're looking for in December and the March time frame? And it sounds like that's from a different launch provider, not SpaceX?

Abel Avellan

Yes. The next provider is not SpaceX. It's a large rock. It's a large vehicle. We had -- we're not disclosing yet who is the provider, but contract that is already negotiated and the launch window is already agreed between December and March '25. We're putting one satellite on that launch, that's also an FPGA based but it's the large 2,400 square feet Block II type satellite.

Michael Crawford

Okay. And then you previously disclosed intent to enable initial service in Japan in 2026.

So how many Block IIs need to be in service for you to be able to implement service in Japan?

Abel Avellan

Around 45 satellites to have the initial service launch between 45 and 60.

We are working very hard. And now just as a clarification, the same Block I micron, the same type of microns that we're producing now are the ones that we continue to produce for Block II. It took more than expected to stabilize that line. It's a new micron with a new full capability with everything vertically integrated by ourselves. But the good news that it [indiscernible] and we plan to continue to do that to get to a cadence of 72 satellites per year later as we stabilize and have enough parts to be able to do that. Obviously, the first ones are the more difficult to get up into space. There are also the ones where you implement for the first time the changes on the upgrades that you do on them.

Michael Crawford

Okay. And then a final question.

Just relates to your new strategic partner, Google.

So I know your service works with just any phone that people already have, but -- are there certain things that Google could do to, say, Android operating system to make those phones connect even better with your network?

Abel Avellan

Yes. I mean, you're absolutely right.

Our network, our technology is completely open for any phone, 2G, 4G, 5G in the future 6 years.

So we are completely dependent on the phone manufacturer or actually the G on the phone.

However, we believe, and we are super excited about the relationship with Google. Google is, as you know, the largest ecosystem provider for cellular phones with -- of 3.5 billion devices on a global basis. And we had agreed to collaborate in product development and implementation of features on the Google ecosystem that it is on the sole benefit of the MNO for our customers and then the end users that uses SpaceMobile.

So we're very excited about this relationship. It's super strategic for us and is to create value as on the Android ecosystem for our customers and end users.

Operator

Our next question comes from the line of Benjamin Soff with Deutsche Bank.

Benjamin Soff

My first one is just on the government contract. Is there any additional color you can provide on the type of service you're providing? And just generally how do you think about the market opportunity to work with government agencies in the U.S. and abroad? And then I have a follow-up.

Abel Avellan

Yes. I mean we do see the government opportunity to be very, very large. I mean, obviously, a technology that can deliver a rate, phaseout rate of this size at the power that they generate. And if you compare with the benchmark costing of that today for noncommunications applications, we're talking about several orders of magnitude, higher costs that we can do, despite the fact that we're doing it, we had 185,000 square-foot facility. We're ramping up our production as we speak.

So the government is super interested in this. We do see these opportunities not only to be in the communications side, which is an obvious application, being able to connect any 3G PP, any cellular device that government use on a global basis of defense users use on a global basis, but also there are a multitude of applications. All the same technology without any major changes to our technology to be used in the noncommunication space, which we think is a very large market, a large opportunity. And we see it also in combination of the prepayments that we expect to continue to get from MNOs payments from governments and the non-dilutive funding that we see that the most efficient way to take our network forward. continue to build satellites based on these agreements that we're starting to see.

So we're very excited about the government opportunity. And we think that we're in the very, very early innings so that what we can do for our government with our technology.

Benjamin Soff

Great. And then my second question is on the Block II satellites. Obviously, there's been a lot of moving pieces over the last couple of years. And then just wondering what your latest thoughts are on the timing and costs for these Block II satellites? And has there been any changes recently?

Abel Avellan

Yes. No, we are maintaining our guidance on costs for the Block II.

As I said, the parts, the building blocks are the same.

We are building for Block I.

So the line -- or assembly line, our processes are they can maintain -- we now control around 95% of our costs to build our satellites and also our supply chain, and that includes for Block II.

So we had Block II, we use these microns, which are the same for Block I and Block II, They rely on the same solar system, same solar panels, battery systems, structures and software to maintain them.

So we have had that done.

So we are very excited of where we are on that. And, and we have taken an approach of incrementally add features to the satellite.

So with Block II, we reuse that, but they, obviously, they are larger. They are 2,400 square feet each, which is the -- what makes it possible to get to 120 megabit of data rate on a 10,000 megahertz of processing bandwidth, which is really the only way to provide broadband directly to regular handsets.

Operator

Our next question comes from the line of Chris Schoell with UBS.

Christopher Schoell

Great.

For the Block I satellites, can you just update us on how you're thinking about initial use cases and expected revenue generation as you await and more continuous coverage. And then once in orbit, can you also remind us the time line for testing and calibrating those satellites? And what are the key milestones that you need to reach to commence commercial service?

Abel Avellan

Yes. I mean the initial -- the noncommercial usage is not constellation base. It's basically a usage by satellite.

So it's -- the revenue generation for that is incremental as we have satellites. The -- for the MNOs, what we will be doing is immediately integrating that to the core, to the core system, we keep launching more satellites.

So there is -- we disclosed that it's an initial payment by AT&T with the launch of Block I. There is a pre-agreement with Vodafone to start using them in some of the core markets. And there is some revenue that we start generating initially also for non continued service as we build these satellites. But it is a combination of revenue for noncommercial is scale on a sale by satellite basis. And for commercial is for noncontinued service type of applications. We start to see early revenue on that. But our plan is to rapidly ramp with the support of the government contracts, nondiluted revenue and prepayment revenues to continue to build into into the Constellation.

So we're doing that by region, and we're doing that prioritizing the MNOs our investors with us and continue to support on the build of the constellation.

Christopher Schoell

That's helpful. And I appreciate your dialogue with potential MNO customers is likely ongoing, but any updates you can give on where your discussions stand? And are you seeing interest beyond the already announced set of partners that you have?

Abel Avellan

Yes. The answer is yes, absolutely.

We have 48 -- approximately 48 operators that we had agreements or MOUs with them.

While using the same formula that we used initially with AT&T and Vodafone, we'll continue to do that. And in a way of prepayments or advanced payments and sometimes combined with a strategic investment or not.

So we had a very, very vibrant ecosystem.

We have now already AT&T, Vodafone, Google, Rakuten, Bell Canada and American Tower. But we had all the 48 relationships that we are in constant -- constant dialogue.

Everybody is super interested in seeing our Constellation App as soon as possible. everybody wants their regions and their customer to be prioritized, and we're taking advantage of that relationship as very symbiotic between us and the operators.

Operator

Thank you. At this time, I'm showing no further questions. I would like to turn the call back over to management for closing remarks.

Scott Wisniewski

Thank you, operator. We're building a space-based cellular broadband network design for the use of the phone in your pocket today. I want to thank everybody for joining both shareholders and analysts for their questions. I hope everybody had a great week. Thank you.

Operator

And this concludes today's conference.

You may disconnect your lines at this time. Thank you, and have a good day.