

In our April 14, 2025 note we highlighted the promising prospects for satellite communication (see convertinvesting.com for details) and recommended the 4.25% converts to invest in ASTS's expected growth story. The stock has since experienced rapid appreciation from \$23.30 to \$71.45. Current stock valuations (EV ~\$26b) are a cause for concern in our opinion.

Please note: This note is to only express caution about valuation and suggest risk mitigation trades. We believe that services like what ASTS is building are very useful and would help communities where communication networks are weak or absent.

Reasons for concern about ASTS's current valuation

- Though ASTS's mobile partners have a large customer base the number of customers who opt for the upgraded/paid service for an additional fee remains to be seen. We believe that given the strong coverage of the existing terrestrial cell network and the concentration of population in urban areas in the U.S. the direct to satellite service won't be a must have add on upgrade for most customers. Yes, there will be price insensitive customers who would want full coverage (higher income customers and those who live in or visit areas with patchy or no service) but most will likely not spend the extra monthly fee if they don't absolutely need the service. Consumers are stretched too with inflation hitting their wallets and job market uncertainties adding to their concerns, so adding on an extra monthly payment can't be assumed or taken for granted.
- In developed markets like the US and Europe where mobile ARPU is high most of the population is already served by good cell service. International markets with large populations might seem like a big opportunity but the ARPU for cell service is very low making upselling services such as ASTS's an uphill task. For instance, approximate ARPUs are as follows: US \$45, Europe \$20, India \$2.5-\$2.8, China \$6.3-\$7.5, Africa \$2-\$5.
- Enterprise Value is nearly \$26 billion for a company with virtually no revenue. Yes, ASTS has tie ups with leading telecom providers like ATT, Verizon, Vodafone etc but there is no commercial service yet. Commercial service is expected in 2026. <https://ast-science.com/company/strategic-partners/>
- ARPU for ASTS's service is likely to be much lower than typical mobile phone plan levels. For example, T Mobile's add-on service (T Satellite w/ Startlink) is now offered at \$10. AT&T's postpaid mobile phone ARPU is ~\$57 as a point of comparative reference.
- Costs to develop, build and deploy the satellite network could escalate significantly. Space related deployment is challenging as it is. The business is still in the early stages and is not a stable cash flow generating business like that of a traditional wireless provider.
- Capex is high and the buildout would likely require continued access to the capital markets (LTM CFO -134m, Capex -543m, FCF -677m). Three converts were issued this year alone and future financing availability could be a risk factor.

- Rapid and significant technological changes could pose challenges to SpaceMobile's Service and/or impair its competitive positioning.
- Dependence on third parties to market and sell products and services might harm margins. Key wireless providers who are partners will always try to capture as big a cut as possible.
- Satellite launch risks, satellite life span, space debris collision risk and potential operational problems could disrupt service and increase costs.
- Service experience and reliability at scale is still to be demonstrated. If the experience of the SpaceMobile Service's end-users is not reasonably equivalent to the experience they have using a terrestrial network, consumer acceptance might not scale.
- Highly competitive industry from existing and new companies including SpaceX's Starlink and Globalstar, which are developing satellite communications technology using LEO constellations to provide competitive services in the direct-to-device segment of the mobile satellite services industry. In 2023, Apple introduced a new service supported by Globalstar which provides SOS Emergency Service capabilities to its latest generation iPhones. In February 2025, SpaceX and T-Mobile US offered a beta test of Starlink that included text messaging. In addition, ASTS faces competition from existing service providers such as Inmarsat, Globalstar, ORBCOMM, Thuraya Telecommunications Co. and Iridium Communications that offer a range of mobile and fixed communications options.
- Unlike traditional mobile satellite services which use spectrum allocated for mobile satellite use the SpaceMobile Service uses spectrum allocated for terrestrial mobile use. Regulators in each country where ASTS plans to offer the SpaceMobile Service will need to approve the SpaceMobile Service's use of spectrum.

Case in Point: Comparison to ATT; ASTS Current Valuation Appears Elevated

	AT&T	AT&T (scaled down to ASTS EV)	ASTS
Enterprise Value (\$b)	330	25.8	25.8
Mobility Customers end 2024 (mill)	118	9.2	0
Broadband Customer end 2024 (mill)	15.3	1.2	0
Monthly ARPU Mobility (Postpaid)	~\$57		\$10-\$15
Monthly ARPU Broadband	~\$70		
LTM Revenue adj (\$b)	124.5	9.7	0.0
LTF FCF (\$b)	20.0	1.6	-0.7
LTM EBITDA adj (\$b)	34.8	2.7	-0.2
LTM Net Income adj (\$b)	13.7	1.1	-0.4
LTM Capex (\$b)	20.9		
Location	On ground		Space
Operations	Stable		To be built
Technology	Proven record		To be seen
Operational Risk	Very low		High (TBD)
Customer Adoption	High		To be seen

Mobility: Postpaid 89m, Prepaid 19m, Resellers 10m

To get a sense of valuation we did a quick comparison of ASTS to AT&T by scaling AT&T's metrics to ASTS's Enterprise Value. The table above shows that for the same EV

- ATT has 10.4 million customers while ASTS has 0 as it is yet to launch commercial services
- ATT ARPU \$57 for mobility and \$70 for broadband versus a likely range of \$10-\$15 add on ARPU for ASTS. At this ARPU to get the same total revenue ASTS would need 40 million to 60 million customers to be pari passu with ATT's scaled valuation. That is a high number.
- ATT is solidly profitable with a long track record while ASTS is yet to launch commercial services
- Operationally ATT is well established versus ASTS which is far riskier (and ground vs. space)
- So, the concern for ASTS's current valuation is real on a relative value basis

Note: We didn't choose AT&T for any particular reason. It could have been T-Mobile or Verizon as well.

ASTS Convert Stack – Trade Recommendations

Outright convert investors trade: Given our concern around stock valuation holders of the two older converts (one is a stub) should consider swapping into the new near par 2% balanced convert. New investors could wait for a better entry point into the name.

Equity investors trade: Strongly consider owning the new 2% convert instead of stock to move up the capital structure and lower risk.

Arb convert investors trade: Position for a stock pullback via the newer 2% and the 2.375% convert and also as a gamma trade given that we expect the stock to be volatile as ASTS builds out its business and tries to scale commercial operations. The underlying business and operating environment will likely cause this stock to be volatile for a long time in our opinion.

Size (\$mn)	Cpn (%)	Yrs to Mat	Maturity Date	Convert Price	Stk Px Ref (\$)	Yld to Mat (%)	Current		Delta (%)	PC Stx Px % Apprc.	Prov Call Date	Cvt High Px	Cvt High Px Date
							Yield (%)	Prem. (%)					
1150	2.000	10.2	1/15/2036	98.2	71.1	2.20	2.04	32.9	82	76%	1/22/29	106.7	10/29/2025
575	2.375	7.0	10/15/2032	131.9	71.1	(1.9)	1.8	33.6	85	32%	10/22/29	172.4	10/16/2025
50	4.250	6.3	3/1/2032	290.2	71.1	(13.64)	1.46	10.1	95	-51%	3/6/29	373.6	10/15/2025

Spread Benchmarks

Bloomberg Caa US High Yield Average OAS 626 bps

Vol Benchmarks

100 Day realized volatility: Median over the last 1 year is 99

100 Day realized volatility: Current 88

Jan 28 \$75 Calls: Implied Volatility at the Mids is 91

IMPORTANT DISCLOSURES

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