

ViaSat

## Well positioned for the future

Reiterate Rating: BUY | PO: 47.00 USD | Price: 18.64 USD

## Well positioned for the future – focus remains on launches

ViaSat reported 3Q revenues of \$1.1bn and adj EBITDA \$383mn. Orders remained robust at \$1.2bn, a book to bill of 1.06x. 2024 guidance was reiterated with revenues expected at \$4.1-4.25bn and adj EBITDA of \$1.275bn - \$1.3bn. The company has completed the root cause analysis of the antenna issues on the F1 satellite and has proceeded with remedial actions on F2. ViaSat expect to receive proceeds of \$770mn from insurance pay-outs, which is higher than BofA estimates and is encouraging for de-levering in FY25. IFC continues to show good traction with 3500 aircraft in the fleet and a backlog today of >1400. We expect this to continue to grow as capacity ramps in the coming 18 months. With a number of new satellites to be launched in the coming year, there is still going to be a strong focus on the success of these launches which will inevitably drive growth. We believe ViaSat is competitively positioned in key verticals to defend market share in the face of growing competition. We update our estimates post results, and our PO moves to \$47 on lower estimates. We reiterate our Buy rating.

## Root cause analysis completed, on track for capacity ramp

ViaSat has completed the root cause analysis of the antenna issue on the ViaSat 3 F1 satellite and are performing corrective actions on the F2 satellite, with the satellite to be launched in calendar 1H25. F3 is on track to launch in 2024. By summer 2025, there are expected to be 4 new satellites in orbit, driving an acceleration in Mobility services across the group. The insurance claims on the F1 & I6 satellites will drive \$770mn of proceeds due in the next few quarters which will further support de-levering in our view (we assume proceeds are received in FY25).

## IFC growth continues to accelerate – positive for mid-term

ViaSat and Inmarsat have a unique offering in Inflight Connectivity (IFC) in our view, and the momentum in this business continues to grow. The group ended 3Q with 3500 aircraft in the fleet, and over 1400 in backlog, with a recent win from Lufthansa extending that backlog further. The expansion in capacity over the next 12-18 months will continue to support the expansion of the fleet in our view, and we see potential for higher ARPUs in this business mid-term as service quality and breadth increases.

08 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	54.00	47.00

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## Stock Data

Price	18.64 USD
Price Objective	47.00 USD
Date Established	08-Feb-2024
Investment Opinion	C-1-9
52-Week Range	15.02 USD-47.35 USD
Mrkt Val / Shares Out (mn)	1,378 USD / 73.9
Average Daily Value (mn)	19.27 USD
Free Float	87.8%
BofA Ticker / Exchange	VSAT / NAS
Bloomberg / Reuters	VSAT US / VSAT.OQ
ROE (2024E)	7.8%
Net Dbt to Eqty (Mar2023A)	28.8%

Estimates (Mar) (USD)	2022A	2023A	2024E	2025E	2026E
EPS (Adjusted Diluted)	1.45	(14.8)	1.95	1.68	2.62
EPS Change (YoY)	26.4%	NM	113.1%	-13.6%	55.9%
Dividend / Share	0	0	0	0	0
Valuation (Mar)					
P/E	12.8x	NM	9.57x	11.1x	7.10x
EV / EBITDA*	3.78x	4.42x	5.26x	1.49x	1.38x
Free Cash Flow Yield*	-36.3%	-13.8%	-60.7%	-7.35%	20.2%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

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**Refer to important disclosures on page 7 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.**

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Timestamp: 08 February 2024 06:25AM EST

# iQprofile<sup>SM</sup> ViaSat

Key Income Statement Data (Mar)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)					
Sales	2,788	2,803	4,129	4,588	4,912
EBITDA Adjusted	615	526	442	1,562	1,686
Depreciation & Amortization	(500)	(500)	(1,155)	(1,315)	(1,401)
EBIT Adjusted	116	25.2	(713)	247	286
Net Interest & Other Income	(25.1)	(17.5)	(273)	(348)	(230)
Tax Expense / Benefit	8.49	(50.5)	66.1	43.1	3.83
Net Income (Adjusted)	109	(1,127)	244	210	328
Average Fully Diluted Shares Outstanding	74.8	75.9	125	125	125

<b>Key Cash Flow Statement Data</b>					
Net Income (Reported)	4.82	(41.2)	(1,040)	(118)	0.13
Depreciation & Amortization	500	500	1,155	1,315	1,401
Change in Working Capital	(86.2)	18.5	0	0	0
Deferred Taxation Charge	0	0	0	0	0
Other CFO	66.5	491	68.8	71.5	71.5
<b>Cash Flow from Operations</b>	<b>485</b>	<b>969</b>	<b>183</b>	<b>1,269</b>	<b>1,472</b>
Capital Expenditure	(990)	(1,164)	(1,598)	(1,441)	(1,002)
(Acquisition) / Disposal of Investments	(140)	1,082	NA	0	0
Other CFI	0	0	NA	0	0
<b>Cash Flow from Investing</b>	<b>(1,130)</b>	<b>(82.0)</b>	<b>NA</b>	<b>(1,441)</b>	<b>(1,002)</b>
Share Issue / (Repurchase)	(2.42)	5.19	0	0	0
Cost of Dividends Paid	NA	NA	NA	NA	NA
Increase (decrease) debt	653	(26.7)	6,099	(2,000)	0
Other CFF	8.71	(677)	(3,799)	770	0
<b>Cash Flow from Financing</b>	<b>659</b>	<b>(698)</b>	<b>2,300</b>	<b>(1,230)</b>	<b>0</b>
<b>Total Cash Flow (CFO + CFI + CFF)</b>	<b>14.1</b>	<b>189</b>	<b>NA</b>	<b>(1,401)</b>	<b>470</b>
FX and other changes to cash	0.41	850	NA	0	0
Change in Cash	14.5	1,038	497	(1,401)	470
Change in Net Debt	638	(1,065)	5,602	(599)	(470)
Net Debt	2,176	1,111	6,712	6,114	5,643

<b>Key Balance Sheet Data</b>					
Property, Plant & Equipment	3,742	4,378	4,710	4,725	4,208
Goodwill	190	159	3,138	2,738	2,738
Other Intangibles	236	201	1,023	843	671
Other Non-Current Assets	1,062	748	748	748	748
Trade Receivables	359	420	420	420	420
Cash & Equivalents	310	1,349	1,846	445	915
Other Current Assets	490	476	528	611	694
Total Assets	6,389	7,730	12,412	10,529	10,394
Long-Term Debt	2,451	2,422	8,521	6,521	6,521
Other Non-Current Liabilities	485	492	492	492	492
Short-Term Debt	34.9	37.9	37.9	37.9	37.9
Other Current Liabilities	736	919	919	919	919
Total Liabilities	3,707	3,870	9,969	7,969	7,969
Total Equity	2,683	3,861	2,443	2,560	2,425
Total Equity & Liabilities	6,389	7,730	12,412	10,529	10,394

<b>Business Performance*</b>					
Return On Capital Employed	1.12%	0.29%	-7.01%	1.75%	2.25%
Return On Equity	4.35%	-34.9%	7.80%	8.48%	13.2%
Operating Margin	0.30%	0.74%	-20.5%	3.82%	4.36%
Free Cash Flow (MM)	(506)	(195)	(1,415)	(171)	470

<b>Quality of Earnings*</b>					
Cash Realization Ratio	4.46x	NM	0.75x	6.03x	4.49x
Asset Replacement Ratio	2.43x	2.33x	1.38x	1.10x	0.72x
Tax Rate	50.8%	1,521%	5.91%	25.0%	25.0%
Net Debt/Equity	81.1%	28.8%	275%	239%	233%
Interest Cover	4.01x	0.84x	-2.59x	0.71x	1.24x

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Satellite Services

## Company Description

ViaSat is a provider of satellite and digital communication products for govts, enterprises and consumers and participates in three core businesses: Govt Systems, Commercial Networks and Satellite Svcs.

## Investment Rationale

Viasat is a growth business, building out high throughput broadband satellite capacity across North America. Viasat 3 will undoubtedly drive strong revenue/EBITDA growth at the group in the medium term, which should drive share price performance.

## Stock Data

Price to Book Value 1.0x

## Quarterly Earnings Estimates

	2023	2024
Q1	0.15A	-0.01A
Q2	-0.49A	1.23A
Q3	-0.02A	-0.23A
Q4	-16.11A	0.96E

# BofA vs Consensus

## Exhibit 1: BofA vs Consensus

We are -5% below consensus on FY26E revenues

	BofA ests			Consensus			BofA vs Cons		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
<b>Revenues</b>									
Satellite Services	2132	2428	2724	2148	2368	2734	-1%	3%	-3%
Commercial Networks	736	772	819	752	747	719	-2%	3%	13%
Government Systems	1261	1387	1529	1329	1469	1723	-5%	-6%	-15%
Inmarsat	0	0	0						
Group	4129	4588	5072	4229	4585	5176	-2%	0%	-5%
<b>Adj EBITDA</b>									
Satellite Services	971	1166	1307	1040	1214	1539	-7%	-4%	-18%
Commercial Networks	-41	-77	-82	-20	-138	-148	101%	-44%	-45%
Government Systems	362	485	535	394	425	409	-8%	14%	25%
Inmarsat	0	0	0						
Group	1292	1574	1761	1373	1461	1801	-6%	8%	-6%
Adjusted EPS	\$0.75	\$1.50	\$2.61						
GAAP EPS	-\$9.81	-\$1.13	-\$0.01	-\$8.72	-\$2.31	-\$1.56	12%	-51%	-88%
FCF	-1415	-171	645	-1082	-223	84	31%	-23%	462%
Net Debt	6712	6114	4998	1,339	1,320	600			
Net Debt/ EBITDA	5.2x	3.9x	2.8x	1.0x	0.9x	0.3x			

Source: BofA Global Research estimates, Visible Alpha

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## New vs Old

### Exhibit 2: New vs Old

We increase our FY24-25 CapEx estimates

		New			Old			New vs Old		
	FY2024	FY2025	FY2026	FY2024	FY2025	FY2026	FY2024	FY2025	FY2026	
Revenues	4,129	4,588	4,912	4,085	4,532	5,557	1.1%	1.2%	-11.6%	
Adj EBITDA	1,292	1,574	1,698	1,293	1,535	1,959	0%	3%	-13%	
Adj. EPS	0.75	1.50	2.44	2.19	2.25	3.54	-66%	-34%	-31%	
Net debt	6,712	6,114	5,643	5,539	5,002	5,439	21%	22%	4%	
EoP #Shares	125	125	125	124	124	122	1%	1%	2%	
CapeX	1,598	1,441	1,002	1,293	1,015	1,268	24%	42%	-21%	

Source: BofA Global Research estimates

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## Price objective basis & risk

### ViaSat (VSAT)

Our \$47 PO for Viasat is based on forward EV/EBITDA multiple of 8x, vs. the group's 2009-20 average multiple of 14x, which we think is fair given our expectations of the strong EBITDA and revenue growth but risks of growing competition in the Low Earth Orbit segment and high leverage post Inmarsat deal. We look at calendar 2025 and discount back to 2024 at 7.5%. This yields a PO of \$47. 7.5% discount rate is our standard for the satellite services sector.

Upside risks - 1) higher than expected growth from in-flight through winning market share in North American, 2) higher than expected synergies from Inmarsat deal.

Downside risks - 1) launch failure of Viasat 3.

## Analyst Certification

I, Benjamin Heelan, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### EMEA - Capital Goods, Aerospace & Defence Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	ABB	ABBNY	ABBNY US	Alexander Virgo
	ABB Ltd.	ABLZF	ABBN SW	Alexander Virgo
	Accelleron	ACLIF	ACLN SW	Alexander Virgo
	Airbus	EADSF	AIR FP	Benjamin Heelan
	Airbus Group	EADSY	EADSY US	Benjamin Heelan
	Alstom	AOMFF	ALO FP	Alexander Virgo
	Alstom	ALSMY	ALSMY US	Alexander Virgo
	Assa Abloy	ASAZF	ASSAB SS	Alexander Virgo
	Assa Abloy	ASAZY	ASAZY US	Alexander Virgo
	AutoStore	XETRF	AUTO NO	George Featherstone, CFA
	AVIO S.p.A	XIYFF	AVIO IM	Benjamin Heelan
	Babcock International	BCKIF	BAB LN	Carlos Iranzo Peris
	Babcock International	BCKIY	BCKIY US	Carlos Iranzo Peris
	BAE SYSTEMS	BAESF	BA/ LN	Benjamin Heelan
	BAE SYSTEMS	BAESY	BAESY US	Benjamin Heelan
	Daimler Truck	DTGHF	DTG GY	Virginia Montorsi
	Daimler Truck	DTRUY	DTRUY US	Virginia Montorsi
	DUERR AG	DUERF	DUE GY	Elliott Robinson, CFA
	Electrolux	ELUXY	ELUXY US	Alexander Virgo
	Electrolux	ELRXF	ELUXB SS	Alexander Virgo
	GEA	GEAGF	G1A GY	Alexander Virgo
	Hexagon AB	HXGBF	HEXAB SS	Alexander Virgo
	Hexagon AB	HXGBY	HXGBY US	Alexander Virgo
	Indra Sistemas	ISMAF	IDR SM	Carlos Iranzo Peris
	Industrie De Nora	XCVJF	DNR IM	Jacqueline Li
	KION Group AG	KNNGF	KGX GY	George Featherstone, CFA
	Leonardo	FINMF	LDO IM	Virginia Montorsi
	Melrose plc	MLSPF	MRO LN	Benjamin Heelan
	Montana Aerospace	XNMNF	AERO SW	Virginia Montorsi
	Nexans	NXPRF	NEX FP	George Featherstone, CFA
	Nordex SE	NRDXF	NDX1 GY	Benjamin Heelan
	Prysmian	PRYMF	PRY IM	George Featherstone, CFA
	Rheinmetall AG	RNMBF	RHM GY	Virginia Montorsi
	Rolls Royce	RYCEF	RR/ LN	Benjamin Heelan
	Rolls Royce	RYCEY	RYCEY US	Benjamin Heelan
	Rotork Plc	RTOXF	ROR LN	George Featherstone, CFA
	SAAB AB	SAABF	SAABB SS	Virginia Montorsi
	Safran	SAFRY	SAFRY US	Benjamin Heelan

## EMEA - Capital Goods, Aerospace &amp; Defence Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Safran SA	SAFRF	SAF FP	Benjamin Heelan
	Sandvik	SDVKF	SAND SS	Benjamin Heelan
	Sandvik	SDVKY	SDVKY US	Benjamin Heelan
	Smiths Group	SMGKF	SMIN LN	George Featherstone, CFA
	Smiths Group	SMGZY	SMGZY US	George Featherstone, CFA
	Spirax-Sarco	SPXSF	SPX LN	George Featherstone, CFA
	Vestas	VWSYF	VWS DC	Benjamin Heelan
	Vestas	VWDRY	VWDRY US	Benjamin Heelan
	ViaSat	VSAT	VSAT US	Benjamin Heelan
<b>NEUTRAL</b>				
	Ariston Group	XRTRF	ARIS IM	George Featherstone, CFA
	Atlas Copco	ATLPF	ATCOA SS	Benjamin Heelan
	Atlas Copco	ATLKY	ATLKY US	Benjamin Heelan
	Dassault Aviation	DUAVF	AM FP	Virginia Montorsi
	FLSmidth	FLIDF	FLS DC	Elliott Robinson, CFA
	Fluidra SA	FLUIF	FDR SQ	Jacqueline Li
	Halma	HLMAF	HLMA LN	George Featherstone, CFA
	Hensoldt AG	HNSDF	HAG GY	Carlos Iranzo Peris
	IMI	IMIAF	IMI LN	George Featherstone, CFA
	Iveco	IVCGF	IVG IM	Virginia Montorsi
	Knorr-Bremse AG	KNBHF	KBX GY	Alexander Virgo
	Knorr-Bremse AG	KNRRY	KNRRY US	Alexander Virgo
	Kone OYJ	KNYJF	KNEBV FH	Benjamin Heelan
	Kone OYJ	KNYJY	KNYJY US	Benjamin Heelan
	MTU Aero Engines	MTUAF	MTX GY	Benjamin Heelan
	QinetiQ	QNTQF	QQ/ LN	Carlos Iranzo Peris
	Siemens	SMAWF	SIE GY	Alexander Virgo
	Siemens	SIEGY	SIEGY US	Alexander Virgo
	Siemens Energy AG	SMEGF	ENR GY	Alexander Virgo
	Signify	SFFYF	LIGHT NA	Jacqueline Li
	SKF	SKFRY	SKFRY US	Benjamin Heelan
	SKF	SKUFF	SKFB SS	Benjamin Heelan
	Spectris	SEPJF	SXS LN	George Featherstone, CFA
	Stadler	SRAIF	SRAIL SW	Alexander Virgo
	Thales	THLEF	HO FP	Benjamin Heelan
	YAHSAT	XDXBF	YAHSAT UH	Benjamin Heelan
<b>UNDERPERFORM</b>				
	Aalberts NV	AALBF	AALB NA	Elliott Robinson, CFA
	Alfa Laval	ALFVF	ALFA SS	Alexander Virgo
	Alfa Laval	ALFVY	ALFVY US	Alexander Virgo
	Bodycote PLC	BYPLF	BOY LN	George Featherstone, CFA
	Epiroc	EPOKY	EPOKY US	Benjamin Heelan
	Epiroc AB	EPIAF	EPIA SS	Benjamin Heelan
	Eutelsat	EUTLF	ETL FP	Benjamin Heelan
	Jungheinrich Pref	JGHAF	JUN3 GY	George Featherstone, CFA
	Kongsberg Gruppen	NSKFF	KOG NO	Virginia Montorsi
	Legrand	LGRVF	LR FP	Alexander Virgo
	Legrand	LGRDY	LGRDY US	Alexander Virgo
	Metso Corporation	OUKPF	METSO FH	Elliott Robinson, CFA
	Nibe Industrier	NDRBF	NIBEB SS	Alexander Virgo
	Rational Ag	RTLLF	RAA GY	Alexander Virgo
	Rexel	RXLSF	RXL FP	Alexander Virgo
	RS Group	EENEF	RS1 LN	George Featherstone, CFA
	Schindler Group	SHLAF	SCHP SW	Benjamin Heelan
	Schneider	SBGSF	SU FP	Alexander Virgo
	Schneider	SBGSY	SBGSY US	Alexander Virgo
	SES	SGBAF	SESG FP	Benjamin Heelan
	Volvo	VOLVF	VOLVB SS	Virginia Montorsi
	Volvo	VLVLY	VLVLY US	Virginia Montorsi
	Wartsila OYJ	WRTBF	WRT1V FH	Alexander Virgo
	Weir Group	WEIGF	WEIR LN	George Featherstone, CFA

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

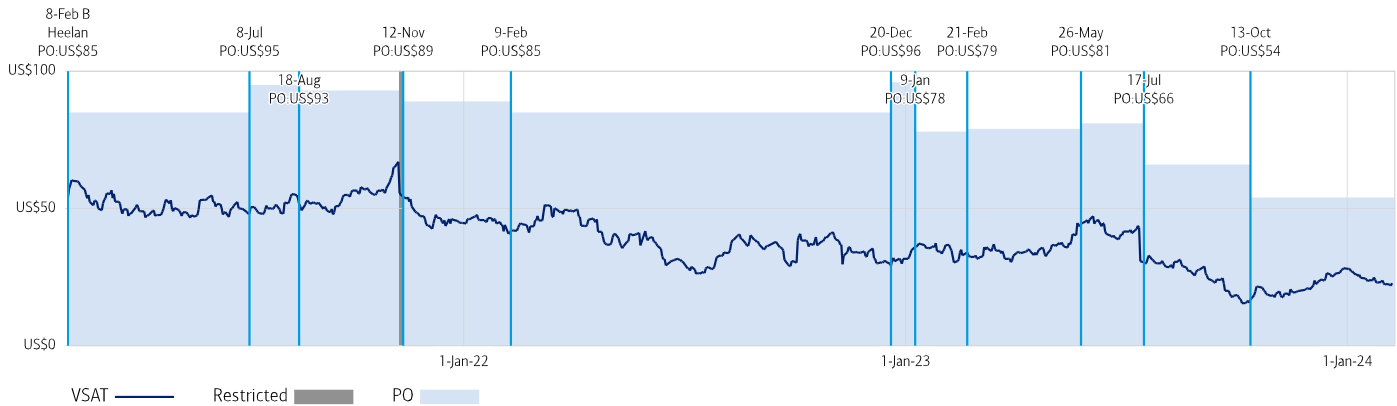
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## Important Disclosures

### ViaSat (VSAT) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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