AST SpaceMobile (ASTS) 4 Mar 25 2024 Q4 Earnings call transcript

Call transcript

Operator

Good day, and thank you for standing by. Welcome to the AST SpaceMobile Fourth Quarter 2024 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, President of AST SpaceMobile. Please go ahead.

Scott Wisniewski

Thank you, and good afternoon, everyone. Today, I'm also joined by Chairman and CEO, Abel Avellan; and our Chief Financial Officer, Andrew Johnson.

Let me refer you to Slide 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 and 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's annual report on Form 10-K for the year ended December 31, 2024, with the Securities and Exchange Commission and other documents filed by AST SpaceMobile with the SEC from time to time. Also, after our initial remarks, we will be starting our Q&A section with questions submitted by our shareholders.

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

Additionally, there are billions of people without cellular broadband and who remain unconnected to the global economy. The markets we are pursuing are massive, and the problem we are solving is important and touches nearly all of us. In this backdrop, AST SpaceMobile is building the first and only global cellular broadband network in space to operate directly with everyday unmodified mobile devices and supported by our extensive IP and patent portfolio.

We have made significant progress over the past year, and I am excited to pass the call to our Chairman and CEO, Abel Avellan, who will discuss our achievements and our vision going into 2025.

Abel Avellan
Thank you, Scott. The past several months have been transformational for AST SpaceMobile and we continue to accelerate manufacturing, expand our partner ecosystem and demonstrate unique and differentiated space-based cellular broadband capabilities. 2024 was the year we validated AST SpaceMobile position as a technology leader and inventor in this new industry. And in 2025, we will leverage this position alongside our expansive IP portfolio of more than 3,500 patents and patent pending claims, to further enable through space-based connectivity to the device in your pocket today. Simply put, we entered 2025 with the talent and partners, technology and intellectual property, access to space and spectrum and the funding to move at accelerated pace in this fast developing market. Key pieces of our business are now in place.

Our technology has capacity to deliver voice, data, video calls and other native cellular broadband capabilities, making us a truly differentiated offering for us and our network partners. We're now moving forward to integrate with our partner networks, which will enable initial service with our mobile network operator partners, AT&T and Verizon in the United States, Vodafone in the United Kingdom and Turkey, and Rakuten in Japan.

Our mobile network operator partners include some of the largest telecom operators in the world and the number of partners continue to grow. We now have agreements with approximately 50 mobile network operators globally, which have nearly 3 billion existing subscribers around the world. This year is about building our constellation to reach commercial service.

As a reminder, our technology has been designed from the beginning to support broadband, not just text messaging or emergency SOS, as noted recently by our partners, AT&T, Verizon and Vodafone, who each completed video calls over our in-orbit network.

We have the capability for voice and data services at broadband speed to modify smartphones. Since our last business update call with investors, we achieved several major milestones.

First, we solidified our balance sheet with a significant financing with an attractive structure. And with that, we are accelerating our manufacturing, which I will speak to you shortly.

Second, we signed an agreement that once completed, will provide us with the largest block of high-value, lower mid-band spectrum, our making the spectrum owned and operated by our partners.

Third, we accelerated satellite manufacturing effort with planning and production of 40 Block 2 global satellites underway alongside with additional components and materials needed for over 50. Fourth, we continue to expand our commercial ecosystem, both with MNOs with the Vodafone agreement and with the government contracts.

In fact, just this past week, we announced a new $43 million contract award in support of the United States Space Development Agency, or SDA.

Our recent contract is just for the beginning of what we expect to achieve with the U.S. government. And last, we continue to solidify the regulatory framework for our services with the SEC.

Let me briefly elaborate on each of these achievements. We completed $460 million convertible senior note offering, resulting in nearly $1 billion in cash on our balance sheet. Alongside with this capital raise, we secured cap call transactions, which increased the effective conversion price of the note to approximately $45 per share. With a 4.25% coupon, we significantly reduced our cost of capital for the company. And with the cap call, we minimize effective dilution to existing shareholders to approximately 53% at the effective conversion price.

Importantly, as part of the transaction, AT&T, Google, Verizon and Vodafone converted their existing notes and became Class A common shareholders. We welcome our loyal partners and shareholders, and we appreciate their ongoing support. The financing of [Technical Difficulty] and our new balance sheet enabled us to immediately and aggressively accelerate our manufacturing plans.

We have accelerated the procurement of components and materials needed for us to complete fully fully integrated and assembly Block 2 BlueBird satellites.

Additionally, we have accelerated procurement of components and materials needed for us to complete fully assembled microns, which are the building block power satellites and phased array for over 50 satellites.

As a reminder, the assembly stage is one of the last steps in the manufacturing process, and we procure long lead items first to ensure we remain on track for integration and assemble stages.

As part of our accelerating manufacturing, we have increased our global footprint to approximately 194,000 square feet in Midland. Texas, 59,000 square feet in Barcelona, Spain and soon 85,000 additional square feet in Homestead, Florida, respectively.

We have completed the bring up and initial validation of our novel ASIC chip, which will support up to 10,000 megahertz, 10 gigahertz processing bandwidth per satellite with peak data speed of up to 120 megabits per second.

We expect to incorporate our ASIC into Block 2 BlueBird satellite later this year.

We also exercised our contract option for more launches, and now we have fully contracted load capacity for approximately 60 satellites during 2025 and 2026, which gets us to continue service in U.S., Europe and Japan and some selected markets outside the United States.

Next, we signed an agreement, which would provide long-term access to up to 45 megahertz of lower mid-band spectrum in the United States for direct-to-device satellite application. This agreement, when consummated, will augment our capability pairing existing plans for the Continental United States on previous 3GPP low-band spectrum in the 850 megahertz band, which offers superior penetration and coverage characteristics with access to up to 45 megahertz of lower mid-band spectrum, the largest available block of high-quality nationwide spectrum in the United States. Spectrum is a scarce resource and our spectrum agreement matches an attractive spectrum position with the largest satellite upgrade for direct-to-device cellular broadband space. The agreement for long-term access to this spectrum enhanced our strategy of working with MNO partners.

Our partners dedicate premium low-band spectrum to support our services. The spectrum we are accessing amplifies existing capacity.

Specifically, more spectrum means increased subscriber capacity and better service in the U.S., enable feed data transmission speed of up to 120 megabits per second for a true broadband experience directed from space to everyday smartphone. This positions us and our mobile network operator partners for significant growth while reinforcing our place in the broader wireless ecosystem with a valuable strategic asset. And just recently, we received a special temporary authority STA approval from the FCC to commence testing service with AT&T and Verizon in the United States. This approval will enable us to connect and test our BlueBird satellite with modified smartphones without the need of any specialized software, device support or updates. The FCC approvals underscore the shared goal between AST SpaceMobile and the commission, and we anticipate additional FCC ruling soon, and we continue integrating our groundbreaking technology with our strategic partners.

The first 5 commercial Block 1 BlueBird satellites launched in September 2024 are fully operational.

As a reminder, our satellite [amasses] each the largest ever commercially deployed communication array below earth orbit other than the international space station.

For context, our upcoming Block 2 satellites are more than 3x the size of Block 1 satellites, measuring approximately 2,400 square feet.

As a result, we need a much smaller number of satellites compared to traditional operators in the low earth orbit. The size of our satellites accelerate our path to commercial revenues and

the design of our satellites and network decrease any single point of failure, reducing our risk profile. I am very pleased to report the first 5 BlueBird satellites are all performing as expected.

We have fully tested each satellite and put them into operations. It was exciting to watch Vodafone CEO, Margherita Della Valle, complete a video call using our space-based technology. AT&T and Verizon completed video calls shortly after. This operational milestone demonstrates our unique capabilities that our satellites were designed for, not just text messaging, but full broadband capabilities and other native cellular capabilities to completely unmodified smartphones.

On the government front, we recently secured an additional contract for $43 million of revenue with the Space Development Agency through a prime contractor. Scott will provide support details momentarily. But this commercial award highlights the capabilities of our dual-use technology for specialized government applications.

Our government contract pipeline continues to show strength, driven by new use cases for our unique technology, which are becoming clearer every day. With our successful initial launch and the progress across manufacturing and our commercial and government agreement, you can see that key pieces of operationalizing the restricted mobile network are now in place. I am incredibly proud of the tireless effort from our team and our partners, particularly over the past several months to get us to this critical point. With each step, we move closer to achieving our mission of connecting you connected and look forward to bringing you more updates in the months ahead. I will now pass to Scott to provide more details on our commercial progress.

Scott Wisniewski
Thank you, Abel.

As Abel mentioned, the last few months have been truly significant for AST SpaceMobile.

All of the facets of our business are coming together nicely, and we enter 2025 in our strongest position to date.

Let me provide additional details on some of the achievements and what they mean for the commercialization of the company.

Just last week, we signed a $43 million revenue contract with the U.S. Space Development Agency through a prime contractor. This contract follows successful in-orbit testing on our BlueWalker 3 test satellite under the previous contract announced in February of 2024.

Importantly, this is not a prepaid contract, but rather revenue we expect to receive and recognize alongside service delivered on our 5 satellites in orbit and our first Block 2 BlueBird satellites. This contract, as with our other U.S. government contracts to date, serve as an evaluation of our capabilities in support of potential larger long-term contracts.

Now taking a step back, this marks our fifth contract award with the U.S. government and our third supporting the Space Development Agency.

We continue to see a strong demand profile for space applications from the DoD, which you can read about in the press and in particular, for our unique architecture, which facilitates a diverse set of communications and noncommunications applications.

Our network is also attractively positioned as dual-use capable, meaning the same spacecraft can be used for both consumer and government programs.

On the commercial front, we continue to advance with our partners, including the approximately 50 mobile network operators we have initial agreements with today. The depth and excitement of these conversations has continued to increase alongside our business milestones like the high-profile video calls with Vodafone, AT&T and Verizon that we recently conducted.

During 2025, we expect to round out our strategic markets with additional MNOs, building out the initial planned coverage footprint in the U.S., Europe, Japan and with the U.S. government.

Additionally, during the first half of 2025, you will begin to see gateway sales or bookings that will bring in cash and revenue during 2025 and also provide a leading indicator for the markets where you will see initial service revenue.

Turning to Vodafone in particular. In December, we finalized a definitive long-term commercial agreement for SpaceMobile service through 2034. This agreement establishes the framework for Vodafone to offer space-based cellular broadband connectivity in its home markets as well as to other operators via its partner markets program.

Our agreement with Vodafone is a culmination of the many years working together to advance connectivity, marking another significant step in our historic partnership. And then just yesterday, we announced a further agreement with Vodafone to accelerate the commercialization of the SpaceMobile network across all of Europe. This jointly owned entity will exclusively distribute our space-based cellular broadband service, expanding our addressable market significantly in Europe. This means shared ground infrastructure to manage geographic boundaries and turnkey solutions to increase take-up with smaller operators earlier in our deployment. Also in support of our European expansion, we are opening a research and validation hub in Malaga, Spain to support space and land mobile broadband research. This strategic expansion, along with our increased manufacturing footprint in Barcelona, will enhance our capabilities to serve the European market and underscore our long-term commitment to the continent. And with that, I will hand it off to Andy.

Andrew Johnson

Thanks, Scott, and good afternoon, everyone. I echo the sentiment expressed by Abel and Scott. 2024 was a pivotal year in the history of AST SpaceMobile, and we continued our rapid operating transformation during Q4 of 2024.

Our successful launch of 5 Block 1 BlueBird satellites in September, coupled with our achievement of full operational status of those satellites in early Q4, has positioned us well to continue our intense focus on expanding our customers, both through commercial and U.S. government engagements.

As 2024 came to a close, AST SpaceMobile was a transformed company, poised to lead the burgeoning direct-to-device satellite communication industry.

We have the financial resources to support our bold initiatives to accelerate the manufacturing and deployment of our satellites in an effort to scale our revenue in the coming periods. The start of 2025 has been a continuation of this significant progress.

As mentioned earlier, we accelerated satellite manufacturing efforts in line with our plans to launch up to 60 Block 2 BlueBird satellites during 2025 and 2026. We strengthened our balance sheet through our strategic capital raising, facilitating an increase in our production targets, including the planning and production of 40 Block 2 BlueBird satellites and fully assembled microns and phased array to support a total of 53 satellites. Production is well underway at our manufacturing facilities as we expand our footprint globally.

Moving to the operating and metrics slide.

Let's review the key operating metrics for the fourth quarter and full year 2024.

On the first chart, for the fourth quarter of 2024, we incurred non-GAAP adjusted cash operating expenses of $40.8 million versus $45.3 million in the third quarter.

As a reminder, non-GAAP adjusted operating expenses exclude certain noncash operating costs, including depreciation and amortization and stock-based compensation.

This quarter-over-quarter decrease resulted from $9.3 million of reduced R&D costs primarily related to our now completed ASIC bring-up and initial validation work. partially offset by a $4.2 million increase in adjusted engineering services costs and a slight increase of $0.6 million in adjusted general and administrative costs in connection with our accelerated plans related to our Block 2 BlueBird satellites and investments to bolster our critical commercial and administrative functions.

For the full year 2024, non-GAAP adjusted cash operating expenses totaled $151.8 million compared to $154.6 million for the full year 2023. Increased engineering services and G&A costs in 2024 were more than offset by a significant reduction in R&D costs as we reduced

third-party research and development efforts and pivoted to our internal engineering and cross-functional administrative support in connection with our satellite manufacturing, deployment, commercial and U.S. government engagement efforts related to our Block 1 and Block 2 BlueBird satellites.

Turning towards the second chart on this slide.

Our capital expenditures for the fourth quarter of 2024 were approximately $86 million versus $26.5 million for the third quarter of 2024. This figure is made up of approximately $77 million of capitalized direct materials and labor for our Block 2 BlueBird satellites and additional facility and production equipment for our recently expanded 194,000 square foot assembly, integration and test facilities in Midland, Texas. This amount was just slightly less than our guidance of approximately $100 million that I provided on our last business update call in November due to timing of a payment ultimately made in January versus December. Overall, and as expected, capital expenditures have continued to ramp in connection with Block 2 BlueBird satellite production and related launch commitments. Today, we are executing a plan to increase monthly satellite production to 6 satellites per month in the second half of 2025. In connection with scaling manufacturing and continuing payments on our 2-year launch campaign, we expect capital expenditures will continue to increase as compared to prior quarters.

We expect CapEx in the range of $150 million to $175 million in the first quarter of 2025. Consistent with the fourth quarter of 2024, we estimate that our adjusted cash operating expenses for the first quarter of 2025 will come in within a range of $40 million to $45 million as we continue to make critical investments across the organization in support of our growth plans. Timing of the changes in our adjusted operating expenditures and capital expenditures, as I've just described, could be delayed or may not be realized due to a variety of factors. And on the final chart on this slide, we ended the fourth quarter with $567.5 million in cash, up from $518.9 million at the end of the third quarter.

Our ability to maintain cash above $500 million during the fourth quarter despite the increased capital expenditures was a result of our effective and disciplined use of our existing at-the-market facility, or ATM, partially offset by the repayment of our previous senior credit facility that I discussed on our last call. We currently have approximately $66 million available on the ATM facility.

Our disciplined and effective use of this facility has allowed us to increase liquidity, supplementing our other strategic financing initiatives and accelerating future revenue opportunities, positioning us well to move quickly in building and launching our network.

As Abel commented earlier, in 2025, we further strengthened our cash position through the execution of a 7-year $460 million convertible senior notes offering on attractive terms,

including a capped call that increased the effective conversion price by 100% to $44.98 per share, thus minimizing dilution considerably to approximately 3%. The offering was more than 3x oversubscribed, providing the opportunity to expand our investor base to many new long-term holders that believe in our mission and execution plan of connecting the unconnected.

Finally, we continue to make good progress on nondilutive financing from quasi-governmental sources of capital in the United States, having passed key milestones, including transaction committee acceptance. If these applications are successful, we can use the proceeds to source cost-effective long-term debt funding of large projects. In parallel, we continue to explore financing opportunities through both domestic and global development institutions, providing financial services to businesses like ours in emerging markets.

We will provide updates as appropriate, and we will be working with the partner banks and our advisers to refine our alternatives. With our growing revenue profile and further diversified capital market access, we are confident that we can fund our accelerated operational plans with our existing balance sheet, continued focus on nondilutive customer prepayments and prudent use of the ATM facility.

We are proud of the progress we made in 2024 and remain focused on our mission as we continue a fast start to 2025. I look forward to keeping you updated on our financial progress as the year unfolds. And with that, this completes the presentation component of our business update call, and I'll pass it back to Scott.

Scott Wisniewski
Thank you, Andy.

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

Operator
Lee Ben from New Zealand asked, when does ASTS expect to reach the 6 BlueBird per month manufacturing target?

Abel Avellan
Great to see questions coming from New Zealand.

We are in the process of manufacturing 40 satellites, and we are working already on the long lead items and all key parts of our microns, which are the main building block of our satellite, which is 53 of them. We believe that by the second half of this year, we'll be at a rate of 6 per month.

For that, we had extended our facility in Midland to around 190,000 square feet of manufacturing. We're adding additional manufacturing facility in the tune of 85,000 square feet of manufacturing facility in Florida and another 50,000 square feet of manufacturing facility in Barcelona.

Operator
Rick from the Netherlands asked, what does the current sats in orbit do for the company besides testing? Is there any progress on the defense or governmental part?

Abel Avellan
Yes, well, they are fully in operation at this point.

We have got them approved to operate in the United States under an STA for both testing of AT&T and Verizon. We already have demonstrated full broadband capability in them, including voice, text, data and video calling capabilities that will be in essence become nationwide across the United States, obviously, on an intermittent fashion as there are only 5 that we're building 45 to 60 between this year and next year. With that also, the government usage is planned to start. They're starting doing testing on them and recently announced a new program with the government that is on the base of the testing that they have done on BlueWalker 3 and now on the operational satellites that we have in orbit. We're very bullish about that opportunity and what the government can use with our satellites, which they are using it already with the satellites that are in operation.

Operator
Andreas from New York. The recently announced launch campaign had agreement with SpaceX, Blue Origin and ISRO. Are you planning to expand beyond those 3?

Scott Wisniewski
So as we thought about our launch strategy, we've done a few things on our side to position us for success. One is on the design of the satellite, it's launch vehicle agnostic. There's a lot of commonalities in the designs for launch vehicles, and we were careful to design our BlueBird so that they're stackable and configurable for each of the major launch vehicles.

So that was the first step. And the second step was last year, we did a deep dive on the market, looked at available capacity, and we selected these 3 suppliers as we've talked about.

So those were important early steps that we took. And to your direct question, we have the ability to use other launch providers over time, for sure. But in order to get the capacity we wanted during 2025 and 2026, up to 60 satellites, as we mentioned on the call earlier, we've actually exercised that option for the full 60. We've got that capacity in the 2025 and 2026 time frame. And as we build more capacity beyond that, we'll consider all the supply in the market.

But for us, we like where we ended up, and this gives us a lot of ability to get to the 60 satellite target.

Operator
Brian from Maryland asks, what are the remaining risks to full authorization from the FCC for operating a commercial constellation?

Scott Wisniewski
As you may have seen, we recently received STA authorization from the FCC to do initial services with our satellites for both Verizon and AT&T, and that was the basis for the video calls we did with them a few weeks ago. We're also in the final stages of the process for a commercial modification of our existing commercial license, and that's something that we're working on. Alongside that, we'll be rolling out a beta service that allows us to do scale testing and then a paid service will follow thereafter. And with that, I'd like to thank our shareholders for submitting those questions. Operator, let's open the call to analyst questions now.

Operator
[Operator Instructions] Our first question comes from the line of Griffin Boss with B. Riley Securities.

Griffin Boss
So your agreements with the roughly 50 MNO partners represent 3 billion subscribers now. How many MNO subscribers could be addressed by this new SATCO joint venture with Vodafone? Or yes, what would be more helpful is if you can give us a rough sense of the incremental number of subscribers this partnership could allow you to tap into, given this opens up the entire European market, which I assume likely includes MNOs that you didn't already have MOUs with.

Scott Wisniewski
It's a great question, and it's a key reason why we and Vodafone wanted to put this structure in place.

So when you look at the full set of connections in Europe, you get to about 600 plus when you look at all the European countries together. And we were only covering before the Vodafone 10 home market.

So this does a couple of things. One, it sets a plan for gateways across the continent that will be able to, despite smaller country sizes, manage orders quite well and at the same time, provide an efficient path to bringing on new countries that we hadn't originally contemplated and more MNOs in each country.

So it's a big step up in that regard, going from just 10 countries to probably 3x that, although certainly, we had good countries covered in the beginning, but this adds some really significant

countries and some significant operator potential for us. And we think that having kind of a European-based European sovereign operator is really important. It's important for Europe. It's important for European operators. And it's frankly, an extension of how we built our network, right? We built it so that operators and regulators can feel comfortable about how the traffic is managed, and we think that this is a great extension of that.

Griffin Boss
That's great context. And then next for me, it's related, but well, not related to that, but a 2-part question, both are related.

First is this $43 million contract with the STA. It's great to see. Yes, is this for noncommunication applications and services that you've mentioned for some time now and discussed in the prepared remarks? And then second, part of this question, are you able to provide more detail as to what these noncommunications applications are that your architecture is able to support? Are we talking missile tracking, PNT, remote sensing? Any color that you can provide to us, I think, would be helpful.

Scott Wisniewski
So in terms of the capability that we're bringing to bear, it's noncommunications like we said, and we won't offer more definition of that at this time. But it's consistent with the frequencies that we operate.

And so that's what the satellite can do, but we'll say it's noncommunications. And in terms of the size of the opportunity, yes, this is kind of a second phase for the contract that we announced last February and that we've earned revenue against on the first satellite. And this is $43 million that we expect to earn in the next 12 months or so off of the first 5 commercial satellites and the first Block 2 satellites. And importantly, this is just another further evaluation.

So the opportunity, we believe, to be quite large, small relative to the total opportunity. And it's one that we're very excited about. And like we said, that's a general time frame and the satellites we need to execute on the milestones to deliver the $43 million of revenue.

Griffin Boss
Okay.

And so should we expect that to be linearly recognized over the next 12 months? Or are you providing some services now that might be more robust in, say, 6 months?

Scott Wisniewski
There might be a slight lag in getting going in the next couple of months, but generally speaking, linear is the right way to model it.

Operator

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

Christopher Schoell
We saw a lot of buzz with T-Mobile and Starlink's recent launch of its data messaging service. Can you just remind us how your technology differs versus what T-Mobile and Starlink are bringing to market and the advantages you have? And I appreciate their service is just messaging to start. But given the price points they put out there, how does this influence your own pricing strategy as you ready a full voice and broadband product?

Abel Avellan
Well, I think that, that is a reflection of what I said pricing is for which in essence, is now still quasi intermittent just messaging service.

Our services, as you know, is voice, text, data, Internet, video, everything that you can do on your phone normally, you will be able to do it through our system.

So it's a very differentiated package, what we can offer to the operators. We believe that our scale, the reason why we have a 10,000 megahertz of spectrum per satellite that translate to 10 gigahertz of spectrum per satellite, 120 megabits per second data rate directly to your phone without requiring any change on the phone or adaptation into the phone using premium existing 850 megahertz band is greatly differentiated and it will allow our partner operator to differentiate with much better service and packages that basically enable the consumer to have the full fledged connectivity when they get access to our service.

Christopher Schoell
Got it. And then if I can just fit one more in on funding. I see the language in the 10-K indicating you have funding that you need for the next 12 months with the ATM. I appreciate there are a number of moving pieces. But as you look to 2026 and the ability to launch the 60 satellites, any help sizing the amount of capital you think you still need to raise and how you evaluate the different sources?

Andrew Johnson
As we said both in our statements in the K, we're well positioned to get kind of that first threshold of 25 satellites, which starts a service and well beyond that. It is the case that we have 60 satellites under our launch campaign, and we feel very good about our ability to manufacture the 40 that are in process right now. We're well positioned for the near term. We're always looking for smart capital raising opportunities, and we'll continue to evaluate them. But with a pro forma balance sheet of about $1 billion, we're absolutely positioned in a very strong way for the next 12 months.

Operator
Our next question comes from the line of Bryan Kraft with Deutsche Bank.

Bryan Kraft
I had a few, if I could. I guess, first, on launches, are you still on track for an April launch of the next satellite? I think that's what you said. And can you give us any rough sense for the pacing you expect for launches in '25 and '26? Just roughly how many of the up to 60 would you expect to launch this year versus next year? I had a question about cost per satellite, if that's changed at all or if it's still the $19 million to $21 million per satellite? And then the last thing I just want to ask you about was sort of following up on that funding topic from the last question. We get a lot of questions regarding how much funding you'll need to fund the business plan and get to free cash flow positive. But it seems like the more funding you have available, the wider the scope of the business plan becomes and the faster you accelerate the business plan.

So it's not really about how much you need, but it's more about how much you can raise on attractive terms and invest at an attractive return. Is that the right way to think about it? And anything you'd elaborate on there from a funding perspective?

Abel Avellan
Yes, Brian, the way that we think about it is when we combine the noncommunication application [Goldman] base and the communications for consumers, we get the ability to start monetizing, as you see in the recent order, not only by a constellation, but on a per satellite basis.

So the last guidance that we gave is that we believe to be cash flow positive with around 25 satellites. It's not that we get to continue service with our 25 satellites, but with 25 satellites, we start getting enough applications that are noncommunications combined with some other sources of revenue like gateways and infrastructure built up that allow us to get to a cash flow positive. With that, we have greatly accelerated our pace of production.

As Andy indicated, we closed the year, we entered into the year with around $1 billion in cash that we are basically putting into work into upgrading our capacity of building up to 6 satellites a month, which will translate to roughly some 0.72 per year, and we need 45 to 60 to get continued service in the United States.

So that's how we are basically planning our network buildup is basically start to get financed with revenue rather than equity or other type of transactions.

In terms of the launch, we have secured 60 launches, 60 satellites to be launched, which we put well in our target in obtaining continued service in U.S., Europe, Japan and some selected markets. when we call selected markets, basically countries where there are customers that are getting getting to pay early access to our constellation, and that's another source of revenue that we will be utilizing going forward.

With the New Glenn, we can launch up to 8 satellites per launch that pretty much double the cadence of what is possible with the Falcon 9. And we expect later in the year to start moving to a launch cadence of around 1 launch every 45 days on the new Glenn.

We have other launches also that have been secured in advance to that.

And so we are in the process of manufacturing 40.

We are in the process of manufacturing long lead items of 53, and that will dictate the cadence of how we get them into space.

Bryan Kraft
And anything on the cost per satellite? Has that changed at all? Or are you still in that $19 million to $21 million range?

Abel Avellan
No. Yes, we're not changing the guidance on cost per satellite.

Bryan Kraft
Okay. And then if I could just follow up just on funding.

So you still expect to get to free cash flow positive at 25 satellites. I just want to make sure I understand that right? Or does the acceleration sort of modify that time line?

Andrew Johnson
No, this is Andy. The only qualifier I'd add is on an operating basis, we see that we'll generate free cash flow at that basis.

So obviously, CapEx flexes. We're going to ramp up and we may dial back depending on needs at a point in time and when launch commitments are made. But on an actual operating basis, yes, as Abel explained, we believe that the 25 satellites, our applications and opportunities are sufficient to generate free cash flow.

Bryan Kraft
Okay. And then I'm sorry, but just the last, I guess, follow-up to that would then be just trying to understand, so if you can be free cash flow positive, roughly 25 satellites, just trying to understand the need for the $500 million in quasi-government funding that you're pursuing. And I understand it's attractive money. Is that more to refinance? Or do you need that money for other operational purposes?

Scott Wisniewski
This is Scott. that has been a long-term strategy of our funding plan, and it's an attractive way that companies like us get funding. And I would say that while we do have diverse access to a lot of capital markets, this is another one to open up.

So we've been very prudent and conservative with funding over the life of the company, and this is a great pocket of capital to have available, and we'll assess our cash needs when it becomes available. That particular funding source is a process, Bryan, and it's one we're in the middle of. And we'll assess how to use that and when to use that when the time is right. But for us, I think we've seen benefits of having good liquidity for the company that we've been able to generate over the last 6 months, and we like having that backdrop a lot.

Bryan Kraft
Are those quasi-government sources, are those more like a facility that once you have it, you can draw on it and not pay interest on the whole thing? Or is it once you get it, you get it and now you've got this pile of cash that you've got to service the debt on?

Scott Wisniewski
We're pursuing at least 3 seriously at the moment and different facilities have different structures. But yes, at least one of them does have a structure that's delayed draw, like you said, or milestone-based. although we're not going to be cheap, penny-wise, pound foolish on cost of capital. The key is to maintain the liquidity for the company. But you're right, with the backdrop that I described, having some sort of delayed draw component could be very useful. And in fact, that's one of the ways that we thought about the financing for our recent spectrum deal.

Operator
Our next question comes from the line of Colin Canfield with Cantor.

Colin Canfield
Maybe starting off, if you can talk a little bit about the organizational structure with respect to your chipset engineering team and maybe reflect a little bit or talk a little bit about how that chipset team is working with folks either at more kind of a handset OE level or even to the higher levels of Vodafone, Google and the like.

Abel Avellan
I think one clarification.

Our ASIC platform, it is required or used on the satellites only. We do not require new chipsets on the handsets.

So the way that we have organized ourselves, we start launching satellites using FPGAs, basically field programmable gate arrays.

Now that we have completed the ASIC, we're in the process of packaging and start incorporating them into the second half of this year.

So [indiscernible] chip, we have a 10 gigahertz processing capacity, one of the most advanced nodes that exists on the market today and certainly one of the most advanced in the space. But I wanted to make clear that we do not require any modification of the chipsets on the phones.

Our system, it is designed to work on the phone that you have in your pocket without modifying anything on it.

Colin Canfield
Yes. Fully understood on the satellite chip being big, just making sure I kind of understood the level of signals and frequency teaming between OEs and AST.

As we think about the non-GAAP OpEx progression through the year, can you just maybe talk about how you think about the current guide and the level of step-up through the year and where you expect most of the cost growth through the year to progress?

Scott Wisniewski
Andy?

Andrew Johnson
I think on the cost growth this year, we'll be talking each quarter about CapEx. But I mean, our CapEx is growth based. It's based on ramping up the 40-plus satellites. We obviously have 40 in production and long lead items, microns for 53. That will flex. We started taking that on, and that sort of feeds into that guidance I gave on a ramp-up of CapEx in Q1. Otherwise, I mean, we gave guidance consistent with our OpEx that sort of falls in line for the most part with Q4.

Our ASIC costs will come down as we finish that work and begin to fully integrate. But we'll make additional investments. We're becoming a commercial enterprise now. We're building out that muscle.

We are investing in administrative functions across the organization as we grow and prepare to be a full operating company.

So you're not going to see any incredible difference if you look at the past prior periods in terms of how we're thinking about operating expense. But at this point, we'll come to you quarterly, which we have and give you a view on going forward. And clearly, I mentioned this in my remarks, but it's probably worth restating. The opportunity for us to really bring cost down is in our R&D function, which in a lot of ways was primarily based on third-party expense. That work has been done.

We have a satellite that is fully developed and engineered now, and we are moving to a full-on production environment. And you'll see investments in manufacturing.

As Abel mentioned in his remarks, we've added space in Midland, Texas. We've added space in Barcelona, and we're very excited to add manufacturing space in the very near term in Southern Florida.

So you'll see those sorts of investments all feeding into becoming a scaling manufacturing company that optimizes satellite production at about 6 per month in the second half of the year.

Colin Canfield
Got it. And then maybe a little bit on the European opportunity. It seems like the high-level structure of [Iris] is looking to track towards something like STA, where there's a lot of manufacturing upfront and aspirations for large leveraging of, we'll say, kind of more prime type acquisition approaches. But as we've seen from the supply chain development on kind of for the U.S. side, it's clear that there's obviously opportunities for services growth, right, the $43 million that AST has won.

So maybe if you can talk about the structure of AST, how you think about your ability to win contracts like the $43 million from STA and the types of rev rec that we should expect, whether it's more cost or fee and kind of service delivery-based approaches?

Andrew Johnson
Sure. I'll take that one, Colin.

First, just on rev rec. This is milestone-based given that this is kind of technology evaluation.

And so there are reports, tests, activities we'll be doing with the satellites in orbit, and that will drive that revenue rec over the next 12 months, plus or minus that we talked about earlier. And in terms of structure of how these contracts will look as they scale, the U.S. government and how they're thinking about buying defense stuff and how they're thinking about space evolves and has a lot of different elements to it. But I would say we think we're really well positioned for all pieces of that. We function well in the desire to have kind of firm fixed price and deliver in an environment where you're buying something, you know what the cost is and that's delivered by the supplier. We don't work on cost-plus contracts.

So that's a positive dynamic. And in terms of service versus hardware sales, we tend to fall on the service side with how we've built our satellites and how their dual use as we've discussed. But we're open to the mission, and we evaluate and they evaluate different ways to structure deals.

For us, it's important to get a return on the investment that we've put in place in our network, and we can be flexible on that. But we tend to fall on the service side more than on the hardware sale, obviously.

Colin Canfield
Right.

Okay. And then last one for me, maybe latest and greatest in terms of kind of expectations around Ligado deal closing, whether it's tracking core filings or kind of where you expect the next piece of information to come out?

Andrew Johnson
Yes, this is Andy again.

On the Ligado deal, things are tracking nicely. We had publicly disclosed the main tenets of that deal when we signed our binding term sheet.

So we have work to do to get to where we need to be to complete the deal, but we are well within the time frame that the parties have set to do so. And of course, with the bankruptcy proceedings, that all needs to play out. But we're working hard on that. We've talked a lot about it. It's a strategic initiative for us, and we're making good progress.

Operator
And we have reached the end of the question-and-answer session. And I'll now turn the call back over to Scott Wisniewski for closing comments.

Scott Wisniewski
Thank you, operator.

Just again, we want to thank all of our shareholders and research analysts for joining the call and everyone's continued strong support of our very important mission. We look forward to providing you further updates, and have a great evening.

Operator
And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.