# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

**☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2023**

**OR**

**☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File No. 001-39040**

# AST SPACEMOBILE, INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **84-2027232** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **Midland Intl. Air & Space Port**<br>**2901 Enterprise Lane**<br>**Midland, Texas** | **79706** |
| (Address of principal executive offices) | (Zip Code) |

**(432) 276-3966**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A common stock, par value $0.0001 per share | ASTS | The Nasdaq Stock Market LLC |
| Warrants exercisable for one share of Class A common stock at an exercise price of $11.50 | ASTSW | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| ☐ Large accelerated filer | ☐ Accelerated filer |
| ☒ Non-accelerated filer | ☒ Smaller reporting company |
| | ☒ Emerging growth company |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

As of August 11, 2023 there were 89,470,376 shares of Class A common stock, $0.0001 per value, 50,041,757 shares of Class B common stock, $0.0001 par value, and 78,163,078 shares of Class C common stock, $0.0001 par value, issued and outstanding.

**AST SPACEMOBILE, INC.**
**FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2023**

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## PART I - FINANCIAL INFORMATION

### Item 1. Interim Financial Statements.

### AST SPACEMOBILE, INC.
### CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
***(Dollars in thousands, except share data)***

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 190,835 | $ 238,588 |
| Restricted cash | 636 | 668 |
| Prepaid expenses | 7,127 | 4,100 |
| Other current assets | 22,976 | 24,954 |
| **Total current assets** | 221,574 | 268,310 |
| **Property and equipment:** | | |
| Property and equipment, gross | 194,145 | 152,968 |
| Less: Accumulated depreciation and amortization | (22,508) | (6,979) |
| **Total property and equipment, net** | 171,637 | 145,989 |
| **Other non-current assets:** | | |
| Operating lease right-of-use assets, net | 13,486 | 7,671 |
| Other non-current assets | 1,770 | 16,402 |
| **Total other non-current assets** | 15,256 | 24,073 |
| **TOTAL ASSETS** | $ 408,467 | $ 438,372 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 5,108 | $ 13,929 |
| Accrued expenses and other current liabilities | 24,256 | 13,145 |
| Current operating lease liabilities | 1,305 | 722 |
| **Total current liabilities** | 30,669 | 27,796 |
| Warrant liabilities | 24,973 | 38,946 |
| Non-current operating lease liabilities | 12,314 | 7,046 |
| Long-term debt | 4,634 | 4,758 |
| **Total liabilities** | 72,590 | 78,546 |
| **Commitments and contingencies (Note 13)** | | |
| **Stockholders' Equity:** | | |
| Class A Common Stock, $.0001 par value; 800,000,000 shares authorized; 89,404,419 and 71,819,926 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively. | 9 | 7 |
| Class B Common Stock, $.0001 par value; 200,000,000 shares authorized; 50,041,757 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively. | 5 | 5 |
| Class C Common Stock, $.0001 par value; 125,000,000 shares authorized; 78,163,078 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively. | 8 | 8 |
| Additional paid-in capital | 282,869 | 235,384 |
| Accumulated other comprehensive income | 158 | 229 |
| Accumulated deficit | (136,827) | (102,101) |
| Noncontrolling interest | 189,655 | 226,294 |
| **Total stockholders' equity** | 335,877 | 359,826 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 408,467 | $ 438,372 |

*See accompanying notes to the unaudited condensed consolidated financial statements*

**AST SPACEMOBILE, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**
***(Dollars in thousands, except share and per share data)***

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Revenues** | $ – | $ 7,264 | $ – | $ 9,658 |
| **Cost of sales (exclusive of items shown separately below)** | – | 2,202 | – | 4,189 |
| **Gross profit** | – | 5,062 | – | 5,469 |
| **Operating expenses:** | | | | |
| Engineering services costs | 22,813 | 11,999 | 39,296 | 23,716 |
| General and administrative costs | 10,221 | 13,075 | 20,078 | 24,718 |
| Research and development costs | 10,921 | 9,145 | 27,302 | 17,426 |
| Depreciation and amortization | 14,115 | 1,185 | 15,848 | 2,285 |
| **Total operating expenses** | 58,070 | 35,404 | 102,524 | 68,145 |
| **Other income (expense):** | | | | |
| Gain on remeasurement of warrant liabilities | 6,475 | 23,049 | 13,973 | 17,567 |
| Other income (expense), net | 1,217 | (679) | (6,927) | (664) |
| **Total other income (expense), net** | 7,692 | 22,370 | 7,046 | 16,903 |
| **Loss before income tax benefit (expense)** | (50,378) | (7,972) | (95,478) | (45,773) |
| Income tax benefit (expense) | 789 | (96) | 673 | (198) |
| **Net loss before allocation to noncontrolling interest** | (49,589) | (8,068) | (94,805) | (45,971) |
| Net loss attributable to noncontrolling interest | (31,181) | (5,144) | (60,079) | (32,326) |
| **Net loss attributable to common stockholders** | $ (18,408) | $ (2,924) | $ (34,726) | $ (13,645) |
| Net loss per share attributable to holders of Class A Common Stock | | | | |
| Basic and diluted | $ (0.24) | $ (0.06) | $ (0.47) | $ (0.26) |
| Weighted-average shares of Class A Common Stock outstanding | | | | |
| Basic and diluted | 75,640,650 | 51,868,658 | 73,753,412 | 51,814,888 |

*See accompanying notes to the unaudited condensed consolidated financial statements*

**AST SPACEMOBILE, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)**
***(Dollars in thousands)***

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net loss before allocation to noncontrolling interest | $ (49,589) | $ (8,068) | $ (94,805) | $ (45,971) |
| Other comprehensive loss | | | | |
| Foreign currency translation adjustments | (40) | (166) | (168) | (598) |
| Total other comprehensive loss | (40) | (166) | (168) | (598) |
| Total comprehensive loss before allocation to noncontrolling interest | (49,629) | (8,234) | (94,973) | (46,569) |
| Comprehensive loss attributable to noncontrolling interest | (31,196) | (5,289) | (60,176) | (32,831) |
| Comprehensive loss attributable to common stockholders | $ (18,433) | $ (2,945) | $ (34,797) | $ (13,738) |

*See accompanying notes to the unaudited condensed consolidated financial statements*

# AST SPACEMOBILE, INC.
# CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (UNAUDITED)
### *(Dollars in thousands, except share data)*

**Three Months Ended June 30, 2023**

| | Class A Common Stock | | Class B Common Stock | | Class C Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Values | Shares | Values | Shares | Values | | | | | |
| **Balance, March 31, 2023** | 71,877,559 | $ 7 | 50,041,757 | $ 5 | 78,163,078 | $ 8 | $ 236,886 | $ 183 | $ (118,419) | $ 198,259 | $ 316,929 |
| Stock-based compensation | – | – | – | – | – | – | 5,366 | – | – | 166 | 5,532 |
| Issuance of common stock, net of issuance costs | 13,929,297 | 1 | – | – | – | – | 36,725 | – | – | 26,841 | 63,567 |
| Issuance of equity under employee stock plan | 3,230,351 | 1 | – | – | – | – | 4,217 | – | – | (4,134) | 84 |
| Vesting of restricted stock units | 367,212 | – | – | – | – | – | (325) | – | – | (281) | (606) |
| Foreign currency translation adjustments | – | – | – | – | – | – | – | (25) | – | (15) | (40) |
| Net loss | – | – | – | – | – | – | – | – | (18,408) | (31,181) | $ (49,589) |
| **Balance, June 30, 2023** | 89,404,419 | $ 9 | 50,041,757 | $ 5 | 78,163,078 | $ 8 | $ 282,869 | $ 158 | $ (136,827) | $ 189,655 | $ 335,877 |

**Six Months Ended June 30, 2023**

| | Class A Common Stock | | Class B Common Stock | | Class C Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Values | Shares | Values | Shares | Values | | | | | |
| **Balance, December 31, 2022** | 71,819,926 | $ 7 | 50,041,757 | $ 5 | 78,163,078 | $ 8 | $ 235,384 | $ 229 | $ (102,101) | $ 226,294 | $ 359,826 |
| Stock-based compensation | – | – | – | – | – | – | 7,673 | – | – | 333 | 8,006 |
| Issuance of common stock, net of issuance costs | 13,929,297 | 1 | – | – | – | – | 36,725 | – | – | 26,841 | 63,567 |
| Issuance of equity under employee stock plan | 3,230,351 | 1 | – | – | – | – | 3,416 | – | – | (3,237) | 180 |
| Vesting of restricted stock units | 424,845 | – | – | – | – | – | (329) | – | – | (400) | (729) |
| Foreign currency translation adjustments | – | – | – | – | – | – | – | (71) | – | (97) | (168) |
| Net loss | – | – | – | – | – | – | – | – | (34,726) | (60,079) | (94,805) |
| **Balance, June 30, 2023** | 89,404,419 | $ 9 | 50,041,757 | $ 5 | 78,163,078 | $ 8 | $ 282,869 | $ 158 | $ (136,827) | $ 189,655 | $ 335,877 |

**Three Months Ended June 30, 2022**

| | Class A Common Stock | | Class B Common Stock | | Class C Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Values | Shares | Values | Shares | Values | | | | | |
| **Balance, March 31, 2022** | 51,782,254 | $ 5 | 51,636,922 | $ 5 | 78,163,078 | $ 8 | 172,708 | $ (505) | (81,182) | 224,839 | $ 315,878 |
| Stock-based compensation | – | – | – | – | – | – | 2,242 | | – | 198 | 2,440 |
| Issuance of common stock for commitment shares | 21,969 | – | – | – | – | – | 228 | – | – | (38) | 190 |
| Vesting of restricted stock units | 141,562 | – | – | – | – | – | 222 | – | – | (222) | – |
| Foreign currency translation adjustments | – | – | – | – | – | – | – | (21) | – | (145) | (166) |
| Net loss | – | – | – | – | – | – | – | – | (2,924) | (5,144) | (8,068) |
| **Balance, June 30, 2022** | 51,945,785 | $ 5 | 51,636,922 | $ 5 | 78,163,078 | $ 8 | $ 175,400 | $ (526) | $ (84,106) | $ 219,488 | $ 310,274 |

**Six Months Ended June 30, 2022**

| | Class A Common Stock | | Class B Common Stock | | Class C Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Values | Shares | Values | Shares | Values | | | | | |
| **Balance, December 31, 2021** | 51,730,904 | $ 5 | 51,636,922 | $ 5 | 78,163,078 | $ 8 | 171,155 | $ (433) | (70,461) | 251,693 | $ 351,972 |
| Stock-based compensation | – | – | – | – | – | – | 3,848 | – | – | 802 | 4,650 |
| Issuance of common stock for commitment shares | 21,969 | – | – | – | – | – | 228 | – | – | (38) | 190 |
| Issuance of equity under employee stock plan | – | – | – | – | – | – | (228) | – | – | 258 | 30 |
| Vesting of restricted stock units | 192,812 | – | – | – | – | – | 305 | – | – | (305) | – |
| Warrant exercise | 100 | | | – | – | – | 92 | – | – | (91) | 1 |
| Foreign currency translation adjustments | – | – | – | – | – | – | – | (93) | – | (505) | (598) |
| Net loss | | | – | – | – | – | – | – | (13,645) | (32,326) | (45,971) |
| **Balance, June 30, 2022** | 51,945,785 | $ 5 | 51,636,922 | $ 5 | 78,163,078 | $ 8 | $ 175,400 | $ (526) | $ (84,106) | $ 219,488 | $ 310,274 |

*See accompanying notes to the unaudited condensed consolidated financial statements*

**AST SPACEMOBILE, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**
***(Dollars in thousands)***

| | For the Six Months Ended June 30, 2023 | For the Six Months Ended June 30, 2022 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss before allocation to noncontrolling interest | $ (94,805) | $ (45,971) |
| Adjustments to reconcile net loss before noncontrolling interest to cash used in operating activities: | | |
| Depreciation and amortization | 15,848 | 2,285 |
| Gain on remeasurement of warrant liabilities | (13,973) | (17,567) |
| Non-cash lease expense | 378 | 267 |
| Stock-based compensation | 8,006 | 4,695 |
| Issuance of common stock for commitment shares | - | 190 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | - | (1,613) |
| Prepaid expenses and other current assets | (15,547) | (16,332) |
| Inventory | - | (2,313) |
| Accounts payable and accrued expenses | (4,112) | 2,838 |
| Operating lease liabilities | (343) | (261) |
| Deferred revenue | - | 1,393 |
| Other assets and liabilities | 16,559 | (16,116) |
| Net cash used in operating activities | (87,989) | (88,505) |
| | | |
| Cash flows from investing activities: | | |
| Purchase of property and equipment [1] | (22,972) | (33,600) |
| Net cash used in investing activities | (22,972) | (33,600) |
| | | |
| Cash flows from financing activities: | | |
| Issuance of equity under employee stock plan | 180 | - |
| Proceeds from issuance of common stock, net of issuance costs | 63,567 | - |
| Proceeds from warrant exercises | - | 33 |
| (Repayments of) proceeds from debt | (120) | 230 |
| Net cash provided by financing activities | 63,627 | 263 |
| | | |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (451) | (324) |
| | | |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (47,785) | (122,166) |
| Cash, cash equivalents and restricted cash, beginning of period | 239,256 | 324,537 |
| Cash, cash equivalents and restricted cash, end of period | $ 191,471 | $ 202,371 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Non-cash transactions: | | |
| Purchases of property and equipment in accounts payable and accrued expenses | $ 852 | $ 1,718 |
| Right-of-use assets obtained in exchange for operating lease liabilities | 6,510 | 272 |

(1) Includes BlueWalker 3 test satellite construction in progress costs incurred. Refer to Note 5: Property and Equipment for detail.

*See accompanying notes to the unaudited condensed consolidated financial statements*

## 1. Organization and Nature of Operations

AST SpaceMobile, Inc., collectively with its subsidiaries ("SpaceMobile" or the "Company") is currently designing and developing the constellation of BlueBird ("BB") satellites in advance of launching its planned space-based Cellular Broadband network distributed through a constellation of Low Earth Orbit ("LEO") satellites. Once deployed and operational, the BB satellites are designed to provide connectivity directly to standard, unmodified, off-the-shelf mobile phones or 2G/3G/4G LTE/5G devices at broadband speeds (the "SpaceMobile Service"). At that point, the Company intends to offer the SpaceMobile Service to cellular subscribers and others through wholesale commercial agreements with cellular service providers. The Company operates from multiple locations that include its corporate headquarters and 185,000 square foot satellite assembly, integrating and testing ("AIT") facilities in Texas, and AIT and engineering and development centers elsewhere in the United States, India, Scotland, Spain, and Israel.

The Company launched its BlueWalker 3 ("BW3") test satellite on September 10, 2022, and announced the completion of the deployment of the communication phased array antenna of the BW3 test satellite in orbit on November 14, 2022. On April 25, 2023, the Company announced that it had successfully completed two-way voice calls directly to standard unmodified smartphones using the BW3 test satellite. In addition to test calls, initial compatibility tests were performed on a variety of smartphones and devices, exchanging SIM and network information directly to the BW3 test satellite, a necessary capability to provide broadband connectivity from space. On June 21, 2023, the Company announced that it had achieved repeated successful 4G download speeds of above 10 megabits per second ("Mbps") to standard unmodified smartphones using the BW3 test satellite. The Company intends to continue testing capabilities of the BW3 test satellite, including enablement of 5G cellular broadband and further testing with cellular service providers and devices.

On April 6, 2021, the Company completed a business combination (the "Business Combination") with AST & Science, LLC ("AST LLC"). Following the consummation of the Business Combination, the combined company was organized in an "Up-C" structure in which the business is operated by AST LLC and its subsidiaries and in which the Company's only direct assets consist of equity interests in AST LLC. As the managing member of AST LLC, the Company has full, exclusive and complete discretion to manage and control the business of AST LLC and to take all action it deems necessary, appropriate, advisable, incidental, or convenient to accomplish the purposes of AST LLC. The Company's Class A Common Stock and Public Warrants are listed on the Nasdaq Capital Market under the symbols "ASTS" and "ASTSW", respectively.

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended (the "Securities Act"), as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and the Company may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in the Company's periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

## 2. Summary of Significant Accounting Policies

### *Basis of Presentation and Principles of Consolidation*

The accompanying unaudited condensed consolidated financial statements and related notes have been prepared by the Company in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and the requirements of the Securities and Exchange Commission ("SEC"). The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation. Certain comparative amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on the reported results of operations. In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal and recurring adjustments) necessary to fairly state the unaudited condensed consolidated financial statements.

As the Company is the sole managing member of AST LLC and has full, exclusive and complete discretion to manage and control the business of AST LLC and to take all action it deems necessary, appropriate, advisable, incidental, or convenient to accomplish the purposes of AST LLC, the financial statements of AST LLC and its subsidiaries have been prepared on a consolidated basis with the Company.

The accompanying unaudited condensed consolidated financial statements and related notes should be read in conjunction with the Company’ s audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2022, included in its Annual Report on Form 10-K filed with the SEC on March 31, 2023 (the “2022 Annual Report on Form 10-K” ). The results of operations for the periods presented are not indicative of the results to be expected for the year ending December 31, 2023 or for any other interim period or other future year.

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. The Company bases its estimates and assumptions on historical experience when available and on other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, useful lives assigned to property and equipment, the fair values of warrant liabilities, valuation and potential impairment of long-lived assets, and equity-based compensation expense. The Company assesses estimates on an ongoing basis; however, actual results could materially differ from those estimates due to risks and uncertainties, including the continued uncertainty surrounding rapidly changing market and economic conditions due to geopolitical conflicts, and macroeconomic conditions including recent higher inflation and interest rates.

### *BW3 Capitalization*

The Company determined that the BW3 test satellite was ready for its intended use on April 25, 2023 upon successful completion of two-way voice calls directly to standard unmodified smartphones using the BW3 test satellite and completion of initial compatibility tests on a variety of smartphones and devices. Accordingly, the Company began depreciating the BW3 test satellite as of April 25, 2023 over its expected remaining useful life of approximately 16 months, and reclassified the presentation of the capitalized costs of the BW3 test satellite from construction-in-progress ( “CIP” ) to property and equipment in the unaudited condensed consolidated balance sheet as of June 30, 2023.

The Company’ s significant accounting policies are described in Note 2: Summary of Significant Accounting Policies of the 2022 Annual Report on Form 10-K. Except for the BW3 capitalization policy update described above, there have been no other significant changes in these significant accounting policies as compared to those described therein.

### *Future Adoption of Recently Issued Accounting Pronouncements*

All new accounting pronouncements issued, but not yet effective or adopted, have been deemed to be not relevant to the Company and, accordingly, are not expected to have a material impact once adopted.

## 3. Fair Value Measurement

ASC 820 – *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

- Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

The Company’ s financial assets and liabilities measured and recognized at fair value on a recurring basis as of June 30, 2023 and December 31, 2022 were as follows (in thousands):

| | June 30, 2023 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Assets: | | | |
| Cash equivalents | $ 182,097 | $ – | $ – |
| Total assets measured at fair value | $ 182,097 | $ – | $ – |
| | | | |
| Liabilities: | | | |
| Public warrant liability | $ 15,358 | $ – | $ – |
| Private placement warrant liability | – | 9,615 | – |
| Total liabilities measured at fair value | $ 15,358 | $ 9,615 | $ – |

| | December 31, 2022 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Assets: | | | |
| Cash equivalents | $ 230,651 | $ – | $ – |
| Total assets measured at fair value | $ 230,651 | $ – | $ – |
| | | | |
| Liabilities: | | | |
| Public warrant liability | $ 22,864 | $ – | $ – |
| Private placement warrant liability | – | 16,082 | – |
| Total liabilities measured at fair value | $ 22,864 | $ 16,082 | $ – |

As of June 30, 2023 and December 31, 2022, the Company had $191.5 million and $239.3 million of cash and cash equivalents and restricted cash, respectively, of which $182.1 million and $230.7 million, respectively, is classified as cash equivalents, which consists principally of short-term money market funds with original maturities of 90 days or less. As of June 30, 2023 and December 31, 2022, restricted cash of $0.6 million and $0.7 million, respectively, represents deposits against the bank guaranty issued to the landlord for lease of a property. For certain instruments, including cash, accounts payable, and accrued expenses, it was estimated that the carrying amount approximated fair value because of the short maturities of these instruments.

Warrant liabilities are comprised of both publicly issued warrants ( “Public Warrants” ) and private placement warrants ( “Private Placement Warrants” ), exercisable for shares of Class A Common Stock. Warrant liabilities are described in detail at Note 7: Warrant Liabilities. As of June 30, 2023 and December 31, 2022, the Public Warrants are classified as Level 1 due to the use of an observable market quote in an active market under the ticker “ASTSW” .

The Private Placement Warrants are valued using a Black-Scholes-Merton Model. As of June 30, 2023 and December 31, 2022, the Private Placement Warrants are classified as Level 2 as the transfer of Private Placement Warrants to anyone outside of a small group of individuals who are permitted transferees would result in the Private Placement Warrants having substantially the same terms as the Public Warrants. For this reason, the Company determined that the volatility of each Private Placement Warrant is equivalent to that of each Public Warrant.

The Company’ s Black-Scholes-Merton model to value Private Placement Warrants required the use of the following subjective assumption inputs:

- The risk-free interest rate assumption was based on a weighted average of the three and five-year U.S. Treasury rate, which was commensurate with the contractual term of the Warrants, which expire on the earlier of (i) five years after the completion of the initial business combination and (ii) upon redemption or liquidation. As of June 30, 2023, the risk-free rate assumption was based on the three-year U.S. Treasury rate only as the estimated time to expiration was 2.77 years (compared to an estimated time to expiration of 3.26 years as of December 31, 2022). An increase in the risk-free interest rate, in isolation, would result in an increase in the fair value measurement of the warrant liabilities and vice versa.
- The expected volatility assumption was based on the implied volatility of the Company’ s publicly-traded warrants, which as of June 30, 2023 and December 31, 2022 was 85.1% and 109.6%, respectively.

## 4. Other Assets

Other current assets consisted of the following at June 30, 2023 and December 31, 2022 (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Advances to suppliers | $ 20,185 | $ 22,947 |
| VAT receivable | 2,294 | 1,673 |
| Others | 497 | 334 |
| Total other current assets | $ 22,976 | $ 24,954 |

## 5. Property and Equipment

Property and equipment, net consisted of the following at June 30, 2023 and December 31, 2022 (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Land | $ 1,350 | 1,350 |
| Buildings | 11,005 | $ 10,268 |
| Leasehold improvements | 9,026 | 8,197 |
| Satellite in orbit (1) | 92,464 | - |
| Lab, assembly, and integration equipment | 22,304 | 13,657 |
| Satellite antenna | 6,423 | 5,142 |
| Computer hardware and software | 3,652 | 3,153 |
| Other (2) | 1,123 | 1,707 |
| Construction in progress | | |
| BlueWalker 3 test satellite (1) | - | 92,077 |
| Satellite materials, satellites under construction, and advance launch payments (3) | 40,447 | 10,721 |
| Other (4) | 6,351 | 6,696 |
| Total property and equipment, gross | 194,145 | 152,968 |
| Accumulated depreciation and amortization | (22,508) | (6,979) |
| Total property and equipment, net | $ 171,637 | $ 145,989 |

(1) BlueWalker 3 test satellite was determined to be ready for its intended use on April 25, 2023 upon successful completion of two-way voice calls directly to standard unmodified smartphones and initial compatibility tests on a variety of smartphones and devices. Accordingly, it was reclassified from Construction in progress to Satellite in orbit as of that date and depreciated over its expected remaining useful life of approximately 16 months.

(2) Includes vehicles, furniture and fixtures, and a phased array test facility.

(3) Advance launch payments, which were included in other non-current assets as of December 31, 2022, were reclassified to property and equipment as of June 30, 2023.

(4) Includes costs incurred for acquiring and constructing assembly and testing facilities, assembly and test equipment, and ground infrastructure equipment not yet placed in service.

Depreciation expense for the six months ended June 30, 2023 and 2022 was approximately $15.8 million and $2.2 million, respectively. Depreciation expense for the three months ended June 30, 2023 and 2022 was approximately $14.1 million and $1.2 million, respectively.

## 6. Debt

Long-term debt consists of the following, (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Term Loan | $ 4,880 | $ 5,000 |
| Less: current portion | (246) | (242) |
| Total long-term debt | $ 4,634 | $ 4,758 |

On December 8, 2021, the Company's subsidiary, AST & Science Texas, LLC, executed an agreement to purchase real property, including offices, industrial warehouse buildings and equipment for a total purchase price of $8.0 million. In connection with this purchase, AST & Science Texas, LLC entered into an agreement with Lone Star State Bank of West Texas (the "Credit Agreement") to issue a term promissory note (the "Term Loan") for $5.0 million with a maturity date of December 8, 2028 that is secured by the property.

Borrowings under the Term Loan bear interest at a fixed rate equal to 4.20% per annum until December 2026, and from December 2026 until December 2028 at a fixed rate per annum equal to 4.20% plus adjustment if the index rate as defined in the Credit Agreement is greater than 4.20%, subject to a maximum interest rate of 4.90% per annum. Outstanding principal and accrued interest is due and payable in monthly installments of $40,000, commencing in January 2023 and will continue until November 2028, with the final remaining balance of unpaid principal and interest due and payable in December 2028. As of June 30, 2023 and December 31, 2022, accrued interest payable in connection with this Term Loan was immaterial.

As of June 30, 2023 and December 31, 2022, the estimated fair value of the Term Loan was $4.3 million due to current higher market interest rates as compared to the contractual interest rate for the Term Loan. The fair value of the Term Loan is classified as Level 2 in the fair value hierarchy as the fair value is determined based on the market participants' view of the yield on a similar loan.

## 7. Warrant Liabilities

Warrant liabilities are comprised of both Public Warrants and Private Placement Warrants. Each whole Public Warrant entitles the registered holder to purchase one whole share of Class A Common Stock at a price of $11.50 per share. Pursuant to the warrant agreement, a holder of Public Warrants may exercise its warrants only for a whole number of shares of Class A Common Stock.

This means that only a whole warrant may be exercised at any given time by a warrant holder. The Public Warrants expire on April 6, 2026, five years after the Business Combination, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation. The Company may redeem the Public Warrants under the following conditions:

- In whole and not in part;
- At a price of $0.01 per warrant;
- Upon not less than 30 days' prior written notice of redemption (the "30-day redemption period") to each warrant holder; and
- If, and only if, the reported last sale price of the Class A Common Stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders.

The redemption criteria discussed above prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and the Company issues a notice of redemption of the warrants, each warrant holder will be entitled to exercise its warrant prior to the scheduled redemption date. However, the price of the Class A Common Stock may fall below the $18.00 redemption trigger price (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) as well as the $11.50 warrant exercise price after the redemption notice is issued.

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants are exercisable on a cashless basis and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

During the six months ended June 30, 2023, no Public Warrants were exercised as compared to 100 Public Warrants exercised during the six months ended June 30, 2022 at a price of $11.50 per share, resulting in cash proceeds of approximately $1,150 and the issuance of 100 shares of Class A Common Stock during the six months ended June 30, 2022. At June 30, 2023 and December 31, 2022, there were 11,547,600 Public Warrants and 6,050,000 Private Placement Warrants outstanding.

As of June 30, 2023 and December 31, 2022, the Company recorded warrant liabilities of $25.0 million and $38.9 million in the unaudited condensed consolidated balance sheets, respectively. For the three and six months ended June 30, 2023, the Company recognized a gain of $6.5 million and $14.0 million, respectively on the change in the fair value of the warrant liabilities in the unaudited condensed consolidated statements of operations. For the three and six months ended June 30, 2022, the Company recognized a gain of $23.0 million and $17.6 million, respectively on the change in the fair value of the warrant liabilities in the unaudited condensed consolidated statements of operations.

## 8. Stockholders' Equity

### *Class A Common Stock*

At June 30, 2023, there were 89,404,419 shares of Class A Common Stock issued and outstanding. Holders of Class A Common Stock are entitled to one vote for each share. The Company is authorized to issue 800,000,000 shares of Class A Common Stock with a par value of $0.0001 per share.

### *Class B Common Stock*

At June 30, 2023, there were 50,041,757 shares of Class B Common Stock issued and outstanding. Shares of Class B Common Stock were issued to then existing equity holders of AST LLC (other than Mr. Avellan) at the time of Business Combination and are noneconomic, but entitle the holder to one vote per share. The Company is authorized to issue 200,000,000 shares of Class B Common Stock with a par value of $0.0001 per share.

The existing equity holders of AST LLC (other than Mr. Avellan) at the time of Business Combination own economic interests in AST LLC which are redeemable into either shares of Class A Common Stock on a one-for-one basis or cash at the option of the Redemption Election Committee. Upon redemption of the AST LLC Common Units by the existing equityholders (other than Mr. Avellan), a corresponding number of shares of Class B Common Stock held by such existing equityholders will be cancelled.

### *Class C Common Stock*

At June 30, 2023, there were 78,163,078 shares of Class C Common Stock issued and outstanding. Shares of Class C Common Stock were issued to Mr. Avellan in connection with the Business Combination and are non-economic, but entitle the holder to the lesser of ten votes per share and the Class C Share Voting Amount, the latter of which is a number of votes per share equal to (1) (x) an amount of votes equal to 88.3% of the total voting power of the outstanding voting stock, minus (y) the total voting power of the outstanding capital stock (other than Class C Common Stock) owned or controlled by Mr. Avellan and his permitted transferees, divided by (2) the number of shares of Class C Common Stock then outstanding (the "Super-Voting Rights" ). The Company is authorized to issue 125,000,000 shares of Class C Common Stock with a par value of $0.0001 per share.

Mr. Avellan owns economic interests in AST LLC which are redeemable into either shares of Class A Common Stock on a one-for-one basis or cash at the option of the Redemption Election Committee. Upon redemption of the AST LLC Common Units by Mr. Avellan, a corresponding number of shares of Class C Common Stock held by Mr. Avellan will be cancelled. Correspondingly, the Super-Voting Rights associated with the shares of Class C Common Stock cancelled will be terminated.

### *Preferred Stock*

At June 30, 2023 there were no shares of preferred stock issued or outstanding. The Company is authorized to issue 100,000,000 shares of preferred stock with a par value of $0.0001 per share with such designation, rights and preferences as may be determined from time to time by the Company' s Board of Directors.

### *Noncontrolling Interest*

As the sole managing member of AST LLC controlling the operating decisions of AST LLC, the Company consolidates the financial position and results of operations of AST LLC. The Company reports equity interests in AST LLC held by members other than the Company as noncontrolling interest in the unaudited condensed consolidated balance sheets. The noncontrolling interest is classified as permanent equity within the unaudited condensed consolidated balance sheet as the Company, acting through the redemption election committee of the Company's Board of Directors (the "Redemption Election Committee" ), may only elect to settle a redemption request in cash if the cash delivered in the exchange is limited to the cash proceeds to be received from a new permanent equity offering through issuance of Class A Common Stock.

Changes in the Company' s ownership interest in AST LLC while retaining control of AST LLC are accounted for as equity transactions. Each issuance of the Class A Common Stock is accompanied by a corresponding issuance of AST LLC Common Units to the Company, which results in a change in ownership and reduction in noncontrolling interest. At June 30, 2023, there were 11,547,600 Public Warrants and 6,050,000 Private Placement Warrants outstanding (see Note 7: Warrant Liabilities for further details), each of which entitles the holder to purchase one whole share of Class A Common Stock at a price of $11.50 per share. Each warrant exercise is accompanied by a corresponding issuance of AST LLC Common Units to the Company, which results in a change in ownership and reduces the amount recorded as noncontrolling interest and increases additional paid-in capital.

In addition, the Fifth Amended and Restated Limited Liability Company Operating Agreement of AST LLC permits the noncontrolling interest holders of AST LLC Common Units to exchange AST LLC Common Units, together with related shares of the Class B Common Stock or Class C Common Stock, for shares of the Class A Common Stock on a one-for-one basis or, at the election of the Company, for cash (a "Cash Exchange"). A Cash Exchange is limited to the amount of net proceeds from the issuance and sale of Class A Common Stock. Future redemptions or direct exchanges of AST LLC Common Units by the noncontrolling interest holders will result in a change in ownership and reduce the amount recorded as noncontrolling interest and increase additional paid-in capital. Certain members of AST LLC also hold options that are subject to service or performance conditions (see Note 9: Stock-Based Compensation for further details), that are exercisable for AST LLC Common Units. The exercise of the options results in a change in ownership and increases the amount recorded as noncontrolling interest and decreases additional paid-in capital.

As of June 30, 2023 and December 31, 2022, the noncontrolling interest in AST LLC was approximately 59.0% and 64.2%, respectively. The decrease in noncontrolling interest percentage during the six months ended June 30, 2023 is as a result of the exercise of options to purchase AST LLC Incentive Equity Units, redemption of AST LLC Common Units in exchange for Class A Common Stock and the vesting of the Company's restricted stock units.

### *Common Stock Purchase Agreement*

On May 6, 2022, the Company entered into a Common Stock Purchase Agreement and a Registration Rights Agreement (collectively referred to as the "Common Stock Purchase Agreement") with B. Riley Principal Capital, LLC ("B. Riley"). Pursuant to the Common Stock Purchase Agreement, the Company has the right, in its sole discretion, to sell to B. Riley up to $75.0 million of shares of the Class A Common Stock at 97% of the volume weighted average price ("VWAP") of the Class A Common Stock calculated in accordance with the Common Stock Purchase Agreement, over a period of 24 months subject to certain limitations and conditions contained in the Common Stock Purchase Agreement. Sales and timing of any sales of Class A Common Stock are solely at the election of the Company, and the Company is under no obligation to sell any securities to B. Riley under the Common Stock Purchase Agreement.

Under the Common Stock Purchase Agreement, the Company had issued 1,756,993 shares of its Class A Common Stock as of December 31, 2022, resulting in net proceeds of $13.4 million. The Company did not issue any shares of its Class A Common Stock under the Common Stock Purchase Agreement during the six months ended June 30, 2023. Proceeds from the sale of the Class A Common Stock under the Common Stock Purchase Agreement were, and are, expected to continue to be used for general corporate purposes.

### *Equity Distribution Agreement*

On September 8, 2022, the Company entered into an Equity Distribution Agreement (the "Sales Agreement" or "At The Market Equity Program") with Evercore Group L.L.C. and B. Riley Securities, Inc. (collectively, the "agents") to sell shares of the Class A Common Stock having an aggregate sale price of up to $150.0 million through an "at the market offering" program under which the agents act as sales agents. The sales of the shares made under the Sales Agreement may be made by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. The agents sell the Class A Common Stock based upon the Company's instructions (including any price, time or size limits or other customary parameters or conditions the Company may impose). Under the Sales Agreement, the agents are entitled to total compensation at a commission rate of up to 3.0% of the gross sales price per share sold.

Under the Sales Agreement, the Company had issued 2,697,091 shares of its Class A Common Stock as of December 31, 2022, aggregating to proceeds of $20.0 million, net of commissions paid to the agents and transaction costs. The Company issued an additional 1,429,297 shares of its Class A Common Stock under the Sales Agreement during the three and six months ended June 30, 2023, resulting in aggregate proceeds of $7.0 million which is net of commissions paid to the agents and transaction costs of $0.4 million. Proceeds from the sale of the Class A Common Stock under the Sales Agreement were, and are, expected to continue to be used for general corporate purposes.

### *Common Stock Offering*

On June 30, 2023, the Company issued 12,500,000 shares of Class A Common Stock in a public offering and received proceeds of $56.6 million, net of transaction costs of $0.3 million. The Company provided a 30-day option to the underwriting agent to purchase up to an additional 1,875,000 shares to cover over-allotments. The over-allotment option was not exercised. Proceeds were, and are, expected to be used for general corporate purposes, including expected payments related to launch services and related additional equipment and services.

## 9. Stock-Based Compensation

### *Stock-Based Compensation Expense*

Stock-based compensation, measured at the grant date based on the fair value of the award, is typically recognized ratably over the requisite services period, using the straight-line method of expense attribution. The Company recorded stock-based compensation expense in the following categories of its unaudited condensed consolidated statements of operations and balance sheets (in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Engineering services costs | $ 4,458 | $ 986 | $ 5,850 | $ 2,265 |
| General and administrative costs | 1,074 | 1,454 | 2,156 | 2,430 |
| BlueWalker 3 test satellite - construction in progress (1) | - | - | - | (45) |
| Total | $ 5,532 | $ 2,440 | $ 8,006 | $ 4,650 |

(1) For the six months ended June 30, 2022 stock-based compensation was reversed as a result of forfeiture of options previously provided to a supplier.

The Company estimates the fair value of the stock option awards to employees, non-employees and non-employee members of the Board of Directors using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including (i) the expected volatility of the Company's stock, (ii) the expected term of the award, (iii) the risk-free interest rate, and (iv) any expected dividends. Due to the lack of company-specific historical and implied volatility data, the Company based the estimate of expected volatility on the estimated and expected volatilities of a representative group of publicly traded companies. For these analyses, the Company selects companies with comparable characteristics including enterprise value, risk profiles, position within the industry, and with historical share price information sufficient to meet the expected life of the stock-based awards. The Company computes the historical volatility data using the daily closing prices for the selected companies' shares during the equivalent period of the calculated expected term of the stock-based awards. The Company will continue to apply this process until a sufficient amount of historical information regarding the volatility of the Company' s stock price becomes available. For awards that qualify as "plain-vanilla" options, the Company estimates the expected life of the employee stock options using the "simplified" method, whereby the expected life equals the average of the vesting term and the original contractual term of the option. The expected term of stock options granted to non-employees is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future. The Company elects to account for forfeitures as they occur rather than apply an estimated forfeiture rate to stock-based compensation expense.

The fair value of restricted stock units granted to employees, non-employees, and non-employee members of the Board of Directors is based on the fair value of the Company' s stock on the grant date. The Company elects to account for forfeitures as they occur rather than apply an estimated forfeiture rate to stock-based compensation expense.

### *AST LLC 2019 Equity Incentive Plan*

Prior to the Business Combination, under the 2019 Equity Incentive Plan ( "AST LLC Incentive Plan" ), AST LLC was authorized to issue ordinary shares, as well as options exercisable for ordinary shares, as incentives to its employees, non-employees, and non-employee members of its Board of Directors. Following the Business Combination, no further grants were made or will be made under the AST LLC Incentive Plan. In connection with the Business Combination, the existing AST LLC options were reclassified into options to acquire AST LLC Incentive Equity Units, and there was no incremental compensation cost and the terms of the outstanding awards, including fair value, vesting conditions and classification, were unchanged. Each AST LLC Incentive Equity Unit is convertible into one AST LLC Common Unit and each AST LLC Common Unit is redeemable for one share of Class A Common Stock on the later of the (i) 24-month anniversary of the consummation of the Business Combination and (ii) six-month anniversary from the vesting date. The AST LLC Incentive Plan continues to govern the terms and conditions of the outstanding awards granted under it, except that in lieu of ordinary shares, holders of options under the AST LLC Incentive Plan have the right to exercise for AST LLC Incentive Units, which may then be converted into AST LLC Common Units, which may further be converted into shares of the Class A Common Stock.

There were two types of options granted under the AST LLC Incentive Plan: (1) service-based options and (2) performance-based options. Service-based options typically vest over a five year service period with 20% of the award vesting on the first anniversary of the employee' s commencement date, and the balance thereafter in 48 equal monthly installments. Certain service-based options also provide for accelerated vesting if there is a change in control or other performance condition as defined by the AST LLC Incentive Plan. Performance-based options typically vest on the earliest date that any of the following occurs: (i) AST LLC effects an initial public

offering and becomes a reporting company, (ii) AST LLC experiences a change of control, or (iii) other specified performance conditions. Both service-based and performance-based options typically expire no later than 10 years from the date of grant.

As of June 30, 2023, AST LLC was authorized to issue a total of 12,812,959 Incentive Equity Units under a reserve set aside for equity awards. As of June 30, 2023, there were options to acquire 7,847,263 Incentive Equity Units outstanding under the AST LLC Incentive Plan.

The following table summarizes AST LLC's option activity for the six months ended June 30, 2023:

| | Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (years) |
|---|---|---|---|
| Outstanding at December 31, 2022 | 10,767,799 | $ 0.83 | 5.87 |
| Granted | - | - | |
| Exercised | (2,899,386) | 0.06 | |
| Cancelled or forfeited | (21,150) | 2.27 | |
| Outstanding at June 30, 2023 | 7,847,263 | $ 1.11 | 6.24 |
| Options exercisable as of June 30, 2023 | 5,657,811 | $ 0.83 | 6.04 |
| Vested and expected to vest at June 30, 2023 | 6,467,845 | $ 1.23 | 6.13 |

The following table summarizes the Company's unvested option activity for the six months ended June 30, 2023:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested at December 31, 2022 | 2,645,240 | $ 0.80 |
| Granted | - | - |
| Vested | (434,638) | 0.73 |
| Forfeited | (21,150) | 2.26 |
| Unvested at June 30, 2023 | 2,189,452 | $ 0.80 |

There were no stock options granted during the six months ended June 30, 2023 and 2022.

As of June 30, 2023, total unrecognized compensation expense related to the unvested stock options was $1.4 million, which is expected to be recognized over a weighted average period of 1.6 years.

### *SpaceMobile 2020 Incentive Award Plan*

In connection with the Business Combination, the Company adopted the 2020 Incentive Award Plan (the "2020 Plan"). Awards may be made under the 2020 Plan covering an aggregate number of shares of Class A Common Stock equal to 10,800,000. Any shares distributed pursuant to an award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market. The 2020 Plan provides for the grant of stock options, restricted stock, dividend equivalents, restricted stock units, incentive unit awards, stock appreciation rights, and other stock or cash-based awards. Each incentive unit issued pursuant to an award, if any, shall count as one share for purposes of calculating the aggregate number of shares available for issuance under the 2020 Plan.

Two types of equity awards have been granted under the 2020 Plan: (1) service-based options and (2) service-based and performance-based restricted stock units. Service-based options typically vest over a four year service period with 25% of the award vesting on the first anniversary of the employee's commencement date, and the balance thereafter in 36 equal monthly installments. Service-based restricted stock units typically vest over a four year service period with 25% of the award vesting on each anniversary of the employee's vesting commencement date. Performance-based restricted stock units typically vest on the earliest date that any of the following occurs: (i) the Company attains an incremental capital investment, or (ii) other specified performance conditions. Options typically expire no later than 10 years from the date of grant.

*Stock Options*

As of June 30, 2023, there were 3,673,858 service-based options outstanding under the 2020 Plan.

The following table summarizes the Company's option activity under the 2020 Plan for the six months ended June 30, 2023:

| | Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (years) |
|---|---|---|---|
| Outstanding at December 31, 2022 | 3,697,649 | $ 9.71 | 9.07 |
| Granted | 288,300 | 5.28 | |
| Exercised | - | - | |
| Cancelled or forfeited | (312,091) | 9.58 | |
| Outstanding at June 30, 2023 | 3,673,858 | $ 9.35 | 8.80 |
| Options exercisable as of June 30, 2023 | 1,100,042 | $ 9.87 | 7.90 |
| Vested and expected to vest at June 30, 2023 | 3,623,858 | $ 9.31 | 8.80 |

The following table summarizes the Company's unvested option activity for the six months ended June 30, 2023:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested at December 31, 2022 | 2,959,596 | $ 4.26 |
| Granted | 288,300 | 2.53 |
| Vested | (467,120) | 4.01 |
| Forfeited | (206,960) | 4.20 |
| Unvested at June 30, 2023 | 2,573,816 | $ 4.12 |

The weighted-average grant-date fair value per share of stock options granted during the six months ended June 30, 2023 and 2022 was $2.53 and $3.52, respectively.

As of June 30, 2023, total unrecognized compensation expense related to the unvested stock options was $9.3 million, which is expected to be recognized over a weighted average period of 2.87 years.

*Restricted Stock Units*

As of June 30, 2023, there were 3,144,112 restricted stock units outstanding under the 2020 Plan.

The following table summarizes the Company's unvested restricted stock unit activity for the six months ended June 30, 2023:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested at December 31, 2022 | 3,246,220 | $ 9.65 |
| Granted | 507,500 | 5.28 |
| Vested | (544,608) | 10.40 |
| Forfeited | (65,000) | 10.32 |
| Unvested at June 30, 2023 | 3,144,112 | $ 8.80 |

As of June 30, 2023, total unrecognized compensation expense related to the unvested restricted stock units was $16.4 million, which is expected to be recognized over a weighted average period of 2.86 years.

***SpaceMobile 2020 Employee Stock Purchase Plan***

In connection with the Business Combination, the Company adopted the 2020 Employee Stock Purchase Plan (the "ESPP"). The aggregate number of common stock shares that may be issued pursuant to rights granted under the ESPP is 2,000,000 shares. If any right granted under the ESPP shall for any reason terminate without having been exercised, the shares not purchased under such right shall again become available for issuance under the ESPP. As of June 30, 2023, the Company had not issued any awards under this plan.

## 10.Nano

On July 2, 2022, AST LLC entered into a share sale and purchase agreement (the “Share Sale and Purchase Agreement” ) for sale of its 51% interest in its former subsidiary, NanoAvionika UAB ( “Nano” ) (the “Share Sale” ) to Kongsberg Defence & Aerospace AS, a private limited liability company incorporated under the laws of Norway. On September 6, 2022, AST LLC completed the Share Sale of Nano, which was located in Lithuania, for net proceeds of $26.6 million.

The carrying amount of assets, liabilities, and noncontrolling interest attributable to Nano were deconsolidated on September 6, 2022 and the Company recognized a net gain of $24.6 million and $24.5 million in other income (expense), net in the unaudited condensed consolidated statement of operations for the nine months ended September 30, 2022 and in the audited consolidated statement of operations for the twelve months December 31, 2022, respectively. The accompanying unaudited condensed consolidated financial statements for the three and six months ended June 30, 2022 included the results of operations and cash flows of Nano. The revenues and cost of sales for the three and six months ended June 30, 2022 were exclusively related to Nano.

Nano recognized revenue related to sales of manufactured small satellites and their components, as well as launch related services.  This was the Company’ s only source of revenue during the three and six months ended June 30, 2022 and until the sale of Nano on September 6, 2022. Revenue recognized over time versus revenue recognized upon transfer during the three and six months ended June 30, 2022 was as follows (in thousands):

| | Three months ended June 30, 2022 | Six months ended June 30, 2022 |
|---|---|---|
| Revenue from performance obligations recognized over time | $ 6,411 | $ 8,494 |
| Revenue from performance obligations recognized at point-in-time transfer | 853 | 1,164 |
| Total | $ 7,264 | $ 9,658 |

## 11.Income Taxes

The Company, organized as a C corporation, owns an equity interest in AST LLC in what is commonly referred to as an “Up-C” structure. For U.S. federal and state income tax purposes, AST LLC has elected to be treated as a partnership and does not pay any income taxes since its income and losses are included in the returns of the members. The portion of the Company’ s taxable income or loss attributable to the noncontrolling interests of AST LLC is taxed directly to such members. Consequently, no provision for income taxes has been included in the financial statements related to this portion of taxable income. Certain foreign wholly-owned entities are taxed as corporations in the jurisdictions in which they operate, and accruals for such taxes are included in the unaudited condensed consolidated financial statements. The Company has operations in Scotland, Spain, India, and Israel, with tax filings in each foreign jurisdiction.

The consolidated effective tax rate for the three and six months ended June 30, 2023 was 1.57% and 0.70%, respectively and the consolidated effective tax rate for the three and six months ended June 30, 2022 was (1.20%) and (0.43%) respectively. The difference in the effective rates between periods is largely driven by changes in the valuation allowance recorded against certain of the Company’ s net deferred tax assets. The difference between the federal statutory tax rate of 21% and the effective tax rate is primarily driven by the Company’ s Up-C organizational structure and allocation of AST LLC results to noncontrolling interest holders and the valuation allowance recorded against the Company’ s net deferred tax assets.

The Company recorded a net deferred tax asset for the difference between the book value and tax basis of the Company’ s investment in AST LLC at the time of the Business Combination. The Company has assessed the realizability of their deferred tax assets and in that analysis has considered the relevant positive and negative evidence available to determine whether it is more likely than not that some portion or all of the deferred tax assets will be realized. As a result, the Company has recorded a full valuation allowance against its deferred tax asset resulting from the Business Combination.

The Company had no uncertain tax positions as of June 30, 2023 and December 31, 2022.

In conjunction with the Business Combination, the Company also entered into the Tax Receivable Agreement ( "TRA" ) with AST LLC. Pursuant to the TRA, the Company is required to pay TRA holders (as defined in the TRA) (i) 85% of the amount of savings, if any, in U.S. federal, state, local and foreign income tax that the Company actually realizes as a result of (A) existing tax basis of certain assets of AST LLC and its subsidiaries attributable to the AST LLC Common Units, (B) tax basis adjustments resulting from taxable exchanges of AST LLC Common Units acquired by the Company, (C) tax deductions in respect of portions of certain payments made under the TRA, and (D) certain tax attributes that are acquired directly or indirectly by the Company pursuant to a reorganization transaction. All such payments to the TRA holders (as defined in the TRA) are the obligations of the Company, and not those of AST LLC. As of June 30, 2023, there have been no TRA liabilities recorded.

## 12.Net Loss per Share

Basic and diluted net loss per share attributable to the holders of Class A Common Stock is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of Class A Common Stock outstanding during the period.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted net loss per share of Class A Common Stock (in thousands, except share and per share data):

| | Three Months Ended June 30, 2023 | Six Months Ended June 30, 2023 |
|---|---|---|
| **Numerator** | | |
| Net loss before allocation to noncontrolling interest | $ (49,589) | $ (94,805) |
| Net loss attributable to noncontrolling interest | (31,181) | (60,079) |
| Net loss attributable to common stockholders - basic and diluted | $ (18,408) | $ (34,726) |
| **Denominator** | | |
| Weighted-average shares of Class A Common Stock outstanding - basic and diluted | 75,640,650 | 73,753,412 |
| Net loss per share attributable to holders of Class A Common Stock - basic and diluted | $ (0.24) | $ (0.47) |

| | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2022 |
|---|---|---|
| **Numerator** | | |
| Net loss before allocation to noncontrolling interest | $ (8,068) | $ (45,971) |
| Net loss attributable to noncontrolling interest | (5,144) | (32,326) |
| Net loss attributable to common stockholders - basic and diluted | $ (2,924) | $ (13,645) |
| **Denominator** | | |
| Weighted-average shares of Class A common stock outstanding - basic and diluted | 51,868,658 | 51,814,888 |
| Net loss per share attributable to holders of Class A Common Stock - basic and diluted | $ (0.06) | $ (0.26) |

As of June 30, 2023, the Company excluded from the calculation of diluted earnings per share 50,041,757 shares of Class B Common Stock, 78,163,078 shares of Class C Common Stock, 11,547,600 Public Warrants, 6,050,000 Private Placement Warrants, and 1,273,000 unvested performance-based restricted stock units as their effect would have been to reduce the net loss per share. Therefore, the weighted-average number of shares of Class A Common Stock outstanding used to calculate both basic and diluted net loss per share of Class A Common Stock is the same.

Shares of the Class B Common Stock and Class C Common Stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B Common Stock and Class C Common Stock under the two-class method has not been presented.

## 13.Commitments and Contingencies

### *Legal Proceedings*

The Company is not a party to any material litigation and does not have contingency reserves established for any litigation liabilities as of June 30, 2023 and December 31, 2022.

*Delaware Section 205 Petition*

On April 1, 2021, the stockholders of New Providence Acquisition Corp. ( “NPA” ), the predecessor to the Company, voted in favor of approving the proposal to amend and restate the Company’ s certificate of incorporation (the “Charter Proposal” ).

A recent ruling by the Delaware Court of Chancery introduced uncertainty as to whether Section 242(b)(2) of the Delaware General Corporation Law (the “DGCL” ) would have required the Charter Proposal to be approved by separate votes of the majority of the then-outstanding shares of Class A Common Stock and Class B Common Stock.

The Company had been proceeding with the understanding that the Charter Proposal and the amended and restated certificate of incorporation are valid. In light of this ruling, however, and to resolve potential uncertainty with respect to the Company’ s capital structure, on February 16, 2023, the Company filed a petition in the Delaware Court of Chancery pursuant to Section 205 of the DGCL seeking (i) the validation of the April 1, 2021 stockholder vote approving the proposal to amend and restate the Company’ s certificate of incorporation, as amended to give effect to the Charter Proposal (including its filing and effectiveness, in each case as of April 6, 2021) (the “New Charter” ) and (ii) the validation and declaration of effectiveness of (a) the New Charter and (b) the securities issued or to be issued in reliance on the approval of the Charter Proposal and/or the validity of the New Charter, as of the respective dates of issuance to resolve any uncertainty with respect to those matters (captioned, In re AST SpaceMobile, Inc., C.A. No. 2023-0202-LWW (Del. Ch.)).

On March 14, 2023, the Court of Chancery approved the Company’ s request for relief and entered an order under Section 205 of DGCL (1) declaring the Company’ s New Charter, including the filing and effectiveness thereof, as validated and effective retroactive to the date of its filing with the Office of the Secretary of State of the State of Delaware on April 6, 2021, and all amendments effected thereby and (2) ordering that the Company’ s securities (and the issuance of the securities) described in the petition and other securities issued in reliance of the validity of the New Charter are validated and declared effective, each as of the original issuance date.

## 14.Related Parties

### *Vodafone*

AST LLC and Vodafone have agreed to enter into one or more definitive agreements for a commercial partnership that is anticipated to use the SpaceMobile Service (the “Vodafone Commercial Agreements” ). In connection with the commercial agreement, AST LLC, its subsidiaries, and affiliates have agreed not to enter into any agreement, term sheet, or letter of intent that grants another party the rights related to the provision of mobile services in the Vodafone markets or Vodafone partner markets prior to the execution of the Vodafone Commercial Agreements.

The Vodafone Commercial Agreements are to include mutual exclusivity, conditioned upon Vodafone making the SpaceMobile Service available to all of its customers and certain promotional efforts, within all Vodafone markets for five years commencing on the launch of a commercial service in all of the Vodafone markets; preferential commercial terms in Vodafone partner markets; 50/50 revenue share for the SpaceMobile Service in Vodafone exclusivity markets; and the procurement, building and operating of mobile network ground stations at a mutually agreed cost by Vodafone. No payments have been made to date between us and Vodafone pursuant to the anticipated Vodafone Commercial Agreements. Vodafone has the right to designate one individual to the Board of Directors. Currently, Vodafone’s designee is Luke Ibbetson, Head of Group Research & Development, Vodafone.

Also, AST LLC entered into a side letter with Vodafone dated December 15, 2020, under which AST LLC has agreed (i) not to enter into any material corporate strategic relationship or material commercial agreement with a party other than Vodafone and its affiliates that would be reasonably expected to materially frustrate AST LLC’s ability to satisfy the obligations under the Vodafone Commercial Agreements with certain exceptions; (ii) to allocate sufficient funds in the capital budget to facilitate compliance with the obligations under the Vodafone Commercial Agreements; and (iii) not to alter the business plan in a manner that is materially detrimental to AST LLC’ s ability to satisfy the obligations under the Vodafone Commercial Agreements.

### *American Tower*

AST LLC and American Tower have entered into a side letter agreement that was subsequently amended and restated on December 15, 2020 to reflect the transactions and agreements contemplated by the Equity Purchase Agreement between AST LLC and NPA (the "Amended and Restated Letter Agreement"). The Amended and Restated Letter Agreement contemplates that AST LLC and American Tower will enter into commercial agreements to use American Tower facilities for the terrestrial gateway facilities in certain markets. The term of the operational agreement between us and American Tower is for an anticipated five years after the initial launch of commercial mobile services by AST LLC.

On March 22, 2022, AST LLC and American Tower entered into a non-binding term sheet reflecting the terms and conditions for the deployment of our gateway satellite technology equipment on property owned and operated by American Tower. Under the agreement, American Tower will provide AST LLC leased space and managed services at its current and future tower sites and data centers under the global master lease agreement to be entered into by the parties.

The usage of any American Tower services in a Vodafone market will be memorialized in a commercial agreement among all three parties. In markets where Vodafone does not operate ("Carrier Neutral Markets"), we and American Tower may enter into an agreement for American Tower to manage the operation of our deployed gateway facility in such market. In Carrier Neutral Markets where we require a third party to provide a gateway facility or services, we agree to not accept any bid that is inferior to American Tower's best and final proposal for such gateway facility or services. We also agree to use commercially reasonable efforts to utilize American Tower facilities in (i) Vodafone markets where Vodafone decides to not use its facilities, (ii) in Carrier Neutral Markets, and (iii) instances where we require a third-party vendor.

Additionally, AST LLC will work with American Tower to evaluate and plan gateway facility and radio access network data center deployments with preferred vendor status to offer carrier-neutral hosting facilities in certain equatorial markets. American Tower will serve as the preferred vendor for carrier neutral hosting facilities. AST LLC will pay American Tower a monthly connection fee for use of a carrier neutral hosting facility, which will be charged back to each applicable mobile network operator. If AST LLC and American Tower agree to construct a new carrier neutral hosting facility or improve an existing one and American Tower elects to fund all such capital expenditures, American Tower will provide AST LLC with a fair-market, long-term lease to such facility. No payments have been made to date between AST LLC and American Tower under the Amended and Restated Letter Agreement. American Tower has the right to designate one individual to the Board of Directors. Currently, American Tower's designee is Ed Knapp, Chief Technology Officer, American Tower.

### *Rakuten*

On February 4, 2020, AST LLC entered into a commercial agreement with Rakuten for the development of exclusive network capabilities in Japan compatible with the mobile network of Rakuten and its affiliates, which agreement was amended and restated as of December 15, 2020 (the "Rakuten Agreement"). Under the terms of the Rakuten Agreement, AST LLC agreed to make investments in building network capabilities in Japan that are compatible with the mobile network of Rakuten and its affiliates. Furthermore, AST LLC will collaborate with Rakuten to ensure network capability with Rakuten's licensed frequencies, including full coverage in Japan with 3GPP Band 3 frequencies with multiple input multiple output ("MIMO") capability. Upon the launch of such coverage, Rakuten will receive unlimited, exclusive rights and usage capacity in Japan in exchange for a $0.5 million annual maintenance fee payable to AST LLC or our successors. Furthermore, AST LLC will make $5.0 million (or such lesser amount as mutually agreed upon the parties) in capital investments towards the design, assembly, acquisition and implementation of ground communication assets. AST LLC and Rakuten will receive unlimited rights and usage of the ground assets for their respective operations, including, but not limited to, satellite and other telecommunication communications. Rakuten has the right to designate two individuals to the Company's Board of Directors. Currently, Rakuten has designated Hiroshi Mikitani, Founder, Chairman and Chief Executive Officer, Rakuten, Inc. as a director and has the right to designate another individual.

The Rakuten Agreement includes key performance indicators ("KPIs") associated with the number of satellites launched, timing and coverage of the SpaceMobile Service in Japan in a phased manner that AST LLC was obligated to meet. Because the applicable KPIs were not met for the last two phases noted in the Rakuten Agreement by June 2023, AST LLC became obligated to pay Rakuten an amount of $10.0 million. If the Company is unable to make such payment, the amount shall convert into a promissory note with 8.0% interest per annum payable in 12 quarterly installments over a three-year term, which can be prepaid at AST LLC's election. The term of the Rakuten Agreement shall remain in effect until AST LLC fulfills obligations under the Rakuten Agreement.

In connection with AST LLC's inability to meet the applicable KPIs stated in the Rakuten Agreement by the deadline, the Company recognized a liability of $10.0 million in the first quarter of 2023, which was included in Other income (expense), net in the accompanying unaudited condensed consolidated statement of operations for the six months ended June 30, 2023 and Accrued expenses and other current liabilities in the accompanying unaudited condensed consolidated balance sheet as of June 30, 2023. No payments have been made to date from AST LLC to Rakuten in connection with the forgoing.

### *Support Services Agreement*

On January 20, 2020, the Company entered into the Support Services Agreement with Finser Corporation ( “Finser” ), which is part of the Cisneros Group of Companies, of which Ms. Adriana Cisneros, a member of the Company’ s Board of Directors, is the Chief Executive Officer, whereby Finser provided the Company with certain consulting and administrative support services. The Company incurred less than $0.1 million in consulting services for the three and six months ended June 30, 2022, which were included within the general and administrative expenses in the unaudited condensed consolidated statements of operations. The agreement terminated on June 30, 2022.

### *InMotion Holdings LLC*

Prior to the sale of Nano, InMotion Holdings, LLC, a Delaware limited liability company ( “InMotion” ) wholly-owned by the Company’ s Chief Executive Officer and Chairman of the Board, Mr. Avellan, owned 13% interest on a fully-diluted basis of Nano. Pursuant to the terms of the Share Sale and Purchase Agreement, InMotion received approximately €8.0 million on account of the option it held to acquire shares of Nano. The Company does not have any ownership interest in InMotion and did not receive any of these proceeds. Following the sale of Nano, there are no transactions between the Company and InMotion.

## 15.Subsequent Events

### *Atlas Credit Facility*

On August 14, 2023, AST LLC entered into a senior secured term loan credit agreement with ACP Post Oak Credit II LLC as administrative agent and collateral agent and Atlas Credit Partners, LLC ( “Atlas” ) as lender, providing for a principal loan commitment of up to $100.0 million (the “Atlas Credit Agreement” ), of which $48.5 million was borrowed upon closing and $51.5 million may be borrowed only to the extent the Company raises additional capital through equity raises and receives additional insurance coverage such that the Company has insurance coverage equal to at least the amount of borrowings under the facility.

The initial term loan borrowing of $48.5 million under the Atlas Credit Agreement will accrue interest at a fixed rate equal to the three-month secured overnight financing rate ( “SOFR” ) as of August 14, 2023 plus 9.625% per annum, or 14.75% (the “Atlas Fixed Rate” ) payable on the last business day of each fiscal quarter. The borrowing amounts are payable at maturity on August 14, 2026 and are subject to mandatory prepayments upon the occurrence of certain specified events. To the extent that subsequent borrowings of up to $51.5 million may be made, the Company may, at its election, elect to have such loans bear interest at the Atlas Fixed Rate or as a floating rate loan comprised of either an alternate base rate ( “ABR” ) or SOFR base rate loan.

Borrowings under the Atlas Credit Agreement are secured by substantially all of the assets of the Company and its subsidiaries other than the assets of certain excluded subsidiaries. The Atlas Credit Agreement contains customary affirmative and negative covenants. In addition, the Atlas Credit Agreement requires the Company to maintain certain levels of liquidity and limits the Company’ s ability to incur indebtedness, make restricted payments (including cash dividends on common stock), and sell or otherwise dispose of its assets, among other restrictions. In connection with the Atlas Credit Agreement, the Company entered into a guarantee and collateral agreement with ACP Post Oak Credit II LLC and Atlas for which the Company furnished a cash premium and insurance policy.

Upon closing, the Company received the net proceeds of $37.3 million, net of placement agent fees and offering expenses totaling $2.0 million, deposit into an interest reserve escrow account of $1.8 million and prepayment of two years insurance premium of $7.4 million. The Company intends to use the net proceeds from the Credit Facility for general corporate purposes as permitted under the Atlas Credit Agreement.

### *Lone Star Loan Agreement*

On August 14, 2023, AST LLC and certain other subsidiaries of the Company entered into a loan agreement with Lone Star State Bank of West Texas ( “Lone Star” ) as lender, providing for $15.0 million principal term loan commitment secured by certain real property fixtures and equipment in one of the Company’ s Texas facilities (the “Lone Star Loan Agreement” ).

Borrowings under the Lone Star Loan Agreement accrue interest at the Prime Rate plus 0.75%, subject to a ceiling rate. Unused portions of the facility will require the Company to pay an undrawn fee of 0.25% per annum on the unused portion. Interest payments for the term loan borrowed under the Lone Star Loan Agreement will be due and payable on a monthly basis, with interest payments beginning on August 14, 2024 and principal payments beginning on April 14, 2025. Principal repayments will be due in 48 equal monthly installments until January 14, 2029, the maturity date of the loan. In connection with the Lone Star Loan Agreement, the Company deposited a cash balance of $15.0 million in the Lone Star Bank Money Market Fund. This cash balance will be converted to restricted cash if the Company fails to maintain a balance of cash and cash equivalents, on a consolidated basis, of at least $75.0 million. This restricted cash will be used to offset against the term loan obligations if the Company fails to maintain a balance of cash and cash equivalents, on a consolidated basis, of at least $50.0 million. In addition, the Lone Star Loan Agreement includes certain negative covenants, including requiring the Company to retain its current Chief Executive Officer.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Except as otherwise noted or where the context requires otherwise, references in this report (the "Quarterly Report") to "we," "us" or the "Company" refer to AST SpaceMobile, Inc. and references to our "management" or our "management team" refer to our officers and directors.

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in Item 1 of this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2022, including our audited consolidated financial statements and related notes contained therein. Unless otherwise indicated, all references to "dollars" and "$" in this Annual Report are to, and all monetary amounts in this Annual Report are presented in, U.S. dollars.

## Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report includes "forward-looking statements" for the purposes of federal securities laws that are not historical facts and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Form 10-Q including, without limitation, statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as "expect," "believe," "anticipate," "intend," "estimate," "seek" and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management's current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to Part I, "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2022. The Company's securities filings can be accessed on the EDGAR section of the SEC's website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

## Overview

We are building the first space-based Cellular Broadband network designed to be accessible by standard unmodified, off-the-shelf mobile phones or 2G/3G/4G LTE/5G devices using low band and middle band spectrum controlled by Mobile Network Operators ("MNOs"). Our SpaceMobile Service is being designed to provide cost-effective, high-speed Cellular Broadband services to end-users who are out of terrestrial cellular coverage. The SpaceMobile Service currently is planned to be provided by a constellation of high-powered, large phased-array satellites in Low Earth Orbit ("LEO"). The mobile traffic will be transmitted by the SpaceMobile constellation and connected via high throughput Q/V-band links to in-country gateways which are collocated with the MNO's core cellular network infrastructure. We anticipate that users will be able to connect to the SpaceMobile Service as if they were using a local cell tower.

We intend to work with MNOs to offer the SpaceMobile Service to the MNOs' end-user customers. Our vision is that users will not need to subscribe to the SpaceMobile Service directly through us, nor will they need to purchase any new or additional equipment. Instead, users will be able to access the SpaceMobile Service when prompted on their mobile device that they are no longer within range of the land-based facilities of the MNO operator or will be able to purchase a plan directly with their existing mobile provider. We generally seek to use a revenue-sharing business model in our agreements with MNOs.

The SpaceMobile Service is expected to be highly attractive to MNOs as it will enable them to improve their service offering without significant incremental capital investments. The SpaceMobile Service is expected to enable MNOs to augment and extend their coverage without building towers or other land-based infrastructure, including where it is not cost-justified or is difficult due to geographical challenges, such as mountainous or rugged terrain. As a result of the incremental coverage created by the planned SpaceMobile Service, we believe that our MNO partners will have the opportunity to increase subscribers' average revenue per unit ("ARPU").

On April 1, 2019, we launched our first test satellite, BW1, which was used to validate our satellite to cellular architecture and was capable of managing communications delays from LEO and the effects of doppler in a satellite to ground cellular environment using the 4G-LTE protocol.

We launched our BlueWalker 3 ("BW3") test satellite on September 10, 2022. On November 14, 2022, we announced the completion of the deployment of the communication phased array antenna of the BW3 test satellite in orbit. On April 25, 2023, we announced that we had successfully completed two-way voice calls directly to standard unmodified smartphones using the BW3 test satellite. In addition to test calls, we performed the initial compatibility tests on a variety of smartphones and devices, exchanging SIM and network information directly to the BW3 test satellite, a necessary capability to provide broadband connectivity from space. These initial test calls validated our patented systems and architecture to establish cellular connections with unmodified cellular devices. Accordingly, we determined that the BW3 test satellite was ready for its intended use as of April 25, 2023 and began depreciating it over its estimated remaining useful life of approximately 16 months. On June 21, 2023, we announced that we had achieved repeated successful 4G download speeds (above 10 Mbps) during testing of BW3. We intend to continue testing capabilities of the BW3 test satellite, including enablement of 5G cellular broadband and further testing with cellular service providers and devices.

We are also currently designing and assembling our constellation of BlueBird ( “BB” ) satellites. We are leveraging skills, know-how and technological expertise derived from the design and assembly of our BW3 test satellite in the development of our BB satellite platform. We are currently assembling the first generation of commercial BB satellites ( “Block 1 BB satellites” ). We expect the Block 1 BB satellites will be of similar size and weight to the BW3 test satellite and have design improvements for enhanced power efficiency and throughput designed to increase capacity. We currently expect to launch five Block 1 BB satellites during the first quarter of 2024 and have entered into a launch services agreement for the launch of the first five Block 1 BB satellites. The exact timing of the launch, which is expected to carry five Block 1 BB satellites, is contingent on a number of factors, including satisfactory and timely completion of assembly and testing of five Block 1 BB satellites and other factors, many of which are beyond our control. The SpaceMobile Service has not been launched and therefore has not yet generated any revenue. Following the launch, deployment and testing of five Block 1 BB satellites, we currently plan to initiate a limited, noncontinuous SpaceMobile Service in targeted geographical areas, including in the United States, and seek to generate revenue from such service. Prior to initiating such service, we will need to obtain regulatory approvals in each jurisdiction where we would provide such service and would need to enter into definitive agreements with MNOs relating to the offering of such service in each jurisdiction.

We believe the deployment of Block 1 BB satellites and subsequent initiation of limited noncontinuous SpaceMobile Service will help to demonstrate the advantages of a satellite-based Cellular Broadband service in the marketplace. This market activity may commence while we continue the development and testing of the next generation of the BB satellites.

Our next generation of BB satellites ( “Block 2 BB satellites” ) are expected to derive greater performance through the introduction of our own AST5000 Application Specific Integrated Circuit ( “ASIC” ) chip, which will provide materially greater throughput capacity, require less power and offer a lower overall unit cost. We expect that the Block 2 BB satellites will also benefit from the advantages of a larger aperture array which provides greater spectrum reuse, enhanced signal strength and increased capacity, thereby reducing the necessary number of satellites to achieve service as compared to smaller apertures. We expect to launch Block 2 BB satellites beginning in 2024 following the launch and deployment of our Block 1 BB satellites.

We are developing a phased satellite deployment plan and corresponding commercial launch plan of the SpaceMobile Service based on targeted geographical areas to provide the SpaceMobile Service to the most commercially attractive MNO markets. This prioritization of coverage is designed to minimize the capital required to initiate and operate commercial service that generates cash flows from operating activities sooner. We expect that such a successful commercial service would enable us to attract additional capital to continue to assemble and launch additional BB satellites to expand our capacity and geographic coverage area, although there can be no assurance that such capital would be available on terms acceptable to us.

We plan to achieve substantial service in the selected, targeted geographical areas with the launch and operation of 25 BB satellites and achieve substantial service in all targeted geographical areas to meet our long term business goals with the launch and operation of approximately 95 BB satellites. We anticipate launching and deploying additional satellites beyond the initial 95 satellites in order to enhance coverage and system capacity in response to incremental market demand. Our current plan is subject to numerous uncertainties, many of which are beyond our control, including satisfactory and timely completion of assembly and testing of the satellites, availability of launch windows by the launch providers, our ability to raise capital, proposed orbits and resulting satellite coverage, launch costs, ability to enter into agreements with MNOs, regulatory approvals, and other factors. We may adopt a strategy for commercial launch of the SpaceMobile Service, including the nature and type of services offered and the geographic areas where we may launch such services, that may differ materially from our current plan.

We are continuing to make investments to industrialize the assembly, integration, and testing processes for the future production of the BB satellites. We are hiring, and expect to continue hiring, assembly, integration, and testing employees necessary for the production of the BB satellites and engineers that will be required to test and integrate the BB satellites. We are also actively engaged with the third-party vendors to secure supply of components and materials for production of the BB satellites. Furthermore, we are continuing to expand our research and development ( “R&D” ) efforts for the development of electronics and subsystems required for BB satellites and cellular and ground infrastructure and gateways.

We are an early stage and emerging growth company and, as such, we are subject to all of the risks associated with early stage and emerging growth companies. Please refer to Risk Factors contained in Part I, "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2022.

*Impact of COVID-19 and Global Macroeconomic Conditions*

We continue to closely monitor the impact of COVID-19 and macroeconomic conditions, including heightened inflation, slower growth or recession, changes to fiscal and monetary policies, higher interest rates, volatility in the capital markets, and supply chain challenges, on all aspects of our business across geographies, including how it has and may continue to impact our operations, workforce, suppliers, and our ability to raise additional capital to fund operating and capital expenditures. Changes in the prices of satellite materials due to inflation, supply chain challenges, and other macroeconomic factors may affect our capital costs estimates to build and launch the satellite constellation and adversely affect our financial condition. The extent of impact of these factors on our business will depend on future developments that are highly uncertain and cannot be predicted with confidence at this time. To date, these factors have not had a material impact to our technology development efforts or results of our operations. However, if macroeconomic conditions deteriorate or there are unforeseen developments with respect to COVID-19, our results of operations and financial condition may be adversely affected.

## Factors Affecting Comparability of Our Future Results of Operations to Our Historical Results of Operations

Our historical financial performance has been, and we expect our financial performance in the future to be driven by our ability to execute on our strategy. Our future results of operations could differ materially from the historical results of operations as we continue to make capital investments in our assembly, integrating and testing ("AIT") facilities, procure satellite materials and increase the headcount to support assembly and testing of the five Block 1 BB satellites, complete the ASIC development, set up ground infrastructure in preparation for commercial services, and continue the research and development for design and development of Block 2 BB satellite.

## Components of Results of Operations

*Revenues*

To date, we have not generated any revenues from our SpaceMobile Service. All revenues during the three and six months ended June 30, 2022 were generated from the development and manufacture of satellite technology, and ancillary sales and services globally by our former subsidiary, Nano. Nano also sold individual satellite parts, subsystems, and software to be configured to customers' satellites, and entered into "rideshare" type agreements whereby Nano provided hosted payload services using customers' payloads integrated with Nano-owned satellite buses for scheduled launches. Following the completion of the sale of Nano on September 6, 2022, we no longer generate revenue and do not expect to generate revenue in future periods until we launch the SpaceMobile Service.

*Cost of Sales*

Cost of sales during the three and six months ended June 30, 2022 consisted of the costs of various materials used and services performed, including employee costs and overhead costs to fulfill Nano's sales contracts. Following the completion of the sale of Nano on September 6, 2022, we do not expect to generate revenue and incur associated cost of sales in future periods until we launch the SpaceMobile Service.

*Engineering Services Costs*

Engineering services costs are charged to expense as incurred. Engineering costs consist primarily of the cost of employees and consultants involved in the design, development, integration and testing of our satellites, managing our network, ground infrastructure, and satellite operations centers, travel expenses of engineering staff, and general expenses related to AIT facilities and engineering development centers.

*General and Administrative Costs*

General and administrative costs include the costs of insurance, cost of non-engineering personnel and personnel related expenses, software licensing and subscriptions, office and facilities expenses, investor relations, and professional services, including public relations, accounting and legal fees.

*Research and Development Costs*

R&D costs consist principally of non-recurring development activities in which we typically engage third-party vendors and are largely driven by the achievement of milestones that trigger payments. R&D costs are expected to fluctuate quarter over quarter depending on achievement of milestones.

### *Depreciation and Amortization*

Depreciation and amortization expense includes depreciation expense related to property and equipment including BW3 test satellite, as well as definite lived intangible assets. We began depreciating the BW3 test satellite as of April 25, 2023 over its expected remaining useful life of approximately 16 months.

### *Gain (Loss) on Remeasurement of Warrant Liabilities*

Public Warrants and Private Placement Warrants issued by us are accounted for as liability-classified instruments at their initial fair value on the date of issuance. They are remeasured on each balance sheet date and changes in the estimated fair value are recognized as an unrealized gain or loss in the unaudited condensed consolidated statements of operations.

### *Other Income (Expense), Net*

Other income (expense), net primarily consists of interest earned on cash and cash equivalents held by us in interest bearing demand deposit accounts, net of any interest expense, and other non-operating expense and income, including foreign exchange gains or losses.

### *Income Tax Benefit (Expense)*

AST LLC is treated as a partnership for U.S. federal and state income tax purposes. Accordingly, all income, losses, and other tax attributes pass through to the members' income tax returns, and no U.S. federal and state and local provision for income taxes has been recorded for AST LLC in the unaudited condensed consolidated financial statements. Certain foreign wholly-owned entities are taxed as corporations in the jurisdictions in which they operate, and accruals for such taxes are included in the unaudited condensed consolidated financial statements.

*Noncontrolling Interest*

Noncontrolling interest primarily represents the equity interest in AST LLC held by members other than the Company. As of June 30, 2023, noncontrolling interest in AST LLC was approximately 59.0%. For the three and six months ended June 30, 2022, and up to September 6, 2022, noncontrolling interest also included approximately 49% equity interests in our former subsidiary, Nano, held by equityholders other than the Company. On September 6, 2022, the noncontrolling interest in Nano was eliminated in connection with the sale of the Company's 51% interest in Nano. We attributed a portion of net income or loss generated at AST LLC and Nano to the noncontrolling interest based on their ownership interests.

## Results of Operations

### *Three Months Ended June 30, 2023 Compared to the Three Months Ended June 30, 2022*

We report our results of operations under one operating segment. The following table sets forth a summary of our unaudited condensed consolidated statements of operations for the three months ended June 30, 2023 and 2022 (in thousands) and the discussion that follows compares the three months ended June 30, 2023 to the three months ended June 30, 2022.

| | For the Three Months Ended June 30, (unaudited) | | | |
|---|---|---|---|---|
| | **2023** | **2022** | **$ Change** | **% Change** |
| **Revenues** | $ - | $ 7,264 | $ (7,264) | (100) % |
| **Cost of sales (exclusive of items shown separately below)** | - | 2,202 | (2,202) | (100) |
| **Gross profit** | - | 5,062 | (5,062) | (100) |
| **Operating expenses:** | | | | |
| Engineering services costs | 22,813 | 11,999 | 10,814 | 90 |
| General and administrative costs | 10,221 | 13,075 | (2,854) | (22) |
| Research and development costs | 10,921 | 9,145 | 1,776 | 19 |
| Depreciation and amortization | 14,115 | 1,185 | 12,930 | 1,091 |
| **Total operating expenses** | 58,070 | 35,404 | 22,666 | 64 |
| **Other income (expense):** | | | | |
| Gain on remeasurement of warrant liabilities | 6,475 | 23,049 | (16,574) | (72) |
| Other income (expense), net | 1,217 | (679) | 1,896 | 279 |
| **Total other income (expense), net** | 7,692 | 22,370 | (14,678) | (66) |
| **Loss before income tax benefit (expense)** | (50,378) | (7,972) | (42,406) | (532) |
| Income tax benefit (expense) | 789 | (96) | 885 | 922 |
| **Net loss before allocation to noncontrolling interest** | (49,589) | (8,068) | (41,521) | (515) |
| Net loss attributable to noncontrolling interest | (31,181) | (5,144) | (26,037) | (506) |
| **Net loss attributable to common stockholders** | $ (18,408) | $ (2,924) | $ (15,484) | (530) % |

*Revenues*

All revenues during the three months ended June 30, 2022, were generated from the development and manufacture of satellite technology, and ancillary sales and services globally by our former subsidiary, Nano. Following the completion of the sale of Nano on September 6, 2022, we no longer generate revenue and do not expect to generate revenue in future periods until we launch the SpaceMobile Service.

*Cost of Sales*

Cost of sales during the three months ended June 30, 2022 consisted of the costs of various materials used and services performed, including employee costs and overhead costs to fulfill Nano's sales contracts. Following the completion of the sale of Nano on September 6, 2022, we do not expect to generate revenue and incur associated cost of sales in future periods until we launch the SpaceMobile Service.

*Engineering Services Costs*

Total engineering services costs increased by $10.8 million, or 90%, to $22.8 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The increase was primarily attributable to a $5.9 million increase in payroll and employee related costs, including stock-based compensation expense, due to an increase in headcount and milestone-based bonuses paid upon achievement of certain milestones related to the BW3 test satellite tests, an increase of $3.1 million in AIT facilities and engineering development centers costs including managing mission operations and ground infrastructure, and an increase of $1.8 million in costs related to prototyping and preparation for production activities and travel costs.

*General and Administrative Costs*

Total general and administrative costs decreased by $(2.9) million, or (22%), to $10.2 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The decrease was primarily driven by elimination of $2.2 million of costs related to Nano as Nano is no longer consolidated following its sale in September 2022, and a decrease of $0.7 million related to third party consultants.

*Research and Development Costs*

Total R&D costs increased by $1.8 million, or 19%, to $10.9 million for the three months ended June 30, 2023 as compared to three months ended June 30, 2022. R&D costs during the three months ended June 30, 2023 primarily relate to design and development of various subsystems of BB satellites and ASIC development while the R&D costs during the three months ended June 30, 2022 primarily relate to development of the BW3 test satellite and ASIC development. The increase in R&D costs was primarily due to achievement of certain milestones of various radio frequency development programs, design and development of certain satellite subsystems for BB satellites, and ASIC development program. Total R&D costs are expected to fluctuate quarter over quarter, as R&D costs are impacted by milestone achievement.

*Depreciation and Amortization*

Total depreciation and amortization expense increased by $12.9 million, or 1091%, to $14.1 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The increase was primarily due to the commencement of the BW3 test satellite depreciation from April 25, 2023.

*Gain on Remeasurement of Warrant Liabilities*

The decrease in fair value of warrant liabilities resulted in a gain of $6.5 million for the three months ended June 30, 2023 as compared to the gain of $23.0 million for the three months ended June 30, 2022.

*Other Income (Expense), net*

Total other income, net increased by $1.9 million, or 279%, to $1.2 million for the three months ended June 30, 2023, as compared to the other expense, net of $(0.7) million for the three months ended June 30, 2022. The increase was primarily attributed to an increase of $1.4 million in interest income, net of interest expense, from the cash and cash equivalents held at financial institutions, and a decrease of $0.9 million in nonrecurring transaction costs incurred in connection with the Common Stock Purchase Agreement during the three months ended June 30, 2022, offset by an increase of $0.4 million in foreign exchange loss. We expect other expense to increase in future periods due to the debt service costs associated with the Atlas Credit Facility and the Lone Star Loan Agreement.

*Income Tax Benefit (Expense)*

The income tax benefit was $0.8 million for the three months ended June 30, 2023 as compared to the income tax expense of $(0.1) million for the three months ended June 30, 2022. The consolidated effective tax rate for the three months ended June 30, 2023 and June 30, 2022 was 1.57% and (1.20)%, respectively. Refer to Note 11: Income Taxes in the accompanying notes to the unaudited condensed consolidated financial statements for further information.

*Net Loss Attributable to Noncontrolling Interest*

Net loss attributable to noncontrolling interest was $(31.2) million for the three months ended June 30, 2023 as compared to $(5.1) million in the three months ended June 30, 2022. This increase in net loss correlates with the increase in net loss generated at AST LLC given the noncontrolling interest represents a portion of such net loss.

### *Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022*

We report our results of operations under one operating segment. The following table sets forth a summary of our unaudited condensed consolidated statements of operations for the six months ended June 30, 2023 and 2022 (in thousands) and the discussion that follows compares the six months ended June 30, 2023 to the six months ended June 30, 2022.

| | For the Six Months Ended June 30, (unaudited) | | | |
|---|---|---|---|---|
| | **2023** | **2022** | **$ Change** | **% Change** |
| **Revenues** | $ - | $ 9,658 | $ (9,658) | (100) % |
| **Cost of sales (exclusive of items shown separately below)** | - | 4,189 | (4,189) | (100) |
| **Gross profit** | - | 5,469 | (5,469) | (100) |
| **Operating expenses:** | | | | |
| Engineering services costs | 39,296 | 23,716 | 15,580 | 66 |
| General and administrative costs | 20,078 | 24,718 | (4,640) | (19) |
| Research and development costs | 27,302 | 17,426 | 9,876 | 57 |
| Depreciation and amortization | 15,848 | 2,285 | 13,563 | 594 |
| **Total operating expenses** | 102,524 | 68,145 | 34,379 | 50 |
| **Other income (expense):** | | | | |
| Gain on remeasurement of warrant liabilities | 13,973 | 17,567 | (3,594) | (20) |
| Other income (expense), net | (6,927) | (664) | (6,263) | (943) |
| **Total other income (expense), net** | 7,046 | 16,903 | (9,857) | (58) |
| **Loss before income tax benefit (expense)** | (95,478) | (45,773) | (49,705) | (109) |
| Income tax benefit (expense) | 673 | (198) | 871 | 440 |
| **Net loss before allocation to noncontrolling interest** | (94,805) | (45,971) | (48,834) | (106) |
| Net loss attributable to noncontrolling interest | (60,079) | (32,326) | (27,753) | (86) |
| **Net loss attributable to common stockholders** | $ (34,726) | $ (13,645) | $ (21,081) | (154) % |

*Revenues*

All revenues during the six months ended June 30, 2022 were generated from the development and manufacture of satellite technology, and ancillary sales and services globally by our former subsidiary, Nano. Following the completion of the sale of Nano on September 6, 2022, we no longer generate revenue and do not expect to generate revenue in future periods until we launch the SpaceMobile Service.

*Cost of Sales*

Cost of sales during the six months ended June 30, 2022 consisted of the costs of various materials used and services performed, including employee costs and overhead costs to fulfill Nano's sales contracts. Following the completion of the sale of Nano on September 6, 2022, we do not expect to generate revenue and incur associated cost of sales in future periods until we launch the SpaceMobile Service.

*Engineering Services Costs*

Total engineering services costs increased by $15.6 million, or 66%, to $39.3 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. The increase was primarily attributable to a $7.8 million increase in payroll and employee related costs, including stock-based compensation expense, due to an increase in headcount and milestones bonuses paid upon achievement of certain milestones related to the BW3 test satellite tests, an increase of $4.6 million in AIT facilities and engineering development centers costs including managing mission operations and ground infrastructure, and an increase of $3.2 million in costs related to prototyping and preparation for production activities and travel costs.

*General and Administrative Costs*

Total general and administrative costs decreased by $(4.6) million, or (19%), to $20.1 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. The decrease was primarily driven by elimination of $3.9 million of costs related to Nano as Nano is no longer consolidated following its sale in September 2022, and a decrease of $0.7 million related to decrease in travel expenses.

*Research and Development Costs*

Total R&D costs increased by $9.9 million, or 57%, to $27.3 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. R&D costs during the six months ended June 30, 2023 primarily relate to design and development of various subsystems of BB satellites and ASIC development while the R&D costs during the six months ended June 30, 2022 primarily relate to development of the BW3 test satellite and ASIC development. The increase in R&D costs was primarily due to the achievement of certain milestones of various radio frequency development programs, design and development of certain satellite subsystems for BB satellites, and ASIC development program.

*Depreciation and Amortization*

Total depreciation and amortization expense increased by $13.6 million, or 594%, to $15.8 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. The increase was primarily due to the commencement of the BW3 test satellite depreciation from April 25, 2023.

*Gain on Remeasurement of Warrant Liabilities*

Decrease in fair value of warrant liabilities resulted in a gain of $14.0 million for the six months ended June 30, 2023 as compared to a gain of $17.6 million during the six months ended June 30, 2022.

*Other Income (Expense), net*

Total other expenses, net increased by $6.3 million, or 943%, to $6.9 million for the six months ended June 30, 2023 as compared to $0.6 million for the six months ended June 30, 2022. The increase was primarily due to the recognition of a $10.0 million liability payable to Rakuten in accordance with the Rakuten Agreement (as defined herein) and an increase of $0.8 million in foreign exchange loss, offset by a $3.6 million increase in interest income, net of interest expense, from the cash and cash equivalents held at financial institutions and a decrease of $0.9 million in nonrecurring transaction costs incurred in connection with the Common Stock Purchase Agreement during the three months ended June 30, 2022. We expect other expense to increase in future periods due to the debt service costs associated with the Atlas Credit Facility and the Lone Star Loan Agreement.

*Income Tax Benefit (Expense)*

The income tax benefit was $0.7 million for the six months ended June 30, 2023 as compared to the income tax expense of $(0.2) million for the six months ended June 30, 2022. The consolidated effective tax rate for the six months ended June 30, 2023 and June 30, 2022 was 0.70% and (0.43%), respectively. Refer to Note 11: Income Taxes in the accompanying notes to the unaudited condensed consolidated financial statements for further information.

*Net Loss Attributable to Noncontrolling Interest*

Net loss attributable to noncontrolling interest was $(60.1) million for the six months ended June 30, 2023 as compared to $(32.3) million for the six months ended June 30, 2022. This increase in net loss correlates with the increase in net loss generated at AST LLC given the noncontrolling interest represents a portion of such net loss.

## Liquidity and Capital Resources

We do not expect to generate revenue in future periods until we launch the SpaceMobile Service. Accordingly, our current sources of liquidity are cash and cash equivalents on hand, access to equity programs currently in place, which consist of an Equity Line of Credit (as defined herein) and the ATM Equity Program (as defined herein), and potential borrowings under the Atlas Credit Facility (as defined herein) and the Lone Star Loan Agreement (as defined herein). As of June 30, 2023, we had $191.5 million of cash and cash equivalents on hand, which included $0.7 million of restricted cash on hand. We believe our cash and cash equivalents on hand, together with the net proceeds and additional potential availability from the Atlas Credit Facility and Lone Star Loan Agreement as well as our ability to raise capital through access to the Equity Line of Credit and the ATM Equity Program, will be sufficient to meet our current working capital needs, planned operating expenses and capital expenditures for a period of 12 months from the date of this Quarterly Report on Form 10-Q.

The design, assembly, integration, testing and launch of satellites and related ground infrastructure is capital-intensive. We currently estimate the capital expenditure required for the design, assembly and launch of our first five Block 1 BB satellites to be approximately $110.0 million.

We believe we need to launch and operate 25 BB satellites (5 Block 1 BB satellites and 20 Block 2 BB satellites) in order to provide coverage to the most commercially attractive MNO markets. We currently estimate we will need to raise approximately $550.0 million to $650.0 million to fund operating expenses and capital expenditures necessary to design, assemble and launch 20 Block 2 BB satellites and operate a constellation of 25 BB satellites to continue to provide SpaceMobile service. We evaluate our market, product and coverage plans based upon the attractiveness of certain markets, our technology, regulatory concerns and our access to capital and other resources. We believe we can develop satellite configurations which target delivering service to certain attractive markets without the necessity of building a constellation which covers the entire globe. This modularity of our satellite configuration enables us to alter the timing and size of our satellite roll out and provides us flexibility to dynamically change our market plans and our capital requirements. As a result, we believe we have the ability to accelerate or slow down our business plans depending upon the availability of capital to support our strategies.

We require capital to fund our operating expenses and capital expenditures and to service our debt. We are exploring opportunities to raise additional capital through the issuance of equity, equity related securities, debt securities, secured loan facilities, debt financing from financial institutions and/or commercial partners or a combination of methods, including through equity-linked and non-dilutive commercial payments and our existing Equity Line of Credit and the ATM Equity Program.

Our ability to access the capital markets during this period of volatility may require us to modify our current expectations. Additional capital is necessary to fund ongoing operations, continue research, development and design efforts, improve infrastructure, and launch satellites. If we successfully raise additional capital, we may accelerate certain development programs and other investments to enable us to achieve our goal of global coverage more rapidly. There can be no assurance that additional funds will be available to us on favorable terms or at all. If we cannot raise additional funds when needed, our financial condition, results of operations, business and prospects may be materially and adversely affected.

We have contractual obligations, including non-cancellable operating leases, with terms expiring through November 2033. During the six months ended June 30, 2023, we received control of two leased properties and renewed one leased property, which increased the total required minimum lease payments by $10.6 million as compared to the total lease payments as of December 31, 2022 described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Also, as of June 30, 2023, we had contractual commitments with third parties in the aggregate amount of $111.7 million related to R&D programs, capital improvements, current and future launch payments and procurement of BB satellite components. We expect these commitments will continue to increase as we complete the supply chain and electronics development in preparation for the production and launch of the BB satellites. We expect to pay approximately $45-50 million in the third quarter of 2023 for launch services and related additional equipment and services. Of this amount, we have paid $20.3 million in the third quarter of 2023 and expect to pay the remaining amount by the end of the third quarter of 2023.

### *Common Stock Purchase Agreement*

On May 6, 2022, we entered into the Common Stock Purchase Agreement (the "Common Stock Purchase Agreement" or "Equity Line of Credit") with B. Riley Principal Capital, LLC ("B. Riley") to sell, at our sole discretion, to B. Riley up to $75.0 million of shares of our Class A Common Stock at 97% of the volume weighted average price ("VWAP") of the Class A Common Stock calculated in accordance with the Common Stock Purchase Agreement, over a period of 24 months subject to certain limitations and conditions contained in the Common Stock Purchase Agreement. Sales and timing of any sales of Class A Common Stock are solely at our election, and we are under no obligation to sell any securities to B. Riley under the Common Stock Purchase Agreement. We plan to raise capital, as and when needed, under the Common Stock Purchase Agreement at our sole discretion. Proceeds from the sale of our Class A Common Stock under the Common Stock Purchase Agreement were and will continue to be used for general corporate purposes.

### *Equity Distribution Agreement*

On September 8, 2022, we entered into an Equity Distribution Agreement (the "Sales Agreement" or "ATM Equity Program") with Evercore Group L.L.C. and B. Riley Securities, Inc. (collectively, the "agents") to sell shares of our Class A Common Stock having an aggregate sales price of up to $150.0 million through an "at the market offering" program under which the agents will act as sales agents. The agents are entitled to total compensation at a commission rate of up to 3.0% of the gross sales price per share sold. We plan to raise capital, as and when needed, under the Sales Agreement at our sole discretion. Proceeds from the sale of our Class A Common Stock under the Sales Agreement were and will continue to be used for general corporate purposes.

### *Common Stock Offering*

On June 30, 2023, we issued 12,500,000 shares of Class A Common Stock in a public offering and received proceeds of $56.6 million, net of transaction costs of $0.3 million. We provided a 30-day option to the underwriting agent to purchase up to an additional 1,875,000 shares to cover over-allotments, if any, which was not exercised. Proceeds from the sale of the Company's Class A common stock under the Common Stock Offering were and are expected to be used for general corporate purposes, including expected payments related to launch services and related additional equipment and services.

### *Texas Financing Agreement*

In December 2021, concurrent with the purchase of real property and equipment in Midland, Texas, our wholly-owned subsidiary, AST & Science Texas, LLC ("AST Texas"), entered into a new Credit Agreement providing for a $5.0 million term loan secured by the property. Borrowings under the term loan bear interest at a fixed rate equal to 4.20% per annum until December 7, 2026, and from December 8, 2026 until December 8, 2028 at a fixed rate per annum equal to 4.20% plus adjustment if the index rate as defined in the Credit Agreement is greater than 4.20%, subject to a maximum interest rate of 4.90% per annum. Refer to Note 6: Debt in the accompanying notes to the unaudited condensed consolidated financial statements for further information.

The Credit Agreement contains certain customary events of default, and certain covenants that limit AST Texas' ability to, among other things, create liens on collateral, consolidate, merge, sell, or otherwise dispose of all or substantially all of their assets; and enter into certain transactions with their affiliates. If AST Texas fails to perform its obligations under these and other covenants, or should any event of default occur, the term loan may be terminated and any outstanding borrowings, together with unpaid accrued interest, could be declared immediately due and payable, and the lender will be authorized to take possession of the collateral.

### *Atlas Credit Facility*

On August 14, 2023, we entered into a senior secured term loan credit agreement with ACP Post Oak Credit II LLC as administrative agent and collateral agent and Atlas Credit Partners, LLC ("Atlas") as lender, providing for a principal loan commitment of up to $100.0 million (the "Atlas Credit Agreement"), of which $48.5 million was borrowed upon closing and $51.5 million may be borrowed only to the extent we raise additional capital through equity raises and receive additional insurance coverage such that the Company has insurance coverage equal to at least the amount of borrowings under the facility.

The initial term loan borrowing of $48.5 million under the Atlas Credit Agreement will accrue interest at a fixed rate of the three-month secured overnight financing rate ("SOFR") as of August 14, 2023 plus 9.625% per annum, equal to 14.75% (the "Atlas Fixed Rate"), payable on the last business day of each fiscal quarter. The borrowing amounts are payable at maturity on August 14, 2026 and are subject to mandatory prepayments upon the occurrence of certain specified events. To the extent that subsequent borrowings of up to $51.5 million may be made, the Company may, at its election, elect to have such loans bear interest at the Atlas Fixed Rate or as a floating rate loan comprised of either an alternate base rate ("ABR") or SOFR base rate loan.

Borrowings under the Atlas Credit Agreement are secured by substantially all of our assets other than the assets of certain excluded subsidiaries. The Atlas Credit Agreement contains customary affirmative and negative covenants. In addition, the Atlas Credit Agreement requires us to maintain certain levels of liquidity and limits our ability to incur indebtedness, make restricted payments (including cash dividends on common stock), and sell or otherwise dispose of our assets, among other restrictions. In connection with the Atlas Credit Agreement, we entered into a guarantee and collateral agreement with ACP Post Oak Credit II LLC and Atlas for which we furnished a cash premium and insurance policy.

Upon closing, we received the net proceeds of $37.3 million, net of placement agent fees and offering expenses totaling $2.0 million, deposit into an interest reserve escrow account of $1.8 million and prepayment of two years insurance premium of $7.4 million. We intend to use the net proceeds from the Credit Facility for general corporate purposes as permitted under the Atlas Credit Agreement.

*Lone Star Loan Agreement*

On August 14, 2023, we entered into a loan agreement with Lone Star State Bank of West Texas ( "Lone Star" ) as lender, providing for $15.0 million principal term loan commitment secured by certain real property fixtures and equipment in one of our Texas facilities (the "Lone Star Loan Agreement" ).

Borrowings under the Lone Star Loan Agreement accrue interest at the Prime Rate plus 0.75%, subject to a ceiling rate. Unused portions of the facility will require us to pay an undrawn fee of 0.25% per annum on the unused portion. Interest payments for the term loan borrowed under the Lone Star Loan Agreement will be due and payable on a monthly basis, with interest payments beginning on August 14, 2024 and principal payments beginning on August 14, 2025. Principal repayments will be due in 48 equal monthly installments until January 14, 2029. In connection with the Lone Star Loan Agreement, we deposited a cash balance of $15.0 million in the Lone Star Bank Money Market Fund. This cash balance will be converted to restricted cash if we fail to maintain a balance of cash and cash equivalents, on a consolidated basis, of at least $75.0 million. This restricted cash will be used to offset against the term loan obligations if we fail to maintain a balance of cash and cash equivalents, on a consolidated basis, of at least $50.0 million. In addition, the Lone Star Loan Agreement includes certain negative covenants, including a requirement for us to retain our current Chief Executive Officer.

*Rakuten*

On February 4, 2020, we entered into a commercial agreement with Rakuten, for our development of exclusive network capabilities in Japan compatible with the mobile network of Rakuten and its affiliates, which agreement was amended and restated as of December 15, 2020 (the "Rakuten Agreement" ).

The Rakuten Agreement includes key performance indicators ( "KPIs" ) associated with the number of satellites launched, timing and coverage of our SpaceMobile Service in Japan in a phased manner that we were obligated to meet. Because the applicable KPIs were not met for the last two phases noted in the Rakuten Agreement by June 2023, we became obligated to pay Rakuten an amount of $10.0 million and recognized a liability of $10.0 million in the first quarter of 2023. We expect to pay to Rakuten $10.0 million in cash, however, as of the date hereof, no such payment has been made yet.

## Cash Flows

### *Historical Cash Flows*

The following table summarizes our sources and uses of cash for the six months ended June 30, 2023 and 2022 (in thousands) (unaudited):

| | For the Six Months Ended June 30, (unaudited) | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| Cash and cash equivalents | $ | 191,471 | $ | 202,371 |
| Cash used in operating activities | $ | (87,989) | $ | (88,505) |
| Cash used in investing activities | | (22,972) | | (33,600) |
| Cash provided by financing activities | | 63,627 | | 263 |

*Operating activities*

Cash used in operating activities was $88.0 million for the six months ended June 30, 2023, as compared to cash used in operating activities of $88.5 million for the six months ended June 30, 2022. The $0.5 million decrease in cash used in operating activities was attributable to a decrease in working capital of $29.0 million offset by an increase of $28.5 million in expenses to support expanded operations during the six months ended June 30, 2023.

*Investing activities*

Cash used in investing activities was $23.0 million for the six months ended June 30, 2023, as compared to cash used in investing activities of $33.6 million for the six months ended June 30, 2022. The $10.6 million decrease in cash used in investing activities was primarily attributable to a $21.1 million decrease in BW3 related costs due to its completion and launch in September 2022 offset by and a $10.5 million increase in purchases of property and equipment including procurement of BB satellite materials for assembly of five Block 1 BB satellites.

### *Financing activities*

Cash provided by financing activities was $63.6 million during the six months ended June 30, 2023, as compared to cash provided by financing activities of $0.3 million during the six months ended June 30, 2022. Cash provided by financing activities for the six months ended June 30, 2023 was primarily attributable to net proceeds from the public offering completed in June 2023 and from the sale of Class A Common Stock under the ATM Equity Program.

### ***Impact of inflation***

While inflation may impact our capital and operating expenditures, we believe the effects of inflation, if any, on our results of operations and financial condition have not been significant. However, there can be no assurance that our results of operations and financial condition will not be materially impacted by inflation in the future, including by heightened levels of inflation experienced globally as a consequence of the rapidly changing market and economic conditions.

### ***Funding Requirements***

We believe our existing cash and cash equivalents and access to the Equity Line of Credit and ATM Equity Program will be sufficient to meet anticipated cash requirements for 12 months from the date hereof. However, our forecast of the period of time through which our financial resources will be adequate to support operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could expend capital resources sooner than we expect.

Future capital requirements will depend on many factors, including:

- Establishing and maintaining supply and manufacturing relationships with third parties that can provide adequate, in both amount and quality, products and services to support our satellite development;
- Technological or manufacturing difficulties, design issues or other unforeseen matters;
- Negotiation of launch agreements (including launch costs), launch delays or failures, deployment failures, or in-orbit satellite failures;
- Timing of the launch of our satellites and subsequent initiation of service in various markets, delays in which will result in increased operating expenses;
- Addressing any competing technological and market developments;
- Seeking and obtaining market access approvals; and
- Attracting, hiring, and retaining qualified personnel.

Until such time, if ever, as we can generate substantial revenues to support our cost structure, we expect to finance cash needs through a combination of equity offerings, debt financings, commercial and other similar arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of stockholders will be, or could be, diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing and equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through commercial agreements, or other similar arrangements with third parties, we may have to relinquish valuable rights to our technologies and/or future revenue streams, or grant licenses on terms that may not be favorable to us and/or may reduce the value of our common stock. Also, our ability to raise necessary financing could be impacted by recent geopolitical events, higher interest rate regime and inflationary economic conditions and their effects on the market conditions. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our commercialization efforts or grant rights to develop and market other services even if we would otherwise prefer to develop and market these services ourselves, or potentially discontinue operations.

## Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Preparation of the financial statements requires our management to make judgments, estimates and assumptions that impact the reported amount of revenue and expenses, assets and liabilities and the disclosure of contingent assets and liabilities. We consider an accounting judgment, estimate or assumption to be critical when (1) the estimate or assumption is complex in nature or requires a high degree of judgment and (2) the use of different judgments, estimates and assumptions could have a material impact on our unaudited condensed consolidated financial statements. For a discussion of our critical accounting policies, see "Critical Accounting Policies" in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022. Except for the BW3 capitalization policy update described below, there have been no other significant changes to the critical accounting policies as compared to those described therein.

## BlueWalker 3 Capitalization

We accounted for research and development costs related to the BW3 test satellite in accordance with ASC 730 - Research and Development ( "ASC 730" ). We determined there is an alternative future use for the BW3 test satellite as defined in this guidance. As such, certain costs related to the assembly of the BW3 test satellite were capitalized. We capitalized only those expenditures and ancillary costs that were directly attributable to assembly and testing and necessarily incurred to place the BW3 test satellite into its intended location and use. To date, capitalized expenditures included the costs for satellite parts, launch cost, and other non-recurring costs directly associated with the BW3 test satellite developments. The other non-recurring costs primarily included third-party engineers who were hired solely for the design, assembly and testing of the BW3 test satellite and were responsible for the value and progression of the project. The costs for internal, recurrent engineers and consultants were expensed as engineering services and not capitalized as these employees were not directly associated with the development of the BW3 test satellite. The capitalized costs were reported as construction in progress ( "CIP" ) on our unaudited condensed consolidated balance sheet until March 31, 2023. We determined that the BW3 test satellite was ready for its intended use on April 25, 2023 when it successfully completed two-way voice calls directly to standard unmodified smartphones using the BW3 test satellite, and performed initial compatibility tests on a variety of smartphones and devices. Accordingly, we reclassified the presentation of the capitalized costs of the BW3 test satellite from CIP to property and equipment in the unaudited condensed consolidated balance sheet as of June 30, 2023 and began depreciating the BW3 test satellite as of April 25, 2023 over its expected remaining useful life of approximately 16 months.

## Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2023.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

## Item 4. Controls and Procedures

## Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) as of June 30, 2023. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2023.

## Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not currently party to any material legal proceedings. Regardless of outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors and there can be no assurances that favorable outcomes will be obtained.

### Item 1A. Risk Factors.

As of June 30, 2023, there have been no material changes from the risk factors previously disclosed in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 31, 2023.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not Applicable.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not Applicable.

### Item 5. Other Information.

None.

## Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

| | |
|---|---|
| 31.1* | Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1* | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed herewith

## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**AST SPACEMOBILE, INC.**

| | | |
|---|---|---|
| Date: August 14, 2023 | By: | */s/ Abel Avellan* |
| | Name: | Abel Avellan |
| | Title: | Chairman and Chief Executive Officer |
| | | Principal Executive Officer |
| Date: August 14, 2023 | By: | */s/ Sean R. Wallace* |
| | Name: | Sean R. Wallace |
| | Title: | Chief Financial Officer |
| | | Principal Financial Officer |