BigBear.ai
Q4 and FY21 Earnings Call and Webcast
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Presenters
Dr. Reggie Brothers, CEO
Josh Kinley, CFO
Jeff Dyer, President of Commercial
Brian Frutchey, Chief Technology Officer
Sam Gordy, Chief Operating Officer and President of Federal

Q&A Participants
Mike Latimore – Northland Capital Markets
Ittai Kidron – Oppenheimer & Co. Inc.
Louie DiPalma – William Blair

Operator
Thank you for joining the BigBear.ai Fourth Quarter and Full Year 2021 Conference Call. This call is being recorded. And at this time, all participants are in a listen-only mode and a question-and-answer session will follow the presentation. If anyone should require operator assistance during the conference, please press star, zero, on your telephone keypad.

I will now turn the call over to Josh Kinley of BigBear.ai. Please go ahead, Mr. Kinley.

Josh Kinley
Good afternoon, everyone, and welcome to BigBear.ai's 2021 Fourth Quarter and Full Year Earnings Conference Call, our first earnings call as a public company. I'm Josh Kinley, Chief Financial Officer, and I'm here with our CEO, Dr. Reggie Brothers.

During the call today, we may make certain forward-looking statements. Listeners are cautioned not to put undue reliance on the forward-looking statements, and BigBear.ai specifically disclaims any obligation to update the forward-looking statements that may be discussed during this call. Many factors could cause actual events to differ materially from the forward-looking statements made on the call. These statements are based on current expectations and assumptions, and as a result, are subject to risks and uncertainties. For more information about these risks and uncertainties, please refer to the forward-looking statements section of the earnings press release issued today and our SEC filings.

We will also discuss some non-GAAP financial measures during the call today. These non-GAAP financial measures should not be considered a replacement for and should not--and should be read together with GAAP results. You can find the GAAP to non-GAAP reconciliations within our earnings release.

With that said, I will turn the call over to Dr. Reggie Brothers.

Reggie Brothers
Thanks, Josh, and good afternoon, everyone. Thank you for joining us on our call today. This is our first quarterly report as a public company, after our listing in December. It's an important milestone for BigBear.ai. We are transforming across the business and I'm grateful for the hard work of our entire team over the last year to make this possible.

Now, turning to the results. Over the course of the year, we built strong momentum, expanding customer engagements, booking additional public sector contract awards, and growing both our analytics and cyber engineering business areas. This resulted in 2021 revenue of $145.6 million. We ended the year with total backlog of $465 million, an increase of 14% or $57 million over year-end 2020.

It's worth noting that this backlog represents 3 times our total 2021 revenue. The growing backlog was driven by our ability to maintain all existing work and win several new opportunities last year among federal and commercial customers. We believe this robust backlog gives us considerable visibility into future year revenue and longer-term revenue growth.

While we're very happy with our large backlog, it did decrease marginally between Q3 and Q4, largely due to a slowdown in government contracting activity at the end of the year. For one thing, until two days ago, the government was relying on continuing resolutions for funding which slowed down the award work process. Second, the continuing impact of COVID and the Omicron wave in the fourth quarter also caused delays in contract awards and an extended ramp-up for projects. This ultimately contributed to our revised outlook for 2022, which we will discuss shortly.

BigBear.ai had a strong year despite these external headwinds. We deepened the long-term relationships with our government customers. These relationships are critical to our continued growth as they serve as a solid foundation for our future innovation. We also entered into relationships with several new customers that we believe will allow us to capture significant new commercial opportunities, and we continue to invest to build our team and scaled our business as we transitioned to a public company.

Importantly, the momentum we're building is fueling our transformation from an established and steady services and solutions first company, to a more scalable high growth technology first company. And as this as our first earnings call, I'd like to spend a few minutes to provide some more color on this transformation and how it's guiding our growth strategy and building our competitive position. Our mission at BigBear is to guide our customers to realize their best possible future by delivering transformative technologies and expert, actionable advice. Our AI-powered analytics software helps people make the right decisions at the right time, even with flawed data and limited visibility into the forces that can affect outcomes. We believe the opportunity that lies ahead in this field is abundant.

BigBear.ai serves two problems that organizations in all sectors faced today. First, organizations are drowning in complex often incomplete dirty data that is difficult to integrate and to interpret. Second, the use of artificial intelligence and machine learning technology to inform decision-making is powerful, but deployments are still very limited to silos within the enterprise. This is because AI tools to date have been designed for highly technical users, not business users.

Large companies tackle these problems by hiring a drove of data scientists, software developers, and system integrators. But this, this is expensive, time-consuming, not scalable, and not feasible for mid-market and smaller companies. At BigBear.ai, we're taking a different approach. We're making operational AI for businesspeople, delivered in a visual, easily consumable way. Our tools simplify real world complexity to cut through the noise, filling gaps in data and enhance the decision-making process with goal-oriented actionable advice.

Importantly, our products will work out of the box to address vertical use cases and with a rapid no-code configuration capability. Therefore, we provide value very quickly. The customer also has the flexibility to start out with certain pieces of our modular offering and easily add more components once they see the value we bring. This already happens with most of our customers. They often start with a subset of our offerings, see the power and the value of our solutions, and expand the relationship to incorporate our other offerings. This land and expand strategy creates revenue from existing projects and is another growth driver beyond signing new customers. It's important to understand that we have historically had high win rates and a 100% recompete win rate. This gives us confidence in our ability to build revenue and maintain momentum as we continue to scale.

In 2021, we booked several significant new contract awards. I'll talk about a few of these. In July, we announced a notice of intent from the Air Force Research Laboratory to award a two-year contract. As part of this engagement, we will create a composable plan and prototype for Project AURORA. In October, we were awarded a five-year TACTICALCRUISER contract with the U.S. Cyber Command to develop and deliver real-time data analytics. Also in October, we were awarded a one-year contract by Defense Intelligence Agency to develop a force element tracking and identity platform that uses Machine Assisted Repository Services.

In November, we announced that we were awarded one of two Global Force Information Management Phase 1 prototype contracts by the United States Army. And in December, we were awarded first place by NAVWAR in their AI Prize Challenge, supporting the Navy's initiatives to advance the capabilities of their tactical networks. This challenge tested the ability of more than 10 notable industry companies to drive meaningful, actual information from exceptionally dirty and error-prone data. That's an area where BigBear.ai's technology differentiates itself, and we came out on top.

In addition, we announced multiple landmark partnerships on the commercial side, including a software agreement with Virgin Orbit that generates annual recurring revenue, a software agreement with Terran Orbital and a memorandum of understanding with Redwire Space. Our strategic partnership with Palantir, which we announced in November, supports our growth strategy in both the federal and commercial markets. We see significant opportunity to plug our solutions into their scaffolding and go to market with an end-to-end platform, expanding the addressable market for both of us.

Our technology is improving on high-stakes matters with the federal government, and we have a strong set of loyal government customers. But the opportunity for BigBear.ai is much broader than that. In fact, the AI in our market is projected to grow at a CAGR of approximately 40% over the next five years and reach about $310 billion by 2026.

We are scaling our offering for both the government and commercial sectors quickly to capitalize on this rapidly growing demand. Our go-to-market strategy for commercial offerings will be vertically focused, leveraging similar use cases from our existing customer solutions. For example, our location intelligence and site selection capabilities can be applied to commercial space and maritime industries. We also see opportunities in the manufacturing and logistics verticals. We are well-positioned to execute our federal and commercial staff growth strategy in 2022 and we expect commercial revenue growth to ramp meaningfully towards the back half of the year and into 2023.

One of our key objectives last year was building on an experienced and talented team to support our growth strategy and emerge us as a public company. This will continue to be a focus in 2022. Toward that end, we recently appointed experienced leaders to the roles of Chief Operating Officer, Chief Marketing Officer, and Chief Human Resources Officer. We have new leadership for both our federal and commercial business segments. We bolstered our execution capability, with several with senior leaders added across product, engineering, sales, and marketing. We believe our team is well equipped to grow our business with the federal government and accelerate our penetration into state and local governments, as well as commercial markets.

We will also continue to carefully evaluate inorganic growth through strategic targeted mergers and acquisitions. We continue to evaluate several potential targets for their ability to accelerate our growth strategy and we will strategically employ M&A that makes the most sense for our longer-term objectives. We expect M&A will contribute to our revenue this year and in the coming years.

Now turning to outlook. We now expect full year 2022 revenue of between $175 million and $205 million. As I mentioned earlier, this revised outlook reflects the conditions in the government contract award environment in which we have no control. Our agency partners are operating under continuing resolution until two days ago, creating longer sales cycles.

In fact, internal analysis shows that the government contractual process in areas relevant to our business is taking significantly longer than it did pre-COVID. When reviewing solicitations specific to BigBear.ai's market, we found the time between a solicitation being released to industry and the actual contract award of a contract more than doubled to more than 600 days between 2019 and 2021. Things changed considerably in 2020. And while there were signs that things are going to return to normal in 2021, at the end of the government fiscal year and the 2021 calendar year, contracting activity was suppressed by the new COVID variant and the fact that the appropriations bills have not been enacted.

I want to emphasize these factors are impacting the timing of contracted work, not the need for our technology or the willingness for the federal government to invest in crucial AI and ML solutions. In fact, the geopolitical climate today is increasing demand for technical solutions, operations support, and expert guidance among our federal customers. We remain well-positioned to continue to capture the Government's growing demand for advanced AI solutions. So, while these factors have resulted in delays in awards and in extended ramp-up of projects, this does not mean a loss in revenue or cancellation of projects. However, it was important to revise our guidance to reflect a more conservative estimate for award timelines.

On the positive side, the Consolidated Appropriations Act of 2022 was signed on March 15th. The $728.5 billion budget is to--for defense, with 5% increase or $32.5 billion over current spending. The Department of Defense has acknowledged the need to accelerate the deployment of AI. This success is based on AI strategy developed by the office of the Secretary Defense and each of the services.

This intent is confirmed in the defense budget. They're showing significant increase in funding for AI and includes $200 million in funding specifically for the increased adoption of AI. And during the past couple of weeks, through the current geopolitical crisis in Ukraine, we received increased outreach for our capabilities for even more quickly operationalize AI to critical National Security Applications.

We're very happy with the progress we've made in 2021. The BigBear.ai team is energized and backed by a strong team and a solid infrastructure. Despite the delays, we are confident in our business and the opportunities ahead on both the federal and communication and commercial markets.

With that, I'll turn the call over to Josh.

Josh Kinley
Thanks, Reggie. I want to start by echoing just how excited we are about the progress we've made and the momentum we're building. We're entering 2022 in a strong financial position with significant upside. Revenue for 2021 was $145.6 million with approximately $33.5 million in the fourth quarter.

Our revenue was driven by continued execution of projects and our considerable backlog, but as Reggie mentioned, some revenue has been pushed into future periods because of delays in government contract awards, COVID-related workplace restrictions, and the continuing resolution that prohibited government agencies from awarding new contracts until the federal budget was fully approved and appropriated.

As projected, our revenue is beginning to skew more heavily towards our higher-margin Analytics business, with about $75 million coming from analytics and roughly $71 million coming from Cyber and Engineering. We're happy to share that our strong backlog provides clear revenue visibility with our existing customer engagements, while we wait for the pending new awards. And this revenue base will continue providing the foundation for our future growth.

While revenue was impacted by the factors we just discussed, we saw gross margins that were in line with our projections. For the full year of 2021, our segment adjusted gross margin in analytics was 45%, even with heavy upfront investments on a few large long-term opportunities that we're pursuing. In Cyber and Engineering our full year segment adjusted gross margin was 23%. Despite the contract delays, we still achieved our gross margin projections, and we expect the margins to expand in future periods.

Operating expenses were $113 million for the year and $76 million for the fourth quarter. This is a dramatic increase over prior year OpEx, but it's worth noting that a considerable amount of this is transaction-related, including $56 million related to stock-based compensation expense primarily in the fourth quarter. This is largely associated with legacy equity grants that vested upon the completion of the merger. Excluding the stock-based compensation expense and some other transaction-related expenses, including capital markets advisory fees of roughly $3 million and transaction-related bonuses, our OpEx for Q4 was about $16 million, that's a $3 million increase over the third quarter of 2021. The increase was largely due to increased SG&A expenses associated with public company readiness, the hiring of the aforementioned executives, and the building of our products teams. These are all strategic investments that are critical to our future growth, and it was important to make the investments now despite the external delays that pushed revenue into future periods.

For the full year, we had a net loss of $123.6 million, primarily driven by total stock-based compensation expense of about $61 million overall for the year. $33 million related to the change in fair value of our forward share purchase agreements and about $12 million related to other one-time transaction-related expenses. Adjusted EBITDA was $4.9 million for the full year of 2021, a decrease from $7.2 million in the third quarter. This was also driven by higher expenses and timing delays impacting revenues, gross margins, and operational expenses in aggregate.

Turning now to our balance sheet, our total available liquidity is $118.9 million, which consists of cash and cash equivalents of $68.9 million, and $50 million of available borrowing on our Bank of America credit facility, which we entered into on December 7th, 2021. Proceeds from the credit facility will be used to fund working capital needs, capital expenditures, and other general corporate purposes. As of December 31st, 2021, we had not drawn on the line of credit and we do not anticipate needing to draw on the facility in 2022 based on current operations and cash flows.

Now turning to outlook. As a result of the slower pace of government activity mentioned earlier, we revised our projections for 2022. We now expect full-year revenue to come in between $175 million and $205 million. As Reggie said, the delays in contracting activity does not mean lost revenue, it means things move to the right for us, and this revenue range reflects the delay in getting the final 2022 budget in place for the U.S. government and uncertainty around the timing of pending contract awards. This is an impact that is experienced across the industry and not specific to BigBear.ai.

One of the items we're most excited about in our projections is that we expect commercial revenues to approach 10% of total revenue for the year. This is an incredible increase from less than 1% in the prior year and reflects our growing momentum with our commercial customers. Because we are investing to accelerate our commercial go-to-market strategy and SaaS-based offerings, we're not providing an EBITDA projection for 2022. We do expect to remain positive on an adjusted EBITDA basis for the year. We're going to evaluate investment opportunities on a case-by-case basis throughout the year, such that we're managing total expenses while committing resources towards objectives that will enable long-term growth and success of the company.

Overall, we're confident in these projections. I want to emphasize that 79% of our anticipated revenue for 2022 is already captured in our backlog. We continue to see strong demand and with the recent geopolitical events and new spending bills from the government, there could be significant upside potential ahead. In closing, our strong backlog and the substantial market opportunity in the government and commercial sectors gives us great confidence in our prospects and we're excited to execute on our strategy and capture new opportunities.

Now I will turn it back to Reggie for closing thoughts before our Q&A.

Reggie Brothers
Thank you, Josh. I'd like to close--thank you, Josh. I'd like to close this call by reiterating my excitement for the future of BigBear.ai and my gratitude for our fantastic and growing team. There is massive demand for our solutions, the consolidated problems associated with complex data and a limited deployment of AI/ML and the opportunity to empower leaders and decision-makers to make the right decisions at the right time, every time.

We take this challenge head-on. We're eager to innovate and develop new solutions to guide our customers to realize their best possible futures, and we're in an excellent position to execute our federal and commercial SaaS strategies in 2022. Thank you all for joining us today. I'll now turn it over to our operator to begin our question-and-answer session, where Josh and I will be joined by Brian Frutchey, Chief Technology Officer; Sam Gordy, Chief Operating Officer and President of Federal; and Jeff Dyer, President of Commercial.

Operator
Thank you. At this time, we'll conduct our question-and-answer session. If you would like to ask a question, please press, star, one, on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press the star key followed by the number two, if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question comes from Mike Latimore with Northland Capital Markets. Please state your question.

Mike Latimore
Thanks. Good evening, guys. So I guess, just, Reggie, you mentioned the March 15th passage of that bill. I guess, how do you see things playing out from here, in terms of additional opportunities or--you know, opportunities of pipeline to move a little faster? Just how does that play out and some of the timelines behind that?

Reggie Brothers
Yeah, thanks, Mike. So I think, obviously, it's good news that the appropriations bill was passed. I think there is still a challenge, and one reason is the uncertainty, because there are still things--you know, the government is still backed up, right? So we have to wait as things get through the queue. But the good news is that they can still move on to new starts. And that's exciting for us, because like I said, there are new opportunities, not just because of the new appropriations really pushing on our artificial intelligence, which they do, but also because of the unfortunate events in Ukraine, which is focusing people more on defense and particularly more on how to use data and decision-making tools and analysis, AI/ML specifically, in order to make better decisions to get ahead of our adversaries.

So I think that--I think that the good news is we should see the unblocking so to speak, of these awards, right? And I also think we'll see some other opportunities to make an impact in some of these critical areas that we're seeing develop.

Mike Latimore
Given that geopolitical climate and seeming urgency around that dynamic, would that move some of your opportunities forward a little bit here, potentially?

Reggie Brothers

It's not clear they're moving forward, Mike, simply because there is the queue that the contracting personnel and the government has. It's not clear to me that they're moving forward.

Mike Latimore
Okay. Got it. And then in terms of the commercial, you gave some commercial guidance, $20 million or so. Can you just mention the vertical or use cases that are most prominent in that commercial guidance?

Reggie Brothers
Yeah, what I'm going to do is, I'm going to turn it over to Jeff. He's our--as we said, he's our new President of Commercial and I'd like him to talk about that.

Jeff Dyer
Thanks, Reggie. And hello, Mike. Thanks for the question. There's so much innovation that's happened on our federal side that one of the priorities for me in our commercial charter has been trying to determine where to start and create some focus for our commercial go-to-market strategy. There were lots of options presented, but it was very clear in understanding the predictive AI/ML capabilities that we have in our federal clientele, that we were best suited to start focusing on manufacturing, be it supply chain, factory optimization and/or distribution logistics.

So our 12 to 18 months priority is going to be centered very much around manufacturing. And there's other opportunities beyond that, but we'd like to get a foundation set and some repeatable patterns that we know we can predict and control as we evolve the company in the product and the verticals that we could pursue.

Mike Latimore
Great. Thank you. That's helpful. And just in guess of--oh, sorry. Go ahead.

Sam Gordy
This is Sam Gordy. Sorry, on the federal side, I just want to jump on Jeff's comment there from a federal perspective and just emphasize that, any vertical we're pursuing on the commercial side of the market has a like client on the federal side and we'll certainly look to bring that across into that market as well.

Mike Latimore
Okay. Got it. And then just thinking about the progression of revenue this year, I assume we should think about it in line with traditional kind of government patterns where it's pretty heavily weighted towards second half?

Reggie Brothers
Josh, you want to take that?

Josh Kinley
Yeah, Mike, this is Josh. Yeah, on that, I would tend to agree with that. Certainly, we've had to go through half of the government fiscal year with a lot of our customers honestly waiting for the ability to work the contracts that have been out there in the queue. So we would expect the back half of the government fiscal year to accelerate. But as Reggie pointed out, the bill being passed, it's not an instantaneous fix. There's a number of, I'll say, procedural actions that have to happen as the authorization kind of rolls downhill to the various customers. But we would expect to see that accelerating over the coming months for sure.

Mike Latimore
Okay. Very good. Thanks, guys. Good luck this year.

Josh Kinley
Thanks, Mike.

Reggie Brothers
Thanks, Mike.

Operator
Our next question comes from Ittai Kidron with Oppenheimer. Please state your question.

Ittai Kidron
Thanks. Hey, guys. Just Josh, I want to make sure I get my bearings right here on the numbers with regards to the comment that you made at 79% of your '22 estimate is in backlog. Should the government deals that have been pushed out because of COVID and the bill and the delay in the bill to come in, how far above the annual guide will you be if those opportunities materialize?

Josh Kinley
Yeah. Thanks for the question, Ittai. So that's a good question. As we were looking at things, referring to that 79%, that is what we are absolutely comfortable with today. With that said, we have--as the continuing resolution was passed and a lot of our government customers started projecting new award dates, the bandwidth issues they are having on their side has prompted them to issue a lot of new guidance on when they expect things to be awarded. And so we've seen, certainly things that were projected for 2021 move into 2022, and that is good for that budget--or our projections scenario in '22. But we've also seen things in '22 push out to '23.

With that said, there is certainly upside potential beyond the range that we submitted, but our focus was taking a look at what we've seen over the last, I'll say, nine to 12 months in the government's performance, and we thought the most realistic projection was to put that range out there and give ourselves some upside ability to achieve beyond that. So, I'm not sure if I have a specific number for you. There is the possibility out there, but we gave the range that was most realistic based on what we've seen previously.

Ittai Kidron
Got it. Okay. It feels like then, there is not necessarily going to be--there could be some, but it sounds like no significant jump catch up being connected in the period. It feels like a lot of things just been--everything just got pushed out by a quarter or two, and that's everything basically getting pushed out and we, like, we're starting all over again, I guess from a scheduling standpoint on some of these deals. Makes sense.

And then on the commercial side, with your guidance of having commercial be about 10%, so I don't know, call it $18 million to $20 million on the year. If I were to ask you how much of that is already locked in, what would you say on that? How would I think about how much of that is already in contract for you?

Josh Kinley
Yeah. So we're not breaking out our backlog on that basis. But I'll say a considerable portion of that has already been locked up and we're performing on those contracts today. Just to give you some sense of it, our commercial revenue for Q1 of 2022, we expect that to surpass our entire revenue for the prior year. So we've already ramped up quickly on these efforts. We expect--well, we're a good way towards that 2022 projection based on current work that we're performing, and we expect more to be thrown into that backlog over the coming months.

Ittai Kidron
Got it. That's great. And then maybe last one from me, Jeff, on the commercial side, help me think about these initial projects that you're having now in commercial, how--in what way will they be different than follow-up projects on commercial? And I'm trying to think about it more in this--in the context of speed to closing deals, speed to executing the deals. How much of these initial deals you're doing this year are--you're trying to really create a mold and cookie-cutter approach such that going forward you'll be able to move, let's call it, at a faster pace as you win deals and execute on them?

Jeff Dyer
It's a great question, thanks for it. We're being very selective in the customer relationships we're starting with in commercial to make sure that they are very complementary and synergistic with our product roadmap cadence and decisions. We picked manufacturing for a reason. There's a lot of maturity in the IP we have on the federal side and we believe packaged the right way in a SaaS delivery model to the commercial market space, that we can have a very healthy software business that gives value quickly, that allows customers to then come back and engage with us in other meaningful ways for, call it, a land and expand strategy in commercial that's initially very focused in solving a myriad of manufacturing-centric problems.

But we believe that the investments that we're making in our product roadmap are going to allow us to help companies realize value quickly. Again, as Reggie said in his comments, without a huge investment or large staff of data scientists, we're trying to provide environments in the commercial sector that give the value of AI/ML capabilities for predictive analytics without the heavy footprint and the labor that allows us to deliver value quickly, but also help them, hopefully solve many problems as we grow the relationships and prove to be a valuable partner.

Ittai Kidron
Got it. That makes sense. Well, I guess, then maybe the last one from me, and Josh, Jeff, I guess that's for both of you. As I think about your ramp here, would it be fair to assume that Cyber Engineering in those deals, even though it's conceptually aimed to be low part of the mix, at least in this year, perhaps next, the Cyber Engineering mix is going to be still high in those transactions as you try to kind of nail down the details on them and customize them and make sure that everything kind of gets worked out before you start running with them more broadly?

Jeff Dyer
Most certainly strength, but I'd probably ask Brian to comment on that. I think he can give a better answer around how we leverage that asset.

Josh Kinley
And Ittai, just so I can clarify the question there. Are you talking with regard to how the Cyber Engineering type revenue is incorporated into those commercial sales? Did I understand that?

Ittai Kidron
Yeah, I mean, the long-term vision was that the commercial will drive much higher gross margins because of the--you know, the labor element involved in it is much lower. I'm just wondering, and I understand and that makes total sense longer term, I was just wondering whether near term those deals, the margin on the commercial deals is not any different than your defense deals? Just because they’re first deals that you're doing and you just got to be a little bit more involved to make sure everything goes right and you learn from it, such that on follow up deals you can replicate and move much faster and at a better margin.

Reggie Brothers
What you're referring to is the servicing component in any early commercial deals? Is that what you're getting at?

Ittai Kidron
Yes.

Reggie Brothers
Okay. Yeah, Jeff, do you want to talk about that?

Jeff Dyer
Sure. And sorry for that. Thanks for clarifying. We have certainly cyber capabilities, so I thought your question was focused on that area of technology. But no, to answer your question, now that I understand it and thank you. Again, we're being selective as I said, on the early customers that we're choosing to work with. There's a number of opportunities and a lot of demand, but we're being very careful because, yeah, until our roadmap fully plays out in the second half of the year as we disclosed, there's aspects of how we implement and configure and customize to each customer's unique needs that require more labor than it will in the future.

So we're trying to make sure that the customers that we select to work with early have great alignment with our product roadmap. So even though there is some services component initially, that will suppress over time as the product matures and we package it more consumable multi-tenant SaaS modern paradigm.

Ittai Kidron
Very good. Excellent, thanks, guys. Appreciate it.

Josh Kinley
And Ittai, I can actually give you a little bit more insight there on how those gross margins are maturing. As we had communicated in the past, we expect the revenue coming from these commercial sources to certainly have a higher gross margin than the government engagements, and we're seeing that already. While we're early in these engagements and we're doing the engineering, the upfront engineering and integration that Jeff was speaking to, we're already seeing gross margins at the 60% plus level. Obviously, as they become repeatable, deployable solutions across multiple customers, we'll see that move forward, but we're kind of in line with the projections that we communicated previously, which is starting out at 60% and over the coming years, we would expect it to be able to achieve--you know, considerably higher gross margins.

Ittai Kidron
Got it. Very good. Thanks, guys. I appreciate the color.

Josh Kinley
Yeah.

Reggie Brothers
Thanks.

Operator
Thank you. And just a reminder, to ask a question at this time, press star, one, on your telephone keypad. Our next question comes from Louie DiPalma with William Blair. Please go ahead.

Louie DiPalma
Reggie, Josh, and Brian, good evening.

Josh Kinley
Hey, how are you doing?

Reggie Brothers
Good evening, how are you doing?

Louie DiPalma
Doing well. Last fall you announced a partnership with Palantir. Can you discuss the co-opetition dynamic that you have with Palantir, as it seems that you are pursuing many of the same Department of Defense, data analytics prospects, and specifically the Global Force Information Management program. So can you discuss, I guess your future partnership opportunities in both the commercial and defense markets? Thanks.

Reggie Brothers
You know, thanks for the questions. Good question. Frutchey, can you take some of this, and then I want to hand over to Sam to talk more about GFIM. But first, if you could just talk in some of the general terms of how we're working with Palantir?

Brian Frutchey
Absolutely. My pleasure. And Louie, thanks for the question. So I think you've heard me speak about our partnership with Palantir in the past as a good synergistic relationship, where Palantir provides us a best-of-breed data and processing fabric, so that we can focus on our specialized AI algorithms that generate the business insights for our customers. That pairing is one that our current customer base in the government has already begun to appreciate, given that they have experience with both of our capabilities, both of our platforms.

And I believe that we will soon have some positive news to share towards that--towards some joint projects in that space. So I think the partnership is already coming to fruition, both with our BigBear team being able to package our capabilities to plug into the Palantir platform to leverage their install base, and we are starting to find joint opportunities that we are capturing in tandem as we go to markets in some of our early joint customer accounts.

Louie DiPalma
Great. And can--would it be fair to assume that most of the $20 million in commercial revenue that you are forecasting for 2022, would it be fair to assume that most of that revenue is from the space industry and your partnerships that you announced with Virgin Orbit, Terran Orbital and Redwire?

Reggie Brothers
Jeff, do you want to speak to this?

Jeff Dyer
Those are certainly great agreements. We're excited to be helping those customer relationships and it does clearly represent a nice revenue uplift as we build our foundation on the commercial side of the business. But there are many other opportunities that we're pursuing organically, inorganically, and we believe it will help us materialize in the guidance that we've set.

Louie DiPalma
Great. And for Josh, can you discuss your long-term plan to scale your gross and EBITDA margin? And how your gross margin should potentially trend higher as your data analytics revenue increases as a percentage of the revenue mix?

Josh Kinley
Yeah, absolutely. So let me start out with the gross margin. As I had pointed out, the revenue had already started to skew more towards the Analytics, with the majority coming from the Analytics segment in 2021. We expect that to continue, certainly, is that commercial revenue which we're projecting at being 10% of the total revenue in the year. Of course, that has higher gross margin. So as we see more of the Analytics work both on the government and the commercial side, we will see the gross margins expand there.

On the EBITDA side, we had to go through 2021, obviously. I broke out some of those OpEx investments and expenses we had to make in 2021. Those were all investments that I'd say we look at them in two buckets. There is the must-do's and the would-like-to-do's. The must-do investment, I mean our strategy which is to deploy this commercial capability, we had to invest in building out that SaaS base commercial technology that we can deploy out there. And--you know, so that was a must-do investment that we had to pursue.

Certainly, the go-to-market--or the public company readiness and all the expenses that come along with that, those are things that we could not defer, and we had to make those investments upfront. But--you know, a considerable amount of those, those investments are already made. We don't feel like we have substantial increase in OpEx moving forward. I mentioned the would like to do's, we could have pursued a number of different markets in the commercial space, but we're focusing our development teams on what we think are the highest award opportunities. And as Jeff pointed out, we think that manufacturing and supply chain vertical is really where we can see the earliest gains. So by focusing our development team and our investments there, those investments are largely on board already. So as the revenue ramps up, I think you'll see that EBITDA expansion that we're projecting moving forward.

Does that make sense, Louie?

Louie DiPalma
Yes, thanks, Josh. Thanks, everybody. That’s it for me.

Josh Kinley
Thank you.

Reggie Brothers
Thanks, Louie.

Operator
Thank you. There are no further questions at this time. I will turn the floor back to Dr. Reggie Brothers for closing remarks.

Reggie Brothers
Well, listen, I just want to thank everyone for joining our call. I appreciate the questions and we look forward to reporting our progress on our Q1 2022 call later this spring. Thanks, again.

Operator
Thank you. This concludes today's conference. All parties may disconnect. Have a great evening.