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Blacksky Technology, Inc. (BKSY)

Q2 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to BlackSky Technology's Second Quarter 2023 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Please note this conference call is being recorded.

I would now like to turn the call over to Aly Bonilla, BlackSky's Vice President of Investor Relations. Please go ahead, Aly.

Aly Bonilla

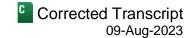
Vice President-Investor Relations, Blacksky Technology, Inc.

Good morning and thank you for joining us. Today, I'm joined by our Chief Executive Officer, Brian O'Toole; and our Chief Financial Officer, Henry Dubois. On today's call, Brian will provide some highlights on the quarter and give a strategic update on the business. Henry will then review the company's second quarter financial results and outlook for 2023. Following our prepared remarks, we will open the line for your questions.

A replay of this conference call will be available from approximately 12:30 PM Eastern Time today through August 23. Information to access the replay can be found in today's press release. Additionally, a webcast of this earnings call will be available in the Investor Relations section of our website at www.blacksky.com.

In conjunction with today's call, we have posted a quarterly earnings presentation on the Investor Relations website that you may use to follow along with our prepared remarks.

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Before we begin, let me remind you that certain statements made during today's conference call regarding our future plans, objectives and expected performance, including our financial guidance for 2023, are forward-looking statements. Actual results may differ materially as these statements are based on our current expectations as of today and are subject to risks and uncertainties, including those stated in our Form 10-K. We encourage you to review our press release, Form 10-K and other recent SEC filings for a full discussion of the risks and uncertainties that pertain to these statements and that may affect future results or the market price of our stock. BlackSky assumes no obligation to update forward-looking statements, except as may be required by applicable law.

In addition, during today's call, we will refer to certain non-GAAP financial measures, including adjusted EBITDA, adjusted imagery and software analytical services cost of sales, and cash operating expenses. A reconciliation of these non-GAAP financial measures to their most comparable GAAP measures are included in today's accompanying presentation, which can be viewed and downloaded from our Investor Relations website.

At this point, I'll turn the call over to Brian O'Toole. Brian?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thanks, Aly, and good morning, everyone. Thank you for joining us on today's call. I'm pleased to report that BlackSky delivered another strong quarter as we continue to demonstrate revenue growth, substantial operating leverage and effective cost management that has us on a path towards profitable growth.

Our progress is being driven by strong demand for our high-frequency imagery and analytics from major defense and intelligence customers around the world. BlackSky's unique dawn-to-dusk monitoring capabilities are relied upon every day to deliver critical intelligence to decision-makers and some of the world's most important events.

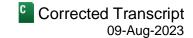
A relevant example, illustrated on slide 4, is related to the recent rebellion in Russia by the Wagner Group. In this case, BlackSky was monitoring activities related to the location of Wagner leader Prigozhin, days after the failed coup attempt. By combining our high-frequency monitoring capabilities with other data sources, we were able to capture imagery of two planes linked to the Wagner leader at a Belarus airfield outside the country's capital city. The intelligence collected by BlackSky was used by an independent third-party analyst to corroborate the findings and was featured in exclusive reporting by CNN.

Over the days leading up to this discovery, BlackSky monitored this location over 170 times, which was an essential part of capturing this critical event. Our unique time-diverse constellation allows us to do this in a way no one else can.

Another example is shown on slide 5, where our dynamic monitoring capabilities were used to reveal critical strategic activities by China associated with a rapid construction of a major naval facility in Cambodia. Here, you can see two images taken about a year apart showing the rapid construction of the Chinese military naval station off the coast of Ream, Cambodia. Although only two images are shown here, BlackSky collected over 500 high-resolution images since the first signs of construction of the pier began in June of last year.

This high-revisit imaging, combined with AI-enabled analytics, is an essential capability required for detecting and understanding important activities such as this and many others like it that are taking place all around the world. This type of critical intelligence is what governments around the world are requiring in their day-to-day mission operations and what is driving strong demand for BlackSky's current and future capabilities.

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Our unique hourly monitoring capabilities, combined with industry-leading AI-enabled analytics, is what is differentiating us in the market and is driving our success as we continue to win large contracts and expand our customer base of major US and international government customers.

Now, let's turn to slide 6 and recent highlights that reinforce the strong momentum we are continuing to build across all aspects of our business. First, we continue to deliver strong year-over-year revenue growth. Our imagery and analytics revenue grew 51% over the prior year quarter, as demand for our services continued to rise as a result of successfully winning a number of new contracts and renewal agreements with existing customers.

Second, our imagery and analytics business delivered a 97% incremental contribution margin for the first half of the year. This high-margin imagery and analytics service business contains a low-fixed cost structure that results in strong operating leverage and is the prime driver on our path to sustainable profitable growth.

Third, we won over \$35 million in new contracts and renewal agreements, primarily supporting international and US government agencies. We continue to see strong global demand for our high-frequency imagery and advanced analytics, especially as more and more countries look to secure access to our capacity in important regions around the world.

Fourth, our success in winning new contracts this year has produced over \$200 million in total year-to-date bookings, demonstrating strong customer demand for BlackSky's capabilities. We anticipate further growth in our bookings in the second half of the year, as we are actively working with several major customers on a number of sizable contracts.

Fifth, in June, we were chosen to be added to the Russell 3000 Index, making BlackSky more visible to a wider range of institutional investors.

And finally, we continue to make good progress on our very high-resolution Gen-3 satellites, announcing yesterday that we signed a launch agreement with Rocket Lab for our next five dedicated launches. This agreement secures flexible launch capacity that supports replenishment, replacement and expansion of our constellation, including the initial launch of Gen-3 satellites in 2024.

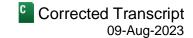
The success we've had this year in expanding our customer base, coupled with the strong market demand we are seeing for our imagery and analytics services worldwide, gives us confidence that we are well positioned to realize sustainable, profitable growth. We remain on track to achieve positive adjusted EBITDA operations in the fourth quarter, which is one of our major business objectives for this year.

I would now like to share some operational highlights from the quarter.

Turning to slide 7. We continue to see growing demand for BlackSky's unique capabilities across many international markets as the need for real-time intelligence continues to expand due to an ever-changing geopolitical and economic environment.

Looking at the global market, the conflict in Ukraine and rising tensions around the world, including the Middle East and East Asia, have increased demand from various countries seeking to secure access to our dynamic monitoring and geospatial intelligence capabilities. More and more international governments are looking to invest in space-based capabilities in support of national security and economic growth initiatives. Our focus on supporting these countries is significantly contributing to our growing book of business and includes multiyear agreements for assured capacity, which is a key driver towards strong long-term revenue growth.

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During the second quarter, we successfully closed a number of new contracts and renewals, demonstrating that demand for our products and services remains strong. Here are a few of our key wins.

First, we were awarded a \$30 million contract renewal with an international defense sector customer. We've been supporting this customer for several years and have built a strong relationship with them over time, as they now have come to rely on BlackSky in support of their day-to-day operations. This renewal agreement expands upon an existing contract with the total value of the new contract 3 times larger than the previous.

In addition, the new contract is a multiyear agreement, which is an expansion above the prior one-year term. The progression we've seen with this customer is representative of how many of our customer relationships are evolving as part of our land and expand strategy.

Traditionally, many customers start with a small pilot or study contract with the duration of less than a year. After a successful evaluation, customers typically renew and expand the agreement, increasing either the total contract value or length of the contract term or both. As these customers fully integrate BlackSky imagery and analytics into their operations, they seek to enter into multiyear, multimillion dollar contracts for assured capacity over their region of interest. This was the evolution of this customer and is the trajectory we are on with many other international government organizations, as we will highlight in other wins we achieved during the quarter.

Second, we won a two-year multimillion dollar contract with a key international customer for ground station infrastructure. This infrastructure will be installed as an extension to the BlackSky ground network, providing this customer with an additional access point and improved latency performance. This new contract demonstrates the customer's long-term commitment to secure assured access to our current and future imagery and analytic capabilities.

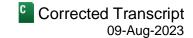
Third, we won a two-year multimillion dollar renewal agreement, supporting another Ministry of Defense customer. Through this contract, we are providing them with advanced subscription-based tactical imagery and Al-enabled analytics services. We've been working closely with this customer to meet their specific requirements and are pleased to have renewed our agreement with them.

And lastly, we were awarded a multiyear contract in support of an international non-government organization. With this contract, we are providing this important group with on-demand imagery and Al-enabled analytics to assist with their mission directives and their broader global efforts. BlackSky is supporting this multinational customer with commercial imagery as an essential element of their operation, and in particular, provides a means to openly share intelligence with their key mission partners.

During the quarter and throughout the first half of the year, we have successfully closed on many new international sales opportunities, thanks, in part, to the investments we made last year in the expansion of our international sales team. This strategy is now paying dividends as we are now growing this pipeline of business and converting these opportunities into contracts.

We continue to see strong customer demand worldwide with many customers turning to BlackSky to secure assured access to our current and future constellation under long-term subscription agreements. We're proud to support these countries and global customers and look to further capitalize on the growing international market demand.

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Moving on to slide 8, we continue to see US government demand for commercial imagery and analytics through the expansion of projects that are utilizing the capabilities of commercial space companies in support of their space-based geospatial intelligence requirements. During the quarter, we won several new and follow-on contracts with various US agencies, demonstrating the ongoing demand for BlackSky's imagery and analytic capabilities across the US government.

One of our new contract wins was with a major Department of Defense customer to provide them with on-demand imagery and related mission solutions. This annual subscription contract is the first with this customer and we're pleased to have the opportunity to support their important mission.

In addition, we were awarded two new contracts with the NRO. These contracts are focused on exploring short-wave infrared, or SWIR, imaging capabilities as well as looking at techniques to drive further reductions in latency associated with the tasking, collection and delivery of commercial imagery. We have a long track record working with the NRO and just completed a successful first year of delivering daily high volume advanced imagery under our historic [ph] tenured (00:15:11) EOCL contract. As a result of this success, we've been able to capture new contracts with this customer, as they continue to look to BlackSky to support their long-term national security and defense needs.

Also, in the second quarter, we received a number of new work orders from NGA and Department of Defense customers to extend and expand services we're already providing under existing contracts. The US government continues to be an important customer for BlackSky and we believe we are well positioned to capitalize on emerging opportunities where the government is seeking to leverage commercial space capabilities in support of our nation's long-term defense, intelligence and national security needs.

Turning to slide 9. In addition to our government business, we continue to make progress on the commercial front with some exciting new partnerships and contract wins. In May, we announced that we were selected by SynMax, a leading energy intelligence company to assist them in monitoring coal inventory at power plants. Our partnership with SynMax will create a timely and accurate energy intelligence assessment that will help support national energy transition initiatives away from fossil fuels and more towards sustainable energy resources.

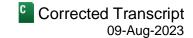
BlackSky was selected by SynMax following a competitive bid process where they chose our rapid revisit, low-latency imagery services, combined with our advanced burst imagery capabilities. Burst imagery is where our satellites focus on a single location and can take five images repeatedly over a 15-second period. The imagery collected in this manner allows for multiple view angles as well as motion tracking of objects at the location.

SynMax will use our burst imagery to generate 3D volumetric products and provide its clients with critical information on coal stockpiles for effective decision-making. We're happy to partner with an innovative industry-leader like SynMax and support them in achieving a competitive advantage using our real-time dynamic monitoring capabilities.

Last quarter, we also announced a partnership with Spire Global to create a commercially available AI-driven maritime custody service. This innovative surveillance and analytics service will utilize radio frequency emissions from ships to automatically task our satellite constellation and collect high-resolution imagery in thousands of vessels worldwide.

Our Al-enabled Spectra software will integrate these images to detect and classify the vessels, estimate cargo on board and track activity over time. Monitoring global maritime activity is becoming increasingly critical to national security to help identify illegal activities and monitor supply chain and commodity markets. In fact, we're seeing

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increased interest in market demand worldwide for maritime services and are addressing this growth opportunity through partnerships like this.

Moving on to slide 10. During the quarter, we continued to make good progress on our Gen-3 satellites, which are designed to deliver up to 35 centimeters of high-resolution imagery, and will also include a SWIR imaging capability. In preparation for the initial launch of our Gen-3 satellites, I'm happy to report that yesterday, we signed an agreement with Rocket Lab to secure a block of five dedicated launches. This agreement locks in launch capacity for the replacement, replenishment and expansion of our constellation and includes deployment of our initial Gen-3 satellites in 2024.

Securing this launch capacity will ensure resiliency of our satellite operations and provide us with the agility to deploy satellites where and when we want in order to best meet our customer needs. We've partnered with Rocket Lab on a series of successful missions and are looking forward to expanding our constellation.

In summary, we're pleased that Q2 was another strong quarter, highlighted by continuing revenue growth, improving operating leverage and the delivery of strong bookings performance during the first half of the year.

I'll now turn it over to Henry to go through the quarterly financial results in more detail. Henry?

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

Thank you, Brian, and good morning, everyone. I'm pleased with the execution we've made across many aspects of our business and with our second quarter financial results.

Beginning with slide 12. Total revenue for the second quarter of 2023 was \$19.3 million, an increase of \$4.2 million or 28% over the prior year quarter. Imagery and analytics revenue grew to \$15.3 million, a 51% increase over the prior year period, primarily driven by greater volumes of imagery delivered to customers worldwide.

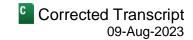
Professional and engineering services revenue was \$4 million in the second quarter of 2023 compared to \$4.9 million in the prior year quarter. The decrease of \$900,000 was primarily due to timing of some R&D programs, as a few new projects began to ramp up this year, while a few large projects from last year came to end.

Keep in mind, revenues recognized from these types of projects are largely milestone-based and can fluctuate significantly quarter-over-quarter, depending on a project's estimated cost and percentage of completion.

Turning to cost of sales, we continue to demonstrate strong operating leverage in our imagery and analytics business, as shown on slide 13. Excluding stock-based compensation, depreciation and amortization expenses, imagery and analytics cost of sales was \$7 million in the first half of 2023 compared to \$6.7 million in the first half of 2022. The small \$300,000 increase in cost of sales on a revenue growth of \$13.5 million results in a high incremental contribution margin of 97% for the first half of the year. This performance is in line with the incremental contribution margins in the prior year, and further demonstrates our consistent and strong track record of operating leverage.

We've always said that BlackSky's core business of imagery and analytics services has an inherently low marginal cost for each incremental dollar received, and these results continue to prove that point.

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I also want to point out that for the second quarter of 2023, we incurred a \$2.5 million expense to professional and engineering service cost of sales, primarily due to the accounting treatment of an R&D project that was partially customer funded for our Gen-3 satellite capabilities.

Since we generate revenue on these projects, the total costs incurred on these development efforts, and not just the portion funded by the customers, needs to be expensed rather than capitalized. This has the benefit of offsetting corporate CapEx investments with government-funded R&D, which helps our cash flows. And they also enable us to build relationships with strategic customers that can lead to long-term subscription contracts for imagery and analytics services. As a result, our portion of the development costs hit the P&L rather than the balance sheet.

Let's move to slide 14 and briefly talk about operating expenses. For this discussion, I will refer to cash operating expenses, which excludes stock-based compensation and depreciation and amortization expenses. This approach enables us to compare our year-over-year costs and run rates for the business without having the non-cash items cloud the underlying performance of the business.

For the second quarter of 2023, cash operating expenses were \$16.8 million compared to \$15.2 million in Q2 of last year. This year-over-year increase in cash operating expenses of \$1.6 million, or 10%, was primarily due to the expansion of our sales team in order to capture new opportunities in the market and to continue development on our AI software platform to further support our customers with greater analytics.

In addition, as you can see on the slide, our growth in the cash operating expenses is significantly lower than our revenue growth rate, and most importantly, a fraction of our growth rate for imagery and analytic revenues.

Turning to slide 15. For the second quarter of 2023, we reported an adjusted EBITDA loss of \$5.8 million, a 35% improvement over the \$8.8 million loss in the prior year period. The year-over-year improvement was primarily driven by strong revenue growth in our imagery and analytics services business delivered at high incremental contribution margins, significantly offsetting the small increase in cash operating expenses.

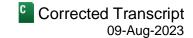
Keep in mind, this past quarter, we incurred a \$2.5 million expense to our professional and engineering service costs, as previously discussed. Without this impact, we would have reported an adjusted EBITDA loss of just \$3.3 million.

Regarding our balance sheet, we ended the second quarter of 2023 with \$59.5 million of cash, restricted cash and short-term investments. Our capital expenditures in the second quarter of 2023 were \$12.6 million and brings our total CapEx for the first half of this year to \$28.4 million. These investments are primarily to advance our Gen-3 satellite constellation and enhance our Al software capabilities. We continue to closely manage these investments and believe we have sufficient cash and liquidity for our needs for the foreseeable future.

Now let's move on to our 2023 outlook, as shown on slide 16. We continue to see strong global demand for our imagery and analytic capabilities, as evidenced by the number of new and expansion agreements we've recently won. We're highly focused on realizing profitable growth and remain on track to achieve positive adjusted EBITDA in Q4 of this year. This is a result of our expected revenue growth in our high-margin imagery and analytics business, coupled with our continued focus on managing cost responsibly.

On revenue, we are actively working with several major customers on a number of sizable new multiyear contracts. However, as is typical for deals of this nature, there is some degree of uncertainty surrounding the timing of revenues associated with these long procurement cycles.

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As this can introduce quarter-to-quarter variability, we are widening the range of our 2023 revenue outlook to be between \$84 million and \$96 million. Even at the low end of this revenue range, we expect to achieve positive adjusted EBITDA in Q4 this year.

In addition, we are maintaining our expectation for full-year 2023 capital expenditures to be between \$40 million and \$45 million as we continue to invest in building our Gen-3 satellites and further enhancing our Spectra Aldriven software.

In summary, we're pleased with our financial performance in the second quarter and the progress we've made across many aspects of our business. With that, I'll now turn it back over to Brian for some closing remarks. Brian?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thank you, Henry. In closing, we are pleased with the strong second quarter performance and the momentum we are carrying into the second half of the year. Demand for our products and services has never been higher as we continue to see an increasing number of defense and intelligence customers turn to BlackSky for their mission-critical needs.

Our unique high-frequency hourly monitoring and Al-enabled analytics is what differentiates us in the market and is becoming an essential capability for national security missions around the world. Our strategy to focus on this market is paying dividends as this increased demand has translated into a large and growing pipeline of sales opportunities, which we are successfully converting into sizable multiyear contracts with highly strategic and long-term customers.

The revenue growth from our high-margin imagery and analytics sales is demonstrating the operating leverage of our business model, and combined with prudent and responsible cost management, has us on track to achieve positive adjusted EBITDA in the fourth quarter and beyond.

While our focus is on profitable long-term growth, we continue to invest in the future and in technologies that provide the highest long-term value to meet our customers' needs. We are growing our expertise and capabilities in AI, while advancing our space architecture to include very high-resolution Gen-3 satellites, which remain on track for initial deployment next year. We look forward to the next phase of expansion of our constellation to meet the strong demand for these capabilities.

Finally, I want to thank the entire BlackSky team for their hard work and dedication, as they work every day to deliver on our commitments to customers around the world that have come to rely on BlackSky. We are all very proud to be partnered with these customers, and most importantly, that our capabilities are being used to shine a light on events that threaten the security of our country and our allies around the world.

This concludes our remarks for the call and we'll now take your questions.

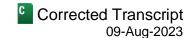
QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from the line of Jaeson Schmidt with Lake Street. Please proceed with your question. Jaeson Allen Min Schmidt Analyst, Lake Street Capital Markets LLC Hey, guys. Thanks for taking my questions. Just want to start with the updated guidance. Curious if this is more related to contracts that you guys had previously won that are getting pushed to the right or contracts that you had previously expected to close at this time that just won't start contributing until later this year? Brian E. O'Toole Chief Executive Officer & Director, Blacksky Technology, Inc. Good morning, Jaeson. Thanks for the question. It's primarily timing and it's related to both renewals and new contracts. So, as we mentioned, we're actively working with several major customers on a number of new sizable contracts, and is the case of contracts of this nature that sales cycle sometimes takes longer, especially contracts of new government customers, [ph] especially, too, (00:31:17) internationally. So this can introduce variability quarter-to-quarter. So that's why we've ultimately widened our guidance here to address for that variability. Jaeson Allen Min Schmidt Analyst, Lake Street Capital Markets LLC Okay. Understood. And then just following up on that. I mean that pipeline of contracts are in negotiations with, are those primarily with existing customers looking at expanding or new customers coming online? Brian E. O'Toole Chief Executive Officer & Director, Blacksky Technology, Inc. Combination of both. There are several expansion contracts, but also several contracts with new customers. Jaeson Allen Min Schmidt Analyst, Lake Street Capital Markets LLC Okay, great. I'll jump back in the queue. Thanks a lot, guys. Brian E. O'Toole Chief Executive Officer & Director, Blacksky Technology, Inc. Thanks, Jaeson. Operator: Our next question comes from the line of Edison Yu with Deutsche Bank. Please proceed with your question. Edison Yu Analyst, Deutsche Bank Securities, Inc.

Hey. Thanks. Good morning. I was wondering, you obviously have a lot of momentum on the booking side, can you give any sense of the cadence or the timeframe on how you would recognize some of the bigger ones, for

example, the \$30 million renewal. How does this sort of start flowing through, either this year or next?

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Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Yeah. Thanks, Edison. I think as we stated, many of these contracts are multiyear contracts and are subscription-based. And so those contracts will start to be recognized over the course of that couple year period as we deliver capacity, and in some cases, these are take-or-pay type contracts where they subscribe to our capacity and they pay on a quarterly basis to access that capacity.

Edison Yu

Analyst, Deutsche Bank Securities, Inc.

All right. And then I guess more broadly speaking, I think one of your competitors out there has been seeing a decent amount of slowdown on the commercial side. Can you maybe just talk about on the government side? Is that the case? It sounds like it's not, but just any thoughts around how you're seeing the various end markets as they compare to each other.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Yeah. We're not seeing a slowdown in our core markets. We've been – as you know, we've been primarily focused on the global defense and intelligence sector. And we're seeing that market rapidly growing and where there's clear demand for our products and services. And so, for us, this has always been our strategy and this focus is paying off, as you can see in the growth of our sales pipeline, the quality of our bookings and the growth of our customer base. So this has been our strategy all along and we're continuing to see strong demand there.

Edison Yu

Analyst, Deutsche Bank Securities, Inc.

Great. And if I could sneak one more in on the Gen-3. Obviously, great to see the Rocket lab contract. Do you have any sense of how many Gen-3 you may be contemplating for next year?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

We have – Edison, as we've said in the past, we will deploy satellites as we need to, to replace and replenish what we have on orbit, and we'll expand that over time. So we've commenced a pipeline of production of Gen-3 satellites. And as we get into next year, we'll get closer to those deployments, we'll provide an update on timing and how many.

Edison Yu

Analyst, Deutsche Bank Securities, Inc.

Great. Thank you.

Operator: Our next question comes from the line of Josh Sullivan with The Benchmark Company. Please proceed with your question.

Josh Sullivan

Analyst, The Benchmark Co. LLC

Hey. Good morning.

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Corrected Transcript 09-Aug-2023

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Good morning, Josh.

Josh Sullivan

Analyst, The Benchmark Co. LLC

As far as this contract renewals, you mentioned the \$30 million renewal, almost 3x the previous one. What does your recompete or renewal rate look like over the next 12 months?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.



Josh, I would say generally, the majority of our customers renew with us. And as I mentioned, we go through a process where they typically start with an initial pilot capability and they expand that over time. We're seeing almost no churn with the customers that we have. And in most cases, they're all expanding.

Josh Sullivan

Analyst, The Benchmark Co. LLC



And then as far as the EBITDA breakeven target, how much of that is volume or how much of that is controlled by cost at this point to get you there?

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.



Josh, this is Henry. Thanks for that question. The way we look at it is it's - I mean, we have been responsible on our cost management all along. So we're very comfortable with where we are and we are continuing to grow and hire people, but we don't do that ahead of our need. And so the way we're looking at it is we do have some revenue growth that we're expecting throughout the rest of this year. I mean, as you see with our guidance, we'll be growing in the second half, but we feel comfortable that we will be hitting that EBITDA positive in Q4.

Josh Sullivan



Analyst, The Benchmark Co. LLC

And maybe just one last one. How is the relationship with Spire evolving? What does the customer interest look like? And then, how are you sharing the value between yourself and Spire?

Brian E. O'Toole



Chief Executive Officer & Director, Blacksky Technology, Inc.

Yeah. Josh, as we mentioned, we're seeing really significant interest in maritime-related solutions worldwide, particularly in the national security sector. And in order to address that need, it's important to combine the RF type capabilities with Spire with high-frequency imaging capabilities and AI analytics that we offer through our Spectra Al software platform. So we are in the process of bringing that joint offering to market and bringing those to customers around the world.

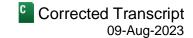
Josh Sullivan

Analyst, The Benchmark Co. LLC



Yeah. Thank you for the time.

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Operator: Our next question comes from the line of Greg Mesniaeff with WestPark Capital. Please proceed with your question.

Greg Mesniaeff

Analyst, WestPark Capital, Inc.

Yes. Thank you for taking my question. As your customers renew, can you talk about any changes or adjustments to the subscription terms that you have put into your contracts regarding episodic ordering as opposed to commitments in frequency and volume? Thanks.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thanks for the question, Greg. I think most of these larger renewals are, you can think of them as take-or-pay type agreements where they're subscribing to a certain amount of capacity on a quarterly basis and they have access to that capacity as part of their subscription. And so it gives us a very good subscription-based revenue and visibility into where and when those customers need our capacity.

Greg Mesniaeff

Analyst, WestPark Capital, Inc.

Thank you.

Operator: [Operator Instructions] Our next question comes from the line of Griffin Boss with B. Riley Securities. Please proceed with your questions.

Griffin Taylor Boss

Analyst, B. Riley Securities, Inc.

Hi. Thanks. Good morning. So back to the Gen-3 launches, just thinking back to your launch in March, that satellite entered revenue-generating operations within 18 hours, I think it was, and you mentioned you're already selling capacity for Gen-3. So when we're thinking about those future Gen-3 deployments, I understand part of this new capacity is going to replace existing capacity. But generally, would we be correct to look at these launches sort of as revenue inflection points where essentially a day after you launch, you're firing up new contracts and capabilities with customers, or is it not so much a step function?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

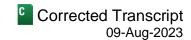
I think the way to look at it, Griffin, is initially, these Gen-3 satellites will replace existing capacity. So you'll see continued revenue growth as we've been experiencing in the last couple of years. So that'll continue. As we reach a certain level of Gen-3 capacity over the coming years, you will begin to see a step function related to certain contracts.

Griffin Taylor Boss

Analyst, B. Riley Securities, Inc.

Okay. Understood. Thanks for the color there. And then I wanted to jump back to the previous question on Spire and get clarification. What's the go-to-market strategy with this? Is this an add-on feature to the Spectra platform or sold as a separate service from both you and Spire?

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Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

It's an add-on feature to the Spectra platform and it's a capability that we're bringing to our existing and targeted customers.

Griffin Taylor Boss

Analyst, B. Riley Securities, Inc.

Great. Okay. Thanks for taking my questions. Appreciate it.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thank you.

Operator: And our next question comes from the line of Caleb Henry with Quilty Space. Please proceed with your question.

Caleb Henry

Analyst, Quilty Analytics LLC

Hey, guys. A couple of questions. I also want to kind of revisit the topic of the Gen-3. The wording on the Rocket Lab deal, it sounds like not all of the launches are for Gen-3. Just wondering if you could clarify if that means you guys have decided to launch some Gen-2 spares or even continued production of Gen-2 before moving up?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Well, the general aspect of the deal is that with Rocket Lab is we can deploy capacity and different types of satellites where and when we want to, primarily those launches are for Gen-3 capability.

Caleb Henry

Analyst, Quilty Analytics LLC

Okay. And then just a question about the current solar context. There's been a lot of solar weather that's been impacting constellation operators. We've seen this with the SkySat's and others. Is that having an impact on your current fleet operations as well as you're planning for Gen-3, just to be in an environment where the atmosphere has kind of inflated and it's having an impact on spacecraft lifetimes in low Earth orbit?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

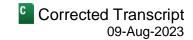
Let me just start with – our constellation is healthy and performing as expected. We designed our satellites to deal with that type of environment in space. And we've reached the point where we've incrementally deployed this constellation over the course of the last couple years and have deployed significant amount of capacity to meet our growth objectives and we're now entering a point in time where some of those satellites are reaching end of life. So you'll start seeing us replace those, as really reflected in the contract we just signed with Rocket Lab and the progress we made on Gen-3.

Caleb Henry

Analyst, Quilty Analytics LLC



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Okay. And then, can you talk about the imaging capacity that you expect that Gen-3 will have? I understand that they're slightly bigger satellites, but typically a higher resolution – sometimes high resolution comes at the expense of surface area that can be covered. So I was just wondering if you can share some color on that.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

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The satellites will have volumetric capacity similar to our Gen-2 satellites. But as you mentioned, they will have increased resolution up to 35 centimeters and also will include a short-wave IR capability.

Caleb Henry

Analyst, Quilty Analytics LLC



Okay. And then just last question, a quick one. LeoStella had announced a new larger bus the other day, I think, for the SmallSat Conference in Utah. Is that what BlackSky plans to use for Gen-3?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.



Gen-3 is utilizing a different technology, but I think what you're seeing with LeoStella as a strategic investor and JV partner in that company, that type of progress in their bus technology over time is something we can take advantage of as part of our business.

Caleb Henry

Analyst, Quilty Analytics LLC



All right. Those were all my questions. Thanks, guys.

Operator: And at this time, there are no further questions. I'll turn it back over to Aly Bonilla, BlackSky's Vice President of Investor Relations. Go ahead, Aly.

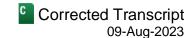
Aly Bonilla

Vice President-Investor Relations, Blacksky Technology, Inc.

Thank you. I want to thank everybody for joining us on the call today. We will be participating in several upcoming investor conferences, and we look forward to speaking to you again soon. Have a great day, everybody.

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

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