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Blacksky Technology, Inc. (BKSY)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the BlackSky Technology Q4 2024 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. [Operator Instructions] A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to Aly Bonilla, Vice President, Investor Relations. Aly, please go ahead.

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 recent activities and give a strategic update on the business. Henry will then review the company's full year financial results and outlook for 2025. 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 March 20. 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.

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 2025, 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, service 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

President, Chief Executive Officer & Director, Blacksky Technology, Inc.

Thanks, Aly, and good morning, everyone. Thank you for joining us on today's call. Beginning with slide 3, I'm happy to report that the future of real-time space-based intelligence is now here with Gen-3. On February 18, our first Gen-3 satellite was successfully launched into orbit and within five days entered into initial imaging operations.

Initial images from this advanced spacecraft are already within expected quality specifications. This significant achievement represents a profound advancement for BlackSky and our industry and marks a pivotal step forward in the evolution of our space architecture by introducing very high-resolution imaging to our high-frequency monitoring constellation.

This new class of satellite, with its 35-centimeter resolution and other features such as short wave IR imaging, improved agility and advanced communications will deliver image quality comparable to the best in the market. This exceptional image quality now enables us to deliver new AI-derived insights delivered at the speed of conflict, providing our customers with new and advanced forms of space-based intelligence.

With this major milestone behind us, we are confident that this spacecraft will deliver the level of performance required to meet the needs of a rapidly evolving market. We are now ready to move forward with a regular cadence of launches to rapidly build out and expand the Gen-3 constellation over the coming months and years. We are on track to make this new capability available to our customers shortly, adding very high-resolution imagery for best-in-class space-based intelligence. Our global customer base has been looking forward to this capability, as evidenced by the significant multi-year contracts that are already in place and new contracts that we continue to win.

Moving to slide 4. The speed of deployment and commissioning of the first satellite marks a new standard for the industry, reducing these operational timelines from months to days. This achievement is especially impressive for a new spacecraft of this caliber, which is a testament to BlackSky's technical expertise, architecture, space technology and proven flight experience. The fact that we successfully moved from launch to first image in five days even with this first vehicle demonstrates an architectural readiness, maturity and resilience that will serve

our customers with high performance and cost effective space-based intelligence solutions for years to come. The imagery that we are now producing is well within our expected performance specifications.

One of our key strengths is our software architecture and our ability to use automation to efficiently operate our constellation. This capability was instrumental and a critical factor that enabled us to already have the vehicle and fully automated operations, which sets us up to efficiently continue additional testing and complete commissioning operations over the next 30 days.

We've already begun providing sample imagery to our customers, which is ahead of our planned schedule. We will continue to improve the already exceptional imaging performance of Gen-3 as we further tune the payload and processing and ultimately lower the satellite to its final orbit.

Turning to slide 5, the imaging performance of the Gen-3 satellite is comparable to that of recently launched satellites from legacy providers. We are redefining the economics of space-based intelligence by producing our Gen-3 satellites at a fraction of the cost of traditional satellites while delivering new mission-critical insights, leveraging a proliferated constellation approach to dynamic [ph] ROE (00:14:56) monitoring and automated AI.

We believe the on-orbit costs of a Gen-3 satellite are between 10% to 15% of on-orbit costs of recently launched satellites from legacy providers. These new economics represent an efficient use of capital, while providing high-value solutions to our customers through a proliferated constellation.

With this low-cost, high performance model, we can eliminate the tradeoff between affordability and capability, allowing customers to access very high resolution, low latency data without the prohibitive expense of traditional systems. This efficiency, combined with our high frequency monitoring capability, is what's driving increased global demand for our services and giving us a significant competitive advantage in the market.

Moving to slide 6, with our first Gen-3 satellite now on orbit and into initial operations, we are on track to begin a regular cadence of launches of additional Gen-3 satellites. Our next Gen-3 satellite is currently in the final assembly, integration and testing with plans to ship the satellite for launch in Q2. As we have mentioned before, we have a full production line of Gen-3 satellites underway at our production facility in Seattle and are set to significantly expand our constellation with five additional Gen-3 satellites in 2025.

In addition, we are launching another Gen-3 satellite that is for a US government customer. We expect to enter revenue-generating operations and begin offering greater imaging resolution to our global defense and intelligence customers by midyear.

Within the next 12 months, we plan to have a fleet of at least eight Gen-3 satellites. These new satellites will integrate seamlessly into our existing constellation, global ground network and Spectra software platform, dramatically increasing our revisit rates, reducing delivery latency, enhancing our image quality and capacity, and enabling new AI-derived insights. With each new deployment, we are scaling our ability to constantly improve the value we are bringing to our customers.

Now let's move on to some recent contract wins that illustrate the ongoing demand for our imaging services as more and more customers sign long-term subscription agreements to secure our capacity now and in the future.

Turning to slide 7, I'm happy to report that we recently won a seven-year contract valued at over $100 million with an existing strategic international customer. This contract is a prime example of how our mission-critical services are becoming an essential element of national and homeland security for customers worldwide. To meet their

near-term and future needs for space-based intelligence, major customers are entering into long-term contracts to secure these services and guarantee their priority tasking rights in their region.

This new subscription agreement guarantees the customer assured priority access to our high-resolution imagery over their region of interest for the next seven years, leveraging our entire constellation of Gen-2 and Gen-3 satellites. By securing annual capacity minimums through 2032, this contract allows the customer to lock in high-cadence monitoring services today with the flexibility to adopt new advancements as their requirements evolve over time while providing BlackSky with good, long-term revenue visibility.

To secure priority access to the constellation, the contract included an upfront prepayment of $32 million. We are excited to sign this agreement and continue to build on our long-term relationship with this important customer.

Moving to slide 8, we recently announced that we won contracts totaling approximately $20 million to support India's cutting-edge earth observation space capabilities. This is a major new customer and is our initial entry into a growing market in India. These agreements include immediate subscription-based access to our Spectra real-time AI-powered imagery and analytic services, plus the delivery and support of a high-resolution satellite. Once operational, the dedicated satellite will work with our dynamic monitoring constellation to deliver mission-critical insights at industry-leading speeds. We are honored to be part of India's space development efforts and look forward to a long-term and growing partnership.

Turning to slide 9. Over the past year, we continued to make significant strides expanding our customer footprint with the US government and securing major contracts with key government agencies. One of the most notable is the strong execution we continued to demonstrate supporting the NRO under the Electro-Optical Commercial Layer or EOCL contract.

As we finished 2024, the NRO awarded us an additional extension to their subscription service to continue giving them access to our Gen-2 high-frequency imagery services through mid-2026. The contract also included some feature enhancements to the current service level agreement and interfaces to the US government systems. This extension does not include access to our Gen-3 imaging services, which we expect will be added later this year as Gen-3 capacity comes online.

Moving to slide 10. We were awarded a multi-million dollar contract extension to our TACGEO contract with the US government's Defense Innovation Unit. The TACGEO program includes a dedicated Gen-3 satellite as an advanced technology demonstrator to inform future space-based tactical intelligence, surveillance and reconnaissance or ISR capabilities. This contract extension expands on earlier government-funded R&D work and now includes the launch and management of a customer-owned Gen-3 satellite. This contract complements our recent announcements for customer-funded research and development projects such as the integration of OISL or optical inter-satellite links to our Gen-3 architecture.

Our portfolio of strategic R&D programs enables us to partner early with US government agencies to deliver and deploy cost effective, cutting-edge, space-based intelligence solutions for a range of defense and intelligence mission needs. We believe the economics of our satellites, combined with these advanced technology programs, are highly aligned to support the government's objectives to leverage new advanced commercial technologies under agile and fixed price acquisition models.

Turning to slide 11. We are excited to be off to a great start to 2025. We've made great strides over the past year, achieving key financial and operational milestones and are now well on our way toward our next phase of growth, building off several major recent achievements.

First, the successful launch and deployment of our first Gen-3 very high-resolution satellite marks a major technological accomplishment and a key business milestone. This next-generation satellite represents a leap forward in imaging capabilities and sets us on a path for unlocking our next phase of growth.

Second, in the past few months, we secured multi-year contracts valued at over $150 million. These recent awards demonstrate ongoing demand and underscores our expanding role delivering mission-critical capabilities, supporting customers around the world.

Third, in 2024, we achieved our first full year of positive adjusted EBITDA. This significant financial milestone underscores the strong operating leverage inherent in our business and demonstrates our ability to scale efficiently while driving towards sustained, long-term profitability.

And finally, with these major achievements, we look forward to delivering a strong year of revenues in 2025 as we forecast total revenue growth of 30% over last year. This forecast reflects the strength of our existing contracts and the continued expansion of our capabilities and service offerings.

With that, I'll now turn it over to Henry to go through the full year financial results. Henry?

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

Thank you, Brian, and good morning, everyone. In 2024, we continued to make strong progress toward our financial and strategic objectives. Before I begin, let me remind you that references to adjusted imagery and analytics software cost of sales and cash operating expenses exclude stock-based compensation, depreciation and amortization expenses, as we believe these measures represent a more accurate picture of our business without having these non-cash items obscuring the underlying performance.

With that, let's go through our full year 2024 financial results, starting with slide 13. In 2024, we generated total revenue of $102.1 million. Our imagery and software analytical services revenue grew to $70.1 million, driven by continued demand from US and international government customers. Professional and engineering services revenue increased to $32 million, driven by support provided to strategic imagery and analytics customer programs.

Turning to cost of sales, we continue to demonstrate our strong operating leverage in our imagery and analytics business, as shown on slide 14. Adjusted imagery and analytics cost of sales for the full year 2024 remained flat at $13.7 million. As such, we were able to grow our imagery and analytics revenue by nearly $5 million with minimal cost growth. This operating leverage continues to validate our compelling business model for delivering long-term profitability.

Let's move to slide 15 and talk about cash operating expenses. For full year 2024, cash operating expenses were $64.9 million compared to $63.1 million in 2023. The small year-over-year increase of $1.8 million was due primarily to the integration of LeoStella, which I will speak to on the next slide.

Our disciplined cost management approach has us continually looking at ways to further streamline our operations and drive additional efficiencies in our business. This enables us to make strategic investments in our go-to-market initiatives without necessarily impacting our adjusted EBITDA or long-term growth objectives.

Moving on to slide 16. As we announced in the fourth quarter of last year, we acquired the full ownership stake in LeoStella from our JV partner and now own 100% of the company. This was a strategic acquisition that enables us to have full control over current and future satellite manufacturing capabilities, providing better visibility into our supply chain, production processes, deployment schedules, and long-term technology roadmap. This control is important as we embark on the rapid deployment of our Gen-3 constellation with a target of having eight Gen-3 satellites on orbit by the end of the first quarter in 2026.

By bringing LeoStella in-house and vertically integrating their operations, some costs that would have been capitalized if LeoStella was still treated as a third-party manufacturer now needs to be recorded as operating expense. In the past, LeoStella's overhead expenses such as back office support, management oversight, employee fringe benefits, et cetera were paid for by LeoStella from payments made primarily by BlackSky to LeoStella against satellite production invoices. The entire invoice payment by BlackSky was capitalized on BlackSky's books. Now, however, as we incur these costs, they are no longer being capitalized and instead must be expensed.

Now turning to slide 17. Our full year 2024 adjusted EBITDA was $11.6 million compared to a loss of $1 million in 2023. This was a significant milestone for us as we achieved our first full year of positive adjusted EBITDA. It should be noted that had we continued to maintain LeoStella as a third-party manufacturer for November and December, we would have reported an adjusted EBITDA of $13.4 million for the year.

The significant year-over-year improvement of $12.6 million reported was primarily driven by a few key factors: first, continued revenue growth; second, improved margin performance; and third, responsible cost management. We're very pleased with the progress we've made in adjusted EBITDA and look forward to building on the strong performance in 2025.

Moving on to our balance sheet. We ended 2024 with $53.8 million of cash, restricted cash and short-term investments, in line with our ending cash balance in 2023. Over the next 12 months, we anticipate receiving approximately $28 million in payments as interim milestones on a few major customer contracts are met and expected to be billed. In addition, last month we received a $32 million cash prepayment related to a recent contract win, bringing our cash balance at the beginning of March to over $80 million.

Together with the vendor financing agreement in place to cover several upcoming Gen-3 launches and continued adjusted EBITDA performance, we believe we have sufficient cash and liquidity to deploy a baseline constellation of 12 Gen-3 satellites and drive to positive free cash flow.

Capital expenditures for the full year were $50.2 million, slightly below our guidance for the year, primarily due to timing of payments related to our Gen-3 satellite and launch.

Moving on to our 2025 outlook, please turn to slide 18. For 2025, we are forecasting full year revenues to be between $125 million and $142 million, representing a 30% year-over-year growth at the midpoint of our guidance range. This growth is supported by the strong momentum we saw in 2024, coupled with the recent contract wins in early 2025, which provides us with a significant backlog. As of December 31, our multi-year backlog was approximately $261 million, and the contract wins in early 2025 grow that backlog to approximately $390 million.

With continuing revenue growth, disciplined cost management and a full year inclusive of LeoStella operations, we anticipate full year adjusted EBITDA in 2025 to be between $14 million and $22 million. In addition, we expect capital expenditures for 2025 to be between $60 million to $70 million as we ramp up production and launch additional Gen-3 satellites.

In summary, we delivered a strong year of financial performance in 2024. We are proud to have achieved our first year of positive adjusted EBITDA and look forward to unlocking new revenue opportunities as our Gen-3 constellation comes online this year.

With that, I'll now turn it back over to Brian for some closing remarks. Brian?

Brian E. O'Toole

President, Chief Executive Officer & Director, Blacksky Technology, Inc.

Thank you, Henry. With our first Gen-3 satellites on orbit and exceeding customer expectations, we are excited to be charging ahead to drive our next phase of growth with a focus on three major initiatives. First, immediately commencing a cadence of Gen-3 satellite launches to build out the constellation and get this capability in the hands of our customers by midyear. Second, expanding contracts with existing customers to unlock new revenue growth. And third, aggressively going to market to capture new major customers as part of our land-and-expand strategy.

With Gen-3, BlackSky is at the forefront of a new era of space-based intelligence. Combining very high-resolution imagery with our high frequency monitoring and our industry-leading software and AI capabilities, we are bringing disruptive speed, economics and insights to customers that will deliver new and advanced mission-critical capabilities in real time. We are excited with the strong start to 2025 and look forward to an exciting year ahead.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question is coming from Jeff Van Rhee from Craig-Hallum. Your line is now live.

Daniel Hibshman

Analyst, Craig-Hallum Capital Group LLC

Q

Hey, good morning, team. This is Daniel on for Jeff. Real exciting on the Gen-3 commissioning going up live and quicker than expected. Maybe just talk through any implications of that going up faster than expected in terms of the commissioning and validation. And just anything you can expand on in terms of it exceeding expectations in quality, just in terms of that in relation to resolution or agility. Just any other color you have on that.

Brian E. O'Toole

President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. Thanks, Daniel. Good morning. Yeah, as we outlined just five days in, we were already beginning imaging operations. And from what we're seeing so far that the image quality is exceptional and exceeding customer expectations. Also, keep in mind, we're early on. We still have more work to do in terms of tuning the payload, the processing of the system. And the satellite actually will be lowered into its operational objective altitude, which will further improve imaging resolution over the course of the next weeks and months.

The vehicle has performed exceptionally well. The agility is great. That means it's going to be an exceptional collector for our customers. And I think, Daniel, this is really a testament to a very mature architecture that we

have. And we're – because of the significant achievements we've already been able to meet on this timeline, we are moving ahead our next Gen-2 – our Gen-3 satellite is final phases of testing, and we'll expect to launch that in the second quarter. So everything's looking great and we're moving full speed ahead.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Q

Yeah, yeah. Actually, that's a great segue, Brian, to what I was going to ask next is just in terms of the presumably an acceleration and launch cadence with that validation. With the $60 million to $70 million in CapEx, should we interpret that as that was sort of the plan all along? Or is that really sort of stomping on the gas here with the validation that it's working, that's sort of an acceleration in getting the constellation up as opposed to previously planned?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, that was the plan all along. Obviously, we were – we wanted to be a little conservative with the first one. But as I've mentioned, we've got a full line of these in production and we've lined up launches through our vendor financing elements of this. But this level of CapEx for this year was our plan all along. Henry, I don't know if you want to add to that.

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.

A

Yeah. Daniel, as you know, we've always been saying, we're going to get to six by the end of this year. We are pulling to – a little bit faster into this first quarter of next year, which does have some CapEx this year. But it's all generally part of our plan.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Q

Okay. That's helpful. And then just one last question on the Gen-3 in terms of you mentioned optical interlinks. I think I had been – and just maybe clarify, are you ultimately pursuing optical or radio interlinks for Gen-3? And then I take it that neither this functionality is on Gen-3 now, but that's in the roadmap for the coming ones?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. The current Gen-3 has – already has some communication capabilities for on-orbit. It does not currently have optical. We are – as we've mentioned in prior calls, being funded under a number of R&D programs to explore that type of capability, and that type of communication capability will likely be integrated into a future tranche of Gen-3 satellites.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Q

Okay. And then just the last question for me, just on jumping back to Luno A, is there any sense at this point of how that will ramp in terms of the task orders that you're starting to see come through? Or is it still too early to gauge the magnitude of that?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

It's still a little early. We are encouraged we're starting to see task orders move through the system. So it is a new program. So sometimes they – those new programs take a few – a little bit of time to ramp up. But we're starting to see some movement.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Q

Thanks and congrats on the launch, guys.

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Thanks, Daniel.

Operator: Thank you. Next question is coming from Greg Burns from Sidoti & Company. Your line is now live.

Gregory Burns
Analyst, Sidoti & Co. LLC

Q

Morning. When we look at the mix of revenue this quarter, the imagery piece is a little bit lighter than we were expecting. And on the, I guess, flip side, the professional and engineering services was higher. Why – what was holding back imagery revenue growth this quarter, and when we look into the guidance for next year, what does that consider in terms of the mix of revenue and that 30% revenue growth?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, thank you, Greg. It's a good question. I think the largest impact to imagery and analytics last year was the transition of the NGA EIM contract into Luno. We had been performing extremely well in the years prior to that and driving revenue growth through that contract. The transition to Luno took longer than expected, and that transition from EIM had a slight impact. That's the largest impact to that line last year.

Gregory Burns
Analyst, Sidoti & Co. LLC

Q

And in terms of the guidance, what – how should we think about – what is the mix of revenue that you're expecting next year? Like what are the growth rates you're looking for on imagery versus engineering?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, I think just as a reminder, some of these engineering projects tend to have quarter-to-quarter variability. So, you've seen that consistently over the last couple of years. We still have a very strong amount of revenue coming from that professional services line. I think as you see Luno ramping in the first half of year and we start delivering Gen-3 capacity, you'll start to see – we expect to see the improving performance in that part of our business.

It's also important to point out that those professional and engineering – professional engineering services are tied to our imagery and analytics customers, so – which have subscription agreements. So these things are linked and early professional engineering activities generally tend to be driving towards later imagery analytics revenues, and these are long-term, very sticky contracts.

Gregory Burns
Analyst, Sidoti & Co. LLC

Q

Yeah. Thank you.

Operator: Thank you. Next question is coming from Josh Sullivan from The Benchmark Company. Your line is now live.

Josh Sullivan
Analyst, The Benchmark Co. LLC

Q

Hey, good morning.

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Morning, Josh.

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.

A

Morning, Josh.

Josh Sullivan
Analyst, The Benchmark Co. LLC

Q

As far as the LeoStella overhead impact, just how do we think of that margin impact long term or maybe what should the ramp look like over the next two years as that's absorbed?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, I think, Josh, I'll throw it over to Henry, but the – we've really only been operating that company now for a few months. We expect to gain some operational efficiencies there over time as well as continued improvement in our overall cost and economics related to our satellites. And so it was a very strategic acquisition in the sense that we now have control over the entire operation and high visibility into supply chain. And also, as importantly, is the technology roadmap that's driving our future space capability.

So net-net, you're seeing some near-term impacts as we absorb expenses. But long term, this was a really good move. So I don't know, Henry, you want to add any more color?

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.

A

Yeah, just kind of getting to the specifics, Josh, as you kind of map it out, as I said in the remarks, the primary difference in the growth and expenses in 2024 versus 2023 of about $1.8 million related to the integration of LeoStella in the last two months of the year. Those are costs that are actually, had we not integrated them, we probably would have – they would have been categorized as more CapEx because LeoStella would have incurred those costs, but they would have recouped those costs in the invoices they sent to us. So we've got a little bit of a geography difference on the financial statements going from OpEx to CapEx.

Now, with that said, as we go through the full integration, we do expect to be able to kind of optimize our operations and streamline and kind of bring those things back in line so we end up do getting some real synergistic savings in here as well as the obvious – obviously, the strategic benefits that Brian was just mentioning.

Josh Sullivan
Analyst, The Benchmark Co. LLC

Q

Got it. Okay. And then maybe just switching over to kind of some headlines just around intelligence sharing. Does that impact any contracts in your view?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

We're not seeing that. I think we're just seeing growing demand both in the US and internationally. As a reminder, we – these are long-term subscription contracts, which reflects the needs for our customers to have access to our capability on a daily basis. And so that's the nature of this industry. And this is an exciting time for us. And we're seeing that demand reflected in the large number of contracts, these multiyear agreements and the continued expansion with these important customers.

Josh Sullivan
Analyst, The Benchmark Co. LLC

Q

Got it. And maybe I'll just ask it a different way. Are you seeing any difference in contracting since the new administration has come in in January? Obviously, more an emphasis on commercial-based models. Just curious what you've seen since January in the market?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Well, it's pretty early. I think we've secured a lot of long-term contracts, which has us in a great position. We are very excited in that BlackSky is really ideally suited for where the government wants to go long term, and that's leveraging cost effective solutions that are delivering significant value, leveraging technology and other capabilities. And we are really well positioned to capitalize on that as that moves out over time.

Josh Sullivan
Analyst, The Benchmark Co. LLC

Q

Got it. Thank you for the time.

Operator: Thank you. Next question today is coming from Chris Quilty from Quilty Space. Your line is now live.

Chris Quilty
Analyst, Quilty Analytics LLC

Q

Thank you. So, Brian, I guess, first, you were right, I was wrong. Five days is impressive. So congratulations. Henry, I know the guidance...

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Thanks, Chris.

Chris Quilty
Analyst, Quilty Analytics LLC

Q

I know. Your guidance for next year obviously implies whatever step up you may be seeing from the EOCL contract as you bring more Gen-3 online. But can you remind us, like is that contract – and I know we don't know the details of it, but as we model out, is it – do the revenues step up associated with Gen-3 sort of accrue on a satellite-by-satellite basis, i.e., there's a nice steady ramp in the revenues with that? Or are there sort of stair steps built into it that trigger large step-ups? And I'm just trying to figure out the revenue progression as I look out into 2025 and then how that progresses out into 2026. Like by the end of 2025...

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, Chris, maybe...

Chris Quilty
Analyst, Quilty Analytics LLC

Q

...how much of the contract value might we have – step up value might we have captured?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, thank you, Chris. It's Brian. So I think there's a couple of things. We've talked about this in the past that we are selling our services under a service level agreement for the entire constellation, so it's not on a satellite-by-satellite basis. And then the way the contract is structured, think of it as a set of layered subscription services. And so right now, we have a base subscription with the US government that, as we announced, just got renewed out into 2026 for Gen-2. That's going to continue through 2026.

The government can award us additional subscription packages that are already in the contract, that layer on top of that. And so that's where you begin to see a step up as those additional layered services come online. And as we bring – as we mentioned, as we bring Gen-3 capacity online, we are expecting to see that – a step up of additional packages later this year.

Chris Quilty
Analyst, Quilty Analytics LLC

Q

Great. I have to ask the question. I mean, with the DOGE cuts going around and you've got some at least exposure on the NASA side, where do you think you might have any exposure from – or your customers might have exposure?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Right now from a regulatory perspective, we have everything we need. Obviously, it's a fluid situation, so we're monitoring that very carefully as normal course.

Chris Quilty
Analyst, Quilty Analytics LLC

Q

Got you. And I guess final question, just on the margin profile, looking at 2025, obviously, there's an assumption of both costs rolling off or rolling out of CapEx into OpEx as satellites are brought on online. But are there any other large step-ups in costs we should model for 2025?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.
A

No, Chris, we've been consistently holding our costs fairly flat as a relative to our revenue growth. And so you can expect that going forward this year and next as we move forward. So we're just at this point going to continue against that model and the operating leverage we have and driving higher revenues and delivering that to the bottom line through increased EBITDA performance.

Chris Quilty
Analyst, Quilty Analytics LLC
Q

Great. And thanks for the higher granularity on the launch plans. That's helpful for modeling purposes. Appreciate it.

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.
A

Yeah, thank you, Chris.

Operator: Thank you. Next question today is coming from Edison Yu from Deutsche Bank. Your line is now live.

Edison Yu
Analyst, Deutsche Bank Securities, Inc.
Q

Hey, good morning. Thanks for taking our questions. Just first on the growth, 30% for 2025. Obviously, a acceleration. Any way to dimension how much of that is new contracts versus existing?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.
A

Edison, good morning. Thanks for the question. Yeah, a lot of the growth this year is coming from expansion of existing contracts. We are expecting to begin to ramp new customers later in the year as Gen-3 comes online. But if you think about our recent contract wins, winning Luno is yet to really ramp. We built significant backlog last year and over the course of the last few months, which, there's well over $100 million in backlog. So that gives us very strong visibility into this – the growth we're forecasting for 2025.

Edison Yu
Analyst, Deutsche Bank Securities, Inc.
Q

Understood. And then separately on the capital needs, if I kind of do some rough math on, I guess, the liquidity and some of these payments, you're getting to maybe over $110 million. Do we need to raise any more money to ensure some type of cushion going forward on Gen-3?

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.
A

Edison, this is Henry. As we said in the remarks, when you take a look at the liquidity we have available to us, the cash on the balance sheet and as I said, as of early March, it was over $80 million. The financing we have from a – for some of our launches from our vendor and also from the assets we collect – expect to collect and in addition to that positive adjusted EBITDA performance, we believe we've got sufficient liquidity to get to our baseline constellation of 12 satellites. So I think we're in pretty good shape right now. I believe we're able to execute against our plan with what we have. We can always be opportunistic. But I mean, I think we're in a good shape.

Edison Yu
Analyst, Deutsche Bank Securities, Inc.

Q

Got it. And just one long-term one. As you think about Gen-3 seems to be coming on a bit faster, do we have any sort of confidence or do we have maybe line of sight into maybe the phasing of how fast we can recognize the contribution from Gen-3?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Well, I think we're seeing a significant demand, Edison. And so it's kind of reflected in what you're seeing with these long-term contracts with EOCL, the international agreement we just signed. Remember, we signed a very large international agreement last year or the year before, which is worth north of $150 million. So, I think we're excited that as we add more and more of those customers over time, we're going to begin to increase that backlog, those multi-year agreements. And a lot of that future growth is ready to be unlocked as we get these Gen-3 satellites online.

Edison Yu
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you.

Operator: Thank you. Next question is coming from Jaeson Schmidt from Lake Street Capital Markets. Your line is now live.

Jaeson Allen Min Schmidt
Analyst, Lake Street Capital Markets LLC

Q

Hey, guys. Thanks for taking my questions. Just curious, yeah, with Gen-3 contracts, if you're seeing sort of a price lift or lift in overall contract size that you had expected to see kind of with this new capacity.

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, I think the growth we're seeing is in line with what we expected. This is a significant new capability when you're combining very high resolution with high frequency and low latency delivered – delivering of AI-enabled insights. This is exactly what the market is looking for right now as real-time intelligence is critical. And so this new capability is very significant to our customers, and we're seeing them sign up for long-term agreements to ensure they have access to it for years to come.

Jaeson Allen Min Schmidt
Analyst, Lake Street Capital Markets LLC

Q

Okay. And then just as a follow-up along what you just said, are most of your conversations today with customers for Gen-3 capacity, or do you still have a lot where Gen-2 capabilities are good enough?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Oh, Gen-2 is – obviously, we've seen our growth from Gen-2 over the last couple of years. And so there is significant value in Gen-2, and they're continuing to buy that. That's reflected in the US government's extension of our EOCL contract into 2026 for that capability. The high frequency, low latency that we can offer through that

constellation is an extremely important capability. And so we're seeing customers continue to buy that, but they're also excited about what happens when Gen-3 gets integrated over time.

Jaeson Allen Min Schmidt
Analyst, Lake Street Capital Markets LLC

Q

Understood. And then just a final question, then I'll jump back into queue. Going back to one of the previous questions on kind of professional services and sort of that big jump in Q4. When we start to think about 2025, do you expect professional services revenue to be up from 2024?

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.

A

Jaeson, this is Henry. In Q4 of 2024, we had the delivery of a feature set, if you will, that's going to enable one of our subscription customers to utilize their imagery more effectively as they go forward. So that actually highly supported a long-term customer base there. So I mean, that's the reason why we had that is for some work that we had been doing and been able to leverage.

As we go forward, we've always said that we would expect to maintain some professional services and engineering services because that helps us get the long-term subscription contracts, and we would expect to be able to have some growth and – a little bit of growth in that as well. We would expect that imagery and analytics will grow faster in the long term, but in 2025, we're going to kind of maintain a mix here.

Jaeson Allen Min Schmidt
Analyst, Lake Street Capital Markets LLC

Q

All right. Perfect. Thanks a lot, guys.

Operator: Thank you. Next question today is coming from Tim Horan from Oppenheimer. Your line is now live.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Q

Hey, guys. So how much more can the imagery improve from where it's at now and in the orbit? And can you just update us how much faster you're delivering the images now? And maybe just on the AI front, are you seeing major improvements in your ability to analyze these images?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, Tim, as I mentioned, it's pretty amazing that within five days, we're producing images of this quality. We will continue to tune the payload and the processing over the coming weeks. And as – we will lower this a little further to improve the resolution. So it's already exceptional and it will just get better from here.

As I also outlined in my remarks that the Gen-3 satellites integrate seamlessly into our existing ground and software capabilities. So the speed of delivery, latency and the exceptional customer experience, we begin to deliver right out of the box. So we're in great shape there.

And then the AI capabilities, as we're just still early in evaluating these images, we are working the AI element in parallel. And as we expected, the value we're going to be able to pull out of these images at this resolution

combined with our AI capabilities is going to be a really important capability for our customers. So we're really excited for what we're seeing already there.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Q

And if the demand is there, will you go beyond 12 satellites? Potentially, how many can you go longer term? And are you starting to work on generation 4 satellites at this point?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, I think we've – Tim, our model is we would expand the constellation over time as the market demand meets. We've always been targeting about an hourly revisit frequency capability. And so that's dictated the size of this constellation. But as customer demand increases, that's a great part of our model is that we can add incremental capacity as we need it without having to overbuild. So we're excited about that. And of course, we are a space technology company, so we are [ph] continually (00:59:38) always investing and looking ahead in software, AI and our space capabilities.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Q

And just, Henry, just two financial questions for you. So what do you expect the LeoStella impact to be for 2025? Sorry, I got lost there with the numbers a little bit. And then can you give us a sense of how revenue paces throughout the year? What – or I guess, what should we be kind of expecting in the first half versus second half?

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.

A

Sure, Tim. I mean, regarding LeoStella, as I've said, in 2024, we had about a 1.4 – I'm sorry, about $1.8 million increase in costs over 2023, primarily driven by the integration. And that is a movement from a kind of – what would have been in CapEx to what is now in OpEx because of the ownership structure. That was for the time period, around the November, December time period. We would expect over time that we'd be able to kind of continue to kind of get efficiencies out of that and hopefully bring that in line so we don't have as big a hit as we become more efficient. But the strategic nature, it also is quite important to us.

But again, from a cash perspective, it's more of a geography place as to where it shows up in our financial statements as opposed to an impact on cash. So that's kind of on that one.

On kind of the revenue ramp, yes, we would expect imagery and analytics to ramp more in the second half of the year as we get more Gen-3s up. This first Gen-3 one is – first Gen-3 is great and kind of shows the capabilities. But when we – we need to be able to get to kind of a minimum viable offering with about four [indiscernible] (01:01:15) satellites which would be expect to start sometime in the second half of the year – early second half of the year. And so that's – would – we expect to see that ramping then.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Q

Thank you.

Operator: Thank you. Next question today is coming from Scott Buck from H.C. Wainwright. Your line is now live.

Scott Buck
Analyst, H. C. Wainwright & Co. LLC

Q

Hi. Good morning, guys. Thanks for the time. Brian, I guess a bit of a follow-up on one of the earlier questions. As some of your customers lock in this longer-term capacity, do you have the ability to start raising prices on those that are a little longer to wait or do you go straight to trying to build out more capacity?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Well, I think, Scott, the way we're seeing it is we're able to deliver – Gen-3 delivers a lot more value to customers with the improved resolution. Also, keep in mind, there's a short-wave IR capability. So this enables us to grow our accounts over time. The economics are compelling, but also are in line with our business model. So where we're excited is our ability to deliver higher value services cost effectively to customers that are interested in long-term engagements.

Scott Buck
Analyst, H. C. Wainwright & Co. LLC

Q

Okay. That's helpful. And then just my second one in terms of CapEx and satellite – or Gen-3 satellite production, any risk that potential tariff talk could increase the CapEx requirements? I mean, are you sourcing from any – anywhere outside the US?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

We don't. We understand our bill of materials on these satellites. We have long lead capability already in place, and so we're not seeing that there will be an impact.

Scott Buck
Analyst, H. C. Wainwright & Co. LLC

Q

Okay. That's it for me, guys. Thanks a lot.

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Thanks, Scott.

Operator: Thank you. Next question is coming from Dave Storms from Stonegate. Your line is now live.

Dave Storms
Analyst, Stonegate Capital Markets, Inc

Q

Morning and thank you for taking my questions. Just wanted to start with the impressive backlog increase. Would we expect to see a rapid burn of that backlog once you hit any early Gen-3 milestones? Is there a critical mass that we should have in mind of satellites up or maybe start burning that backlog?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

I don't – we're not seeing that there will be a critical mass of satellites that drive a significant step up. But maybe I think I'll throw it over to Henry because there's a – there is a positive implication relative to some of the unbilled aspects of our balance sheet.

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.
A

Yes, sure. Dave, when you take a look at our backlog, with the – what we had at year end and with the contracts that we just were awarded here in the first two months of this year, our backlog would stand at around $390 million in total. Of that $390 million, about $100 million of that would be expected to be realized here in 2025. So that gives us a pretty good base to be working off of. And then the rest of that backlog will go out in 2026, 2027, et cetera. So we're feeling pretty good about where that is and how that ramps up. And the revenue recognition I was mentioning is based on kind of where we expect to be on terms of a satellite deployment.

Dave Storms
Analyst, Stonegate Capital Markets, Inc
Q

Understood. That's great color. Thank you. And then just one more for me. With the contracts you're bidding on with your Gen-3 satellites, do – aside from pricing, do they have any favorable milestones or terms that you can request compared to some of the Gen-2 satellites contracts?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.
A

Well, I think the – well, I think first off, we are seeing customers wanting to lock in long term. The $100 million contract we just won reflects that. Our customers are also willing to sign up for guaranteed annual minimums related to that. And then in that case, particularly in regions of high demand, you saw under that contract customers willing to pay upfront to secure their priority rights, tasking rights in those regions. So I think what you're seeing reflects the demand for Gen-3 and the interest of customers signing up for that long term.

I'll also say, we view relationships that we have with these customers as part of a long-term relationship and things that we're doing in places like Indonesia and now India tied to hybrid solutions is a very exciting opportunity for us. And so we – the way to think about this is we are aligned with these customers for a very long journey to grow their – grow and accelerate their space-based intelligence capabilities over time.

Dave Storms
Analyst, Stonegate Capital Markets, Inc
Q

So thank you and good luck in 2025.

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.
A

Thank you.

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.
A

Thanks.

Operator: Thank you. Our final question today is coming from Austin Moeller from Canaccord. Your line is now live.

Austin Moeller
Analyst, Canaccord Genuity LLC

Q

Hi. Good morning, Brian and Henry. So just my first question here. If we were to compare and contrast the LeoStella acquisition and integration to Maxar's acquisition of SSL, would you consider the key differences there to be you're primarily building your own satellites at cost, and the satellites will be much complex – much less complex and time consuming to build, kind of similar to Spire's vertical integration?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, I think the way we look at LeoStella is it's not an acquisition to get into the hardware business. Gen-3, as you can see, is a strategic capability and having the ability to control cost, drive efficiencies and produce those at scale is really the main driver behind that. We did not acquire that business to go in – into the lower margin hardware business. This is about driving high-margin imagery and analytic services through a disruptive space capability that we're seeing in Gen-3.

Austin Moeller
Analyst, Canaccord Genuity LLC

Q

Great. And just a follow-up. If we think about what you might do for Gen-4, do you have any thoughts on very low earth orbit satellites and sort of the puts and takes of that in terms of how long the satellites are able to last versus the performance?

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

That's a good – it's a good question. I'll say a couple of things. I think we have a lot of experience in kind of where you want to ideally operate up there. And you're seeing that reflected in Gen-3 when you balance performance versus risk. We are continuing to invest and look at where we're going in the future. But right now, we got the first satellite up. We're going to focus on getting more and getting that into service.

Austin Moeller
Analyst, Canaccord Genuity LLC

Q

Excellent. Thanks for the details.

Brian E. O'Toole
President, Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, thank you.

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.

A

Great.

Operator: Thank you. We reached the end of our question-and-answer session. And ladies and gentlemen, that does conclude today's BlackSky Technology Q4 2024 earnings conference call webcast. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today.