

08-Nov-2023

# Blacksky Technology, Inc. (BKSY)

Q3 2023 Earnings Call

## CORPORATE PARTICIPANTS

**Aly Bonilla**

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**Henry E. Dubois**

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## OTHER PARTICIPANTS

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**Jeff van Rhee**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen, and welcome to BlackSky Technology's Third 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.

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**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 third 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 November 22. 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](http://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 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?

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**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 with record revenues, continued expansion of our customer base and nearly breakeven adjusted EBITDA. We continue to see growing demand from government agencies around the world for BlackSky's space-based intelligence capabilities and are capitalizing on this opportunity by successfully converting our increasing sales pipeline into new and expanded contracts. The combination of our growing customer base, effective cost management and the strong operating leverage of our business has us on a clear path toward long term profitable growth.

Before I begin, I want to take a moment to express our empathy for those affected by the crisis in Israel and Gaza. This is a very difficult time for many, and our hearts go out to the people who have lost loved ones and are living through this horrific conflict. From the conflict in the Middle East to this week's earthquake in Nepal or the ongoing war in Ukraine, space-based intelligence is playing a critical role in supporting humanitarian, economic and national security interests, both here and abroad.

Whether it's the delivery of humanitarian aid, providing transparency to crisis events or protecting the homeland, BlackSky is proud to be supporting our customers by reliably delivering thousands of images and analytic products every day on critical events all over the world. The demand for BlackSky's high-frequency imagery and AI-driven analytics continues to accelerate as defense and national security organizations worldwide seek to expand their capabilities and secure our capacity to meet their long term mission needs.

Now let's turn to slide 5 and our recent highlights, which continues to demonstrate strong quarter-over-quarter operating performance and growing customer demand for BlackSky's products and services. First, we achieved record third quarter revenue of over \$21 million, a 26% increase over the prior year quarter. Demand for our products and services remained strong as we continue to meet our customer commitments through focused execution and reliable delivery of our space-based capabilities.

Second, we signed new contracts and renewal agreements with multiple US and international government agencies valued at up to \$20 million. These contract wins demonstrate how BlackSky is increasingly relied upon by some of the most demanding customers around the world and brings our year-to-date contract bookings to over \$220 million.

Third, for the first nine months of the year, our imagery and analytics revenue grew \$15 million or 48% compared to the same period in 2022. This revenue increase delivered an incremental contribution margin of 98% and further illustrates the strong operating leverage of our business. This is a key driver in scaling our business to profitability.

Fourth, as a result of strong operating leverage and continued focus on responsible cost management, we reported nearly breakeven adjusted EBITDA in Q3. This quarter's performance keeps us on track toward achieving our goal of positive adjusted EBITDA in the fourth quarter.

And finally, we're honored to have been named to the 2023 Deloitte Technology Fast 500 list, joining many other fast growing companies.

These highlights demonstrate strong, focused execution and the ongoing momentum we are experiencing across all aspects of our business. We continue to see increasing interest from government agencies worldwide looking to secure access to our high-frequency satellite imagery and AI-driven analytics. This growing market demand puts us in a strong position to capitalize on new sales opportunities and realize sustainable profitable growth. I would now like to share some operational highlights from the quarter.

Turning to slide 6, global demand for our products and services continues to remain strong, as many governments around the world are increasing their investments in space-based intelligence in support of their country's critical national security and economic interests. We're seeing more international governments engaging with BlackSky to secure immediate and long term access to our high-frequency imaging and analytic capabilities. One example is a multi-year master services agreement we recently signed for a new International Ministry of Defense customer. This contract, valued up to \$8 million, provides the customer with on-demand and assured access to a high-frequency imagery and analytic services. Through our Spectra software platform, customer end users will be able to directly task our satellite constellation to monitor critical areas of interest that matter most to them. This contract also enables the customer to access capacity from our upcoming Gen-3 constellation, once these new advanced satellites come online. We are proud to add this customer to our growing customer base supporting major defense and intelligence organizations around the globe. Also, during the quarter, we expanded a contract with an existing international defense customer for increased assured access to BlackSky's imaging capacity. In a supply constrained environment, governments are seeking multi-year agreements in order to secure capacity over their critical regions of interest. This contract also includes the development of a next generation architecture to support their long term tactical needs.

Moving on to slide 7, we continue to see strong demand for BlackSky's products and services from the US government. US intelligence agencies as well as Department of Defense customers continue to expand their interest in leveraging commercial space capabilities for a variety of existing and emerging mission applications.

During the quarter, we expanded some of our major existing contracts and closed on a number of new contracts. First, we were awarded over \$9 million in contract expansions with existing US government agencies for our advanced imagery and analytic services. We're pleased that many government agencies continue to rely on BlackSky for our space-based capabilities, and we look forward to continuing to build our relationships with them.

Second, we won a contract with the US Air Force Research Laboratory funded by the US Space Development Agency, to provide an automated target recognition service to track mobile assets in real-time. This contract will leverage our proprietary AI capability to fuse together multiple satellite data sources such as radiofrequency and electro-optical sensor data to track and maintain custody of moving vehicles. This project will demonstrate secure dissemination of actionable intelligence to remote devices and analysts worldwide. This is another example of

some of the advanced capabilities BlackSky is developing to support Department of Defense requirements for space-based intelligence.

Turning to slide 8, a major achievement during the quarter was the successful integration of our high-frequency imagery services with the NRO's commercial imagery architecture. The US government has been designing and building a commercial imagery and data architecture to streamline the ordering and receipt of products. This capability enables commercial providers like BlackSky to integrate and scale the delivery of imagery via a series of APIs and enterprise interfaces to government end users. BlackSky has been working with the NRO on the integration into this architecture since the beginning of the EOCL contract. In Q3, we successfully completed the Initial Operating Capability or IOC milestone required under the contract. BlackSky is the first commercial imagery company to successfully integrate and validate performance of this architecture. This was an important milestone as it further improves access and utilization of BlackSky's imagery within the US government. As evidenced by some of the key wins this quarter, BlackSky continues to win new advanced R&D programs to support emerging mission requirements.

Slide 9 shows some of our capabilities supporting recent contract awards. For example, earlier this year, we released our multi-frame burst imagery capability, which takes multiple images in succession to achieve a near video collection. This burst capability can be used by our AI algorithms to identify moving targets and create 3D models. Another example is the AI platform that we developed as part of the government's IARPA SMART program, which uses AI to provide broad area search capability and analytics on over 35 million square kilometers of imagery.

In anticipation of the US government's growing requirements for space situational awareness, we've been able to demonstrate the use of our satellites to capture non-earth images of objects in space, showing the versatility of our satellite constellation.

Customers have also taken advantage of our advanced AI enabled site monitoring capabilities, which provide automated detection and classification of objects of interest, such as airports, ports and ships around the world. Through the combination of our AI enabled analytics with our high performance constellation, we are able to rapidly develop and deliver innovative next generation technology solutions that can be instrumental in our customers' ability to leverage space-based intelligence.

Turning to slide 10, I'm happy to report that our Gen-3 satellite program remains on track for launch in 2024. We are now receiving critical and long-lead components and are moving into the assembly and integration of the first units. We are also scaling our satellite manufacturing production line and we'll provide more details on specific timing of the program as we progress in 2024.

In summary, we're pleased with the record revenues achieved in Q3, demonstrating the strong customer demand in the market and the ongoing momentum in winning new contracts and renewal agreements that position us for continued revenue growth.

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 progress we've made across many aspects of our business and especially with our third quarter financial results. Beginning on slide 12, total revenue for the third quarter of 2023 was \$21.3 million, a new company record. This was an increase of \$4.3 million or 26% over

the prior year quarter. Imagery and analytics revenue grew to \$15.3 million, an 11% increase over the prior year period, primarily driven by greater volumes of imagery delivered to new and existing customers worldwide.

Professional and engineering services revenue was \$6 million in the third quarter of 2023, compared to \$3.2 million in the prior year quarter. The increase of \$2.8 million was primarily driven by higher professional service fees from the ramp up of new customer programs won this year. As you may recall, we won a \$150-plus million contract with an International Ministry of Defense customer in Q1 of this year. The initial development work on this contract is contributing to the increased revenues and includes professional fees to set up and integrate these services prior to when the multi-year subscription part of the contract begins.

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 for the first nine months of 2023 was \$10.4 million, a \$300,000 increase or 3% increase compared to \$10.1 million in the same period of 2022. If we look at the same nine-month periods for our imagery and analytics revenue, we grew revenues this year to \$46.4 million, compared to \$31.2 million last year, an increase of \$15.2 million or 48% year-over-year.

When comparing the \$300,000 increase in cost of sales to the \$15.2 million increase in revenue, the resulting incremental margin on this revenue was 98% for the first nine months of this year, further validating our strong operating leverage in our core imagery and analytics services business. This is a key factor driving our adjusted EBITDA improvement and how we anticipate scaling our business efficiently and achieving profitability.

Let's move to slide 14 and 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 more effectively compare our year-over-year costs for the business without the impact from non-cash items.

For the third quarter of 2023, cash operating expenses were \$15.4 million, compared to \$16.1 million in Q3 of last year. The year-over-year decrease in cash operating expenses of \$700,000 or 4% was primarily driven by reductions in general corporate costs, including insurance premiums, rent expense and professional fees that more than offset investments in our go-to-market initiatives. We remain highly focused on managing our costs responsibly, which is another key factor driving our improved adjusted EBITDA performance.

Turning to slide 15, for the third quarter of 2023, we reported an adjusted EBITDA loss of roughly \$400,000 or essentially breakeven. This is a 93% year-over-year improvement over the \$6.6 million loss in the prior year period and was primarily driven by a few key factors. First, strong revenue growth driven by increased customer demand worldwide. Second, high incremental contribution margins in our imagery and analytics services business as well as higher professional services revenue with better margins from new programs this year that also contributed to increased gross profits. And third, prudent cost management. We're very pleased with the adjusted EBITDA performance in the third quarter and these results give us further confidence that we will achieve our goal of realizing positive adjusted EBITDA in Q4.

As you will note, we are also reporting a positive net income for the quarter of \$675,000. The primary driver for the positive net income was the accounting treatment of our warrant liability exposure. If you net warrant gains and losses out, our quarterly net loss in Q3 2023 was a \$3.9 million improvement over the net loss in Q3 2022.

Moving on to our balance sheet, we ended the third quarter of 2023 with \$51.5 million of cash, restricted cash and short term investments. Our capital expenditures in the third quarter of 2023 were \$7.5 million, which is down



about \$5 million from Q2 this year due to the timing of some payments on our Gen-3 satellites. As you know, the timing of our CapEx spend can be lumpy from quarter to quarter and is more milestone driven than timeline driven. This brings our total CapEx spend for the first nine months of this year to \$35.9 million. With a cash balance of over \$51 million, prudent cost management and our drive to profitable adjusted EBITDA, we believe we have sufficient cash and liquidity to meet our needs for the foreseeable future.

Now let's move on to our 2023 outlook as shown on slide 16. As I mentioned earlier, we had a strong adjusted EBITDA performance in Q3, achieving nearly breakeven as a result of our double digit revenue growth and consistent operating leverage in our business. With continuing revenue growth and the laser focus on responsible cost management, we remain on track to achieve positive adjusted EBITDA in Q4 of this year.

On revenue, there is some degree of uncertainty surrounding the timing of revenue from expected new contracts, which may include large initial deliveries. Considering this variability, we are narrowing the range of our 2023 revenue outlook to be between \$84 million and \$90 million. Even at the low end of this revenue range, we expect to achieve positive adjusted EBITDA in Q4 this year.

For capital expenditures, we are raising our expectation for 2023 spend to be between \$48 million and \$54 million. This increase is primarily related to the timing of milestone-based CapEx payments on our Gen-3 satellite constellation and launch down payments initially anticipated for 2024. In summary, we're pleased with our financial performance in the third quarter and the progress we've made across 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're pleased with our third quarter results and the strong momentum we are continuing to experience across all aspects of our business. Our focus on the global defense and intelligence market is paying dividends as we continue to capture new customers, grow existing accounts and deliver new and innovative technology solutions to support the long term needs of our customers. We are seeing a clear and growing demand for space-based intelligence, which is evidenced by a growing sales pipeline and conversion of that pipeline into sizable multi-year contract backlog. Our focused execution is delivering strong incremental revenue growth, and when coupled with responsible cost management, enables us to achieve strong operating leverage in our business. This is clearly evidenced by our adjusted EBITDA performance in the third quarter and keeps us on track to achieve positive adjusted EBITDA in Q4. At the same time, we continue to invest in expanding our AI capabilities and advancing our space architecture to deliver additional value to customers now and in the future. We look forward to a strong finish in the fourth quarter that will carry our momentum into 2024.

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

## QUESTION AND ANSWER SECTION

**Operator:** We will now begin the question-and-answer session. [Operator Instructions] And we'll take our first question from Jaeson Schmidt with Lake Street. Your line is open.

**Jaeson Allen Min Schmidt**

*Analyst, Lake Street Capital Markets LLC*

Q

Hey, guys. Thanks for taking my questions. I'm sorry if I missed it, but do you guys gave a backlog number?

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

Jaeson, this is Henry. Thank you for joining the call. We will have that in our Q. And the backlog at the end of September 30 was about \$252 million.

**Jaeson Allen Min Schmidt**

*Analyst, Lake Street Capital Markets LLC*

Q

Okay. Perfect. And I know timing is always the wildcard here, but have you seen any order cancellations?

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

No, it's just matter of timings.

**Jaeson Allen Min Schmidt**

*Analyst, Lake Street Capital Markets LLC*

Q

Got it. And then final one for me and I'll jump back into queue. The slight adjustment to the midpoint of the full year outlook, is that being driven by one or two push outs or is it just more broad-based across your customer base?

**Brian E. O'Toole**

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

A

Yeah, good morning, Jaeson. It's – as I mentioned last quarter, we had a number – we have a number of contracts that we're expecting to close and it's the timing of those contracts and then a ramp of those revenues, which is driving our slight refinement of our guidance.

**Jaeson Allen Min Schmidt**

*Analyst, Lake Street Capital Markets LLC*

Q

Okay. Understood. Thanks a lot, guys.

**Brian E. O'Toole**

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

A

Thanks, Jaeson.



**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

Thanks, Jaeson.

A

**Operator:** And we'll take our next question from Edison Yu with Deutsche Bank. Your line is open.

**Edison Yu**

*Analyst, Deutsche Bank Securities, Inc.*

Hey, thanks for taking our questions. First on the professional services margin upside, is that something that we're going to see going forward? Do you expect that to normalize? How to think about that trajectory?

Q

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

Thank you, Edison. Yeah, as you take a look at our professional services, as you may recall in the past we were doing a lot of what we were calling funded R&D work in which we were contributing as well. So we had very fairly low margins. As we move more into this integration type support for these new products before they become subscription-based services, yes, we would expect to have a higher, more commercial type margins on those.

A

**Edison Yu**

*Analyst, Deutsche Bank Securities, Inc.*

Okay. And then just high level question on the, I guess, closing of some of these big contracts. Can you maybe go over, in these discussions with the various governments, why it appears to be taking, I guess, so long? Is it simply complexity, adoption curve or something? Just a little bit more color there would be helpful.

Q

**Brian E. O'Toole**

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

Yeah, Edison, I think there is a typically longer sales cycles with government customers. And that, as you can imagine, varies around the world. And as contracts get moved through their internal processes, sometimes they can take longer. But as also you're seeing in our business, once we establish those contracts, we're seeing incremental expansion of those on a regular basis. So it's usually the initial contracts take a bit longer. But once those are in place, it gives us very good visibility looking at – looking forward.

A

**Edison Yu**

*Analyst, Deutsche Bank Securities, Inc.*

Got you. [indiscernible] (00:28:50) sneak one more in. If I look at the implied 4Q guide, even at the midpoint, it's a pretty decent growth acceleration. Do we think the fourth quarter will represent kind of a more normalized pace of growth going forward? And if so – I'm not trying to get guidance for next year, but is that something that you [indiscernible] (00:29:13) continue?

Q

**Brian E. O'Toole**

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

Well, I think Edison, as we've outlined in our revised outlook, we're expecting a very strong Q4. At the lower end of that guidance, we've secured the backlog to support that. And then we're anticipating some additional contracts that would contribute to, I'll call, non-subscription initial payments and so – but I think you'll also see that we typically have had very strong Q3 and Q3 – Q4 performance and we're delivering on that.

A

**Edison Yu**

*Analyst, Deutsche Bank Securities, Inc.*

Thank you.

Q

**Operator:** And we'll take our next question from Josh Sullivan with The Benchmark Co. Your line is open.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Hey, good morning.

Q

**Brian E. O'Toole**

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

Good morning, Josh.

A

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

Good morning, Josh.

A

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Just as far as CapEx being milestone driven, anything we should note driving the milestone push out this quarter, supply chain or anything else worth noting?

Q

**Brian E. O'Toole**

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

No, Josh. I think building and launching satellites just has typical variability as you move through that process. And that's being reflected in the timing of these milestone payments.

A

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Got it. And then on the AI project you mentioned tracking moving targets, is that a resource-heavy commitment or is that a capability where you can track a significant number of moving targets at one time?

Q

**Brian E. O'Toole**

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

It's all fully automated through AI and gets processed in our scalable cloud platform Spectra and we're able to do that as part of our real-time capability and our platform. So it scales pretty significantly across the world.

A

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Got it. And then just one – last one, just on EOCL. How has it ramped relative to your initial expectations?

Q

**Brian E. O'Toole**

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

A

It's right in line. As you'll recall, we're in year two and they originally funded two years of subscription and so we're on – right on track with expectations. The IOC milestone on integrating with the NRO's commercial imagery and data architecture was a very big milestone as that accelerates access to a much broader customer base within the US government than we were experiencing in the first part of the contract. So that program is progressing as we expected, and we're excited about this milestone. It's really important to the next phase of the program.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Great. Thank you for the time.

**Operator:** And we'll take our next question from Jeff van Rhee with Craig-Hallum. Your line is open.

**Jeff van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Great. Thanks. Again, congrats, guys, on the progress to EBITDA. Real good incremental margins here. Couple questions for me. On the subscription component of the big Ministry of Defense win, understanding there's some variability there, but when does that subscription part really start to layer in? That's my first question. And the second was, Q4 kind of back to the expected progression because to go up roughly 50% sequentially being a possibility based on what you see in the pipeline, I'm definitely curious to understand more about that. Specifically on the imagery and software line, that's been relatively flat here. And I'm just wondering how much of that possible spike in Q4 do you think could fall in that imagery and software line [indiscernible] (00:33:05) you want to give precise guidance there, but at least a sense of the magnitude of it coming on imagery and software versus professional and engineering. Thanks.

**Brian E. O'Toole**

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

A

Yeah, Jeff, I think the answer is related to both questions. We typically see in the third and fourth quarter uptick in imagery and analytics subscription revenue tied to certain contracts. So we're – to your question on our new Ministry of Defense contract or expansion of their – of that, that's driving incremental revenue from that – from imagery and analytics in the fourth quarter. And then, as Henry outlined, we're also seeing a strong contribution from professional services for some of the larger programs we won earlier in the year.

**Jeff van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Okay. Thank you.

**Operator:** And we'll take our next question from Greg Mesniaeff with WestPark Capital. Your line is open.

**Greg Mesniaeff**

*Analyst, WestPark Capital, Inc.*

Q

Yes, thank you for taking my question. When you look at some of your most recent contracts, can you comment on any changes in terms that you're seeing, any trends, in other words timelines and the kind of deliverables that customers are asking for? Thanks.

**Brian E. O'Toole**

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

A

Yeah. Good morning, Greg. Yeah, we're not seeing anything change relative to the – what the – the kind of capability that customers are interested in getting from BlackSky. The – as you recall, our high-frequency monitoring and analytic capability is unique in the market. And customers are looking to secure that capability, especially in a supply constrained market. So we have been highly focused on new customers, particularly in the international defense and intelligence sector. And those customers are buying our baseline set of services around the types of consistent pricing, which is enabling us to drive this high margin element of our business.

**Greg Mesniaeff**

*Analyst, WestPark Capital, Inc.*

Q

Thank you.

**Operator:** [Operator Instructions] We'll take our next question from Griffin Boss with B. Riley Securities. Your line is open.

**Griffin Taylor Boss**

*Analyst, B. Riley Securities, Inc.*

Q

Hi. Thank you for taking my questions. Appreciate it. I just wanted to jump back to a question that Edison asked earlier on the professional and engineering services. That strong 45% margin is really nice to see. I'm just curious if you could elaborate your expectations sort of going forward about the mix between imagery and analytics and then professional engineering services. Do you expect this to continue ramping as a percentage of overall revenue?

**Brian E. O'Toole**

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

A

Thanks, Griffin. I think we're anticipating a fairly consistent mix, continuing growth in imagery and analytics. There'll always be some element of professional services as part of our business, which includes integration of our capabilities into customer environments to drive subscription revenue, but also some of the R&D programs that we outlined which are funding advanced technology capabilities for future type of services from the company. So, we're going to continue to grow the imagery element of the business, but there will always remain some element of professional services.

**Griffin Taylor Boss**

*Analyst, B. Riley Securities, Inc.*

Q

Got it. Okay, great, thanks. Thanks, Brian. And then just jumping back to the critical integration milestone with the NRO, can you elaborate at all more quantitatively sort of the value that that milestone unlocks above the \$72 million allocated to the first two years or I guess, I mean, if you can't give a view on that, when might you expect the NRO to make an announcement for additional rounds of funding – guaranteed funding?

**Brian E. O'Toole**

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

A

Well, as I mentioned, that was a significant milestone. It – and BlackSky was the first commercial provider to achieve that milestone and validate their new commercial provider architecture. What that means is that streamlines the distribution of BlackSky imagery into US government systems, which at the end of the day enables higher utilization and stronger demand. And so we're excited about getting to that point. We anticipate that in 2024 we will be working with NRO on the next phase of the EOCL subscription.

**Griffin Taylor Boss**

*Analyst, B. Riley Securities, Inc.*

Q

Okay. Got it. And then last one for me, if I could. Do you disclose the average length of contract represented under that \$252 million backlog? Just trying to better understand sort of when that revenue is expected to be recognized.

**Brian E. O'Toole**

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

A

No, we don't disclose that. But what you're seeing is a number of multi-year agreements and different agreements have various elements of the timing. But, Henry, do you want to add to that?

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

Sure. And Griffin, when you see the Q that we'll file after close of business today, there is a breakdown of how much of that \$252 million we expect to receive this year, which is about \$24 million. And then we have the remainder is kind of about \$52 million of that is in 2024 and the rest is 2025 and beyond.

**Griffin Taylor Boss**

*Analyst, B. Riley Securities, Inc.*

Q

Got it. Great. That's super helpful. Thanks again. Appreciate it. Congrats on the progress.

**Brian E. O'Toole**

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

A

Thanks.

**Operator:** And we'll take our next question from [ph] B. Pranali with Quality Analytics (00:39:27). Your line is open.

Q

Hi, everyone. I have two questions. Since the announcement of commercial deals with SynMax and Spire this year, how has the commercial space evolved for BlackSky? And is there any plan in motion for diversification on [indiscernible] (00:39:49)? Also can you throw some light on the nature of your relationship with Spire for next gen solutions and how is it progressing?

**Brian E. O'Toole**

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

A

Could you repeat the first part of your question, please? We're having a hard time hearing you.

Q

Yeah. So it was about the announcement of the commercial deals with SynMax and Spire this year. So how has the commercial space evolved for BlackSky? And is there any plan in motion for diversification on the commercial front?

**Brian E. O'Toole**

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

A

Yeah. Thank you. Yeah, we are continuing to work with Spire. The – we're seeing quite a bit of interest in the market for maritime domain awareness solutions. So combining Spire's capability to track ships with their constellation, with our ability to provide high-frequency monitoring is a significant value proposition. On the commercial side of that, we're working with Spire and other partners to bring that capability to market through different channels.

Q

Okay. That helps. And my last question is actually about Gen-3 launch. So has the recent in-flight anomaly of Rocket Lab any way affected the BlackSky's Gen-3 timeline or is it still on track?

**Brian E. O'Toole**

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

A

Gen-3 remains on track as we've outlined. We – as we mentioned earlier, we signed a multi-year agreement with Rocket Lab. The – we are – we've had – Rocket Lab has been a very good partner with us and we've been with them on – with events and things like this before. So, we're confident they're going to get to root cause and we don't see any impact to our launch plans next year.

Q

Okay. [indiscernible] (00:42:01). Thanks so much, guys.

**Brian E. O'Toole**

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

A

Thank you.

**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.*

All right. I want to thank everybody for joining us on the call this morning. We will be participating in several upcoming investor conferences over the next several weeks and we hope to see you at one of these. We look forward to speaking to you again soon. Have a great day.

**Operator:** That concludes today's teleconference. Thank you for your participation. You may now disconnect.

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