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# Blacksky Technology, Inc. (BKSY)

Q1 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen, and welcome to BlackSky Technology's First Quarter 2025 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 first quarter 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 May 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 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 and adjusted imagery and software analytical service cost of sales. 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. First off, I'm happy to report that our new Gen-3 satellite is performing exceptionally well and exceeding our expectations. As you can see on the first two slides, the image quality of this very high-resolution satellite is incredible. As we have been formally commissioning the satellite over the past several weeks and putting it through its paces, we have been successfully collecting imagery from all over the world. We were happy to announce earlier this week that we have now completed all of our formal tests and are now delivering evaluation imagery to customers.

This achievement marks a major technical and business milestone for the company. Initial very high-resolution imagery and advanced analytics from our new Gen-3 satellites is generating a lot of excitement with our customers as they are actively evaluating imaging performance ahead of bringing this capability into their operations. I will share some additional details later, including upcoming plans for the next launch.

Now, beginning with slide 6. I'm happy to report that we are off to a strong start to 2025, building on our momentum from last year. We have continued to expand our customer base and are entering new markets as demand for our space-based intelligence solutions remain strong.

Now, let me share some of the key highlights from the quarter. First, we were awarded over \$130 million in new contracts and renewal agreements in the quarter, primarily driven by several multi-year contract wins. These wins demonstrate the growing interest from defense and intelligence agencies worldwide to secure long-term contracts for our imaging capacity over their region of interest. We were also happy to announce a new contract to accelerate the development of India's commercial Earth observation capabilities, a new and emerging market for commercial space.

Second, as a result of the strong bookings in the quarter, our backlog grew 50% compared to the prior year quarter. This growth reflects the demand we're seeing for our space-based intelligence solutions and provides us with strong outyear revenue visibility. Third, we delivered strong year-over-year revenue growth of 22%, primarily driven by new contract awards. Fourth, we're pleased that our first Gen-3 satellite is through extensive testing and continues to exceed performance expectations.

And finally, our second Gen-3 satellite is being shipped and is on track to launch in Q2, which will begin a cadence of additional launches throughout the year. I'm also happy to report that we have continued to improve our liquidity position in the quarter, strengthening our financial profile and our ability to invest in key growth and go-to-market initiatives. These highlights demonstrate our continued strong execution and laser focus on providing customers with unmatched imagery and analytic insights while setting the stage for sustained, long-term profitable growth.

I would now like to share some operational highlights from the quarter. Turning to slide 7. We're pleased that we won \$130 million in contracts in the quarter, which included several large multiyear agreements. The strong bookings performance drove a 50% year-over-year growth in our backlog to \$366 million. This significant increase is a clear indicator of the growing demand for our space-based intelligence solutions and the desire of our customers to secure long-term contracts for our imagery and analytics services to support their mission critical operations for years to come.

Our sales pipeline of multiyear subscription opportunities continues to grow as we bring Gen-3 to market. As we convert these opportunities into long-term subscription contracts, our multiyear backlog should also grow, providing improving long-term revenue visibility. As a reminder, the majority of our contracts are with government customers and the timing of these contracts has the potential to introduce quarter-to-quarter impacts to bookings, revenue and EBITDA. The majority of our backlog is for high-margin imagery and analytic services from our current Gen-2 and future Gen-3 constellation. As we launch more Gen-3 satellites and get them into operations later this year, we expect to unlock further contract opportunities and recognize additional revenue growth from our existing backlog.

Moving to slide 8. As I just highlighted, I'm excited to share that our Gen-3 satellite has completed calibration and testing and is delivering exceptional imagery that is achieving up to NIIRS-6 quality. For those who may not know, NIIRS-6 is an industry standard image quality metric used by analysts to characterize the performance of imagery to meet certain mission requirements. Our Gen-3 satellite is delivering imagery at a quality equivalent to much larger and more expensive 25-centimeter-class satellites. Attaining this class of image quality is a commercial first for a satellite of this size, cost and performance. The Gen-3 satellite is proving to be an exceptional spacecraft that we expect will be a workhorse for BlackSky and our customers for years to come.

But just as exciting is the AI-derived information that we are now extracting from these images. Within three weeks after launch, we demonstrated how our advanced, fully-automated AI capabilities can transform Gen-3 satellite imagery into actionable insights at machine speed and scale for sites of interest around the world. BlackSky is setting a new industry standard using advanced software and AI-enabled automation to accelerate space-based intelligence capabilities through disruptive speed, economics and insights.

While optimizing and validating the performance of this satellite over the past several weeks, we have been providing sample imagery to customers and potential partners around the world. I'm proud to report that the customer response to our initial Gen-3 imagery has been overwhelmingly positive and is driving growth in our sales pipeline. Our customers are very excited about the new mission applications that will be enabled by combining very high-resolution imaging with high-frequency monitoring and advanced AI analytics.

Turning to slide 9. With the superior resolution and image quality of Gen-3, we are now able to demonstrate the ability of our AI to extract an incredible amount of information and insights in real time and deliver this actionable intelligence at industry-leading speed and scale. In this example, our AI was able to automatically detect and classify over 25,000 individual vehicles and over 700 maritime vessels in just a few minutes, all fully automated and with incredible precision. This type of analysis would typically take teams of analysts hours and days using

traditional tools and manual processes. This is a clear example of how proven and disruptive commercial space technologies can support a range of new and advanced applications and provide highly efficient and cost-effective solutions to government customers.

Moving to slide 10. Now that we have demonstrated and validated Gen-3 satellite performance, image quality and AI analytics, we are now set to commence a regular cadence of additional Gen-3 launches. In fact, our second Gen-3 satellite is being shipped this week and is on track to launch in Q2. As we look ahead, we are on track to add eight Gen-3 satellites on orbit by early 2026 with each launch improving our revisit rates, capacity and the quantity and quality of actionable intelligence we are delivering to customers. We expect to begin providing early access of Gen-3 imagery and analytic services to major customers over the course of the summer with general commercial availability anticipated to begin by Q4.

As a reminder, many of our existing major contracts such as EOCL with the US government and several large multiyear international contracts are structured to incrementally expand as Gen-3 capacity comes online.

Turning to slide 11, as we continue to build out the Gen-3 constellation, we are moving into our next phase of growth where we can provide our customers with best-in-class imagery and new and advanced applications that combine very high-resolution imagery, high-frequency monitoring and AI-driven analytics. We believe we are redefining the future of space-based intelligence enabled through a best-in-class space and first of its kind software platform.

Our software-first strategy, which leverages over 10 years of investment in our Spectra platform, has a unique capability and a key enabler for rapidly developing and deploying new and innovative space-based intelligence solutions to customers around the world. A combination of these advanced capabilities provides BlackSky with a powerful competitive advantage in the market and is able to overcome the limitations of legacy solutions that were designed for static mapping applications. We are excited to be entering into a new aerospace based intelligence with new and exciting opportunities emerging on the heels of our successful demonstration of Gen-3.

We are well-positioned to meet the rapidly growing demand for space-based insights from an expanding global customer base, especially at a time when governments around the world are seeking to accelerate and expand their space-based capabilities, leveraging cost-effective and proven commercial space technologies. While we are bullish on this growing market opportunity, we are also cognizant of a very fluid geopolitical and economic environment both here and abroad and remain vigilant in monitoring changing policies and budget dynamics that may have near-term impacts on our business. Despite this uncertain time, we are maintaining our full year outlook for 2025 and look forward to [ph] pushing (00:15:00) ahead with our growth plans.

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

## Henry E. Dubois

*Chief Financial Officer, Blacksky Technology, Inc.*

Thank you, Brian, and good morning, everyone. Before I begin, let me remind you that references to adjusted cost of sales excludes stock-based compensation, depreciation and amortization expenses as we believe this measure represents a more accurate picture of our business without having these non-cash items obscure the underlying performance.

With that, let's go through our first quarter financial results starting with slide 13. Total revenue for the first quarter of 2025 was \$29.5 million, an increase of \$5.3 million or 22% over the prior year quarter driven by higher professional and engineering services revenue. The primary driver for this increase was related to the recognition

of progress to date under a new contract to accelerate the development of India's commercial Earth observation program, which we announced in February. These strategic contracts deepen our relationship with these customers and are typically precursors to securing long-term subscription contracts for imagery and analytics services.

Keep in mind, revenues recognized from these types of contracts, which are largely milestone based, may have quarter-over-quarter variability. In addition, our high-margin imagery and analytics revenue currently comes from our Gen-2 satellites as we look to begin mixing in initial Gen-3 imagery later this year. Moving to slide 14, our adjusted imagery and analytics cost of sales for the first quarter of 2025 was \$3.8 million compared to \$3.4 million in the prior year quarter. The slight year-over-year increase was primarily due to short-term investments to optimize operating efficiencies that will drive margin improvement over time.

Now, turning to slide 15, our adjusted EBITDA for the first quarter was a loss of \$600,000 compared to an adjusted EBITDA of \$1.4 million in the prior year quarter. The \$2 million year-over-year decrease was primarily due to the higher SG&A expenses of \$2.6 million as we absorbed the first full quarter of overhead expenses from the recent LeoStella acquisition. As a result of bringing LeoStella's production capabilities in house, we are only able to capitalize direct and cost associated with the construction of our satellites and not their associated overhead costs. Under the prior structure, we would have reported positive adjusted EBITDA of \$2 million or \$600,000 better than the prior year.

Keep in mind, the strategic acquisition of LeoStella was to allow us to better control and optimize our satellite manufacturing capabilities and secure advanced space technology and intellectual property to support our long-term growth objectives. Going into 2025, we expect it to realize some cost savings related to the acquisition. But with the successful launch of Gen-3, we decided to make additional investments in innovative space technologies to support our next generation capabilities.

Let's move on to our cash and liquidity position as shown on slide 16. We ended the first quarter of 2025 with \$77 million of cash, restricted cash and short-term investments. This amount includes a \$32 million cash prepayment for work related to a new contract awarded with an international defense and intelligence customer in the first quarter. In addition, we have accumulated approximately \$39.2 million in unbilled contract assets of which \$32.4 million is anticipated to be billed and received over the next 12 months as certain customer milestones are met with the rest expected to be collected in the following 12 months.

These assets together with about \$20 million in remaining vendor financing for several Gen-3 launches brings our total liquidity position to over \$136 million. This is an increase of \$46 million or 51% from the prior year quarter. Given this liquidity profile and our expected performance, we believe we are fully funded to deploy our baseline constellation of 12 satellites and get to free cash flow positive.

Now turning to slide 17 and our outlook for the year. With the success of our Gen-3 satellite, we're seeing additional long-term opportunities emerge for commercial space based solutions. We are also keeping a close eye on potential risks, particularly the timing of contract awards and budget allocations that may be associated with a rapidly changing geopolitical environment. While the near-term situation remains fluid, we are maintaining our full year 2025 guidance, which consists of revenue between \$125 million and \$142 million, adjusted EBITDA between \$14 million and \$22 million and capital expenditures between \$60 million to \$70 million. In summary, we're pleased with the strong revenue growth in the first quarter and the continued momentum we're seeing across the 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.*

Thanks, Henry. In closing, we're happy that our first Gen-3 satellite is now fully operational and delivering exceptional imagery and analytics, which is getting positive feedback from customers around the world. We're making great progress growing our customer base, building our backlog, advancing our technology and strengthening our balance sheet. Our highly efficient and cost-effective space and software solutions are well-positioned to address national security needs, both here and abroad for years to come. As we deploy additional Gen-3 satellites this year and further expand our constellation in 2026, we believe BlackSky is at the forefront of a new era in real-time space-based intelligence. With new Gen-3 satellite launches on the horizon, deepening customer engagements and a growing sales pipeline, the foundation we're building today is setting the stage to drive our next phase of growth into 2026 and beyond.

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

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Edison Yu from Deutsche Bank. Please go ahead.

### Edison Yu

*Analyst, Deutsche Bank Securities, Inc.*

A

Hey, good morning, guys. Thank you for taking our questions. So, first off, I want to ask, you mentioned some of the geopolitics and I guess macro uncertainty. How are you seeing that or are you seeing that impact some of the discussions with the international customers that may have been in progress? And I guess in the context of are they now a little bit more hesitant because they want to see what kind of trade deals gets worked out or something or is it actually a good thing because now they feel, oh, we want to actually do something because we want to be kind of seen working with a US commercial provider?

### Brian E. O'Toole

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

A

Yeah. Good morning, Edison. Thanks for the question. I think what we're experiencing right now is continued strong demand worldwide. We had a very strong first quarter. And in fact, since our demonstration of Gen-3, we're actually seeing our pipeline grow. I think there is clearly a lot of demand worldwide for space-based intelligence solutions, and we're seeing strong interest for our commercial imagery analytics services, but also governments that are accelerating their investments in their own sovereign capability. So, I think everybody is cognizant of the geopolitical dynamics, but I also think national security is a first and foremost priority, and we're well positioned to help them address that. So, despite some of the dynamics right now, we're seeing strong interest and demand and feel we're well positioned.

### Edison Yu

*Analyst, Deutsche Bank Securities, Inc.*

Q

Got you. Then, I want to come to ask about AI. I know it's a word that gets thrown around a lot these days. How many of the customers or how many of the customers are new customer [indiscernible] (00:24:47) are you speaking with that this is a kind of big or is the core reason that they are getting involved or getting interested or increasing their business? Is it a deal breaker for a lot of these, whether it's domestic or international customers,

to really get their hands around, is that increasing the potential of Spectra as a growth driver. How does one kind of view that at the moment?

**Brian E. O'Toole**

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

A

Yeah, I think what we're seeing is, now that the – and this is what we're seeing particularly as we've been bringing our Gen-3 imagery around the world to customers where now they're moved, they can see that the very high-resolution imaging is there. And then when you start to combine it with the high-frequency, low-latency collection, the volume and speed of the information they need to deal with is starting to outpace their normal operations. So, they are all recognizing they need to introduce AI into their environments and workflows to, one, keep up with the rate and volume of information, but two, speed up the time to insights from when that data comes in and gets turned into actionable intelligence. So, that conversation with customers has, to me, made a marked shift, particularly in the last 9 months to 12 months. So, we're anticipating this to be a really critical capability that customers are going to need to have as they expand their capabilities over the next couple of years.

**Edison Yu**

*Analyst, Deutsche Bank Securities, Inc.*

A

Understood. Thank you.

**Brian E. O'Toole**

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

A

Thanks, Edison.

**Operator:** Thank you. And your next question comes from the line of Jaeson Schmidt from Lake Street. Please go ahead.

**Jaeson Allen Min Schmidt**

*Analyst, Lake Street Capital Markets LLC*

Q

Yeah, thanks for taking my questions. Just looking at your backlog, curious what time line you expect to recognize that backlog? And then relatedly, how much of that relates to Gen-3 capacity?

**Brian E. O'Toole**

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

A

Yeah. Good morning, Jaeson. Thanks for the question. As we reported, we grew our backlog very significantly in the first quarter, up at \$366 million. And then near term, there's a reasonable amount of revenue from our imagery and analytics line that we're going to see coming in over the next couple of months. We announced our EOCL extension and a large international deal. And so, near term, we're going to see that coming into play and stepping up as we get into the second half of the year. And then, there's quite a bit of strong backlog out there post 2026.

**Jaeson Allen Min Schmidt**

*Analyst, Lake Street Capital Markets LLC*

Q

Got you. And then just as a follow-up, Henry, based on your comments on the professional services revenue line, would we expect that to take a step back here in Q2?

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A



Thanks for the question, Jaeson. Yes, I mean, as you may recall, when we have some of these programs where we are taking some hardware and kind of positioning it off for a customer, we already have that sitting on our balance sheet and we're moving that into for-sale assets. That's why you get big catch-up right upfront, so we did have a fair bit of that happening in the quarter there. Correct.

**Jaeson Allen Min Schmidt**

*Analyst, Lake Street Capital Markets LLC*

Q

Okay. Thanks a lot, guys.

**Operator:** Thank you. And your next question comes from the line of Jeff Van Rhee from Craig-Hallum. Please go ahead.

**Jeff Van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Great. Thanks. Thanks for taking the questions. Congrats, guys. Real nice progress on Gen-3 and some great images here. Talk to me maybe about just briefly on \$130 million increase in backlog. Can you give a sense of rough proportion of how much of that is from new customers versus existing customers?

**Brian E. O'Toole**

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

A

I think we announced a very large international deal, which was a big portion of that from an existing customer. There are in the mix about [ph] 20 (00:29:42) new customers in there, including...

**Jeff Van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Okay.

**Brian E. O'Toole**

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

A

...the deal we announced in India.

**Jeff Van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Okay. That's helpful. And so talk to me then maybe just for a minute on the sovereign interest. Can you give just a little more expanded commentary on the scope and magnitude of the increase in sovereign capabilities and kind of how that's progressed over the last 90 days to 180 days?

**Brian E. O'Toole**

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

A

Yeah, I think, we're seeing growing interest and governments accelerating their programs. If you look at programs we've publicly announced in India and in Indonesia, we're seeing this growing opportunity for bundling our commercial imagery and analytics services with the space and software assets. So – and we're seeing that pretty much worldwide across multiple regions. I think we're also seeing that those things seem to be – those opportunities seem to be accelerating, I think, as governments are looking to move quicker in building out their capabilities. We are pretty well positioned to capitalize on this dynamic in the market.

**Jeff Van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Yeah, seems like it. One last, if I could, in terms of just sort of as you build out the architecture, how critical is edge compute or on-orbit compute and your thoughts on optical interlinks, just forward road map, how critical are those capabilities? How do you view them?

**Brian E. O'Toole**

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

A

I think on board computing is another tool in the toolbox. We're delivering very high performance and low latency delivery without that capability. As we have mentioned before, optical cross links is something we're currently developing and investing in. This will be a next level of capability to improve latency both on the tasking of the satellites and the delivery of information and analytics to our customers. So, all of those things are being addressed in our roadmap.

**Jeff Van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Sounds good. Congrats on the progress. Thanks.

**Brian E. O'Toole**

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

A

Thank you.

**Operator:** Thank you. And your next question comes from the line of Tim Horan from Oppenheimer. Please go ahead.

**Timothy Horan**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thanks, guys. Three questions, if I may. The NIIRS-6, congratulations. But can you say what you were expecting and what you think your customers prior to the actual real life examples? Can you give us also – it sounds like you're going to be doing two satellite launches per quarter starting in the second half of the year. Is that pretty accurate? And can you maintain that pace? And then I have an AI question.

**Brian E. O'Toole**

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

A

Yeah, I think on the image quality, we had designed the system to be in the NIIRS-5, NIIRS-5 plus type realm. So – and that is aligned with what our customers were. Our expectations, I think, we're seeing some images come out in that NIIRS-6 level, which is indicating the system is performing beyond our expectations, but phenomenally. For where we expected it to be, it's meeting and/or exceeding where we wanted to be on image quality. The pace of launches, as I mentioned, we're on track for eight satellites by early 2026 and six on orbit by later this year. So, we have a regular cadence of satellites coming off the production line and we're aligning launch – launch capacity and are on track to hit that launch cadence.

**Timothy Horan**

*Analyst, Oppenheimer & Co., Inc.*

Q

So, in any sense by year end 2026, how many satellites you'll have in operation?

**Brian E. O'Toole**

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

A

We have a plan – our plan is to have 12. That would get us to our baseline constellation.

**Timothy Horan**

*Analyst, Oppenheimer & Co., Inc.*

Q

Great. On AI, can you license out your technology for customers to analyze other images, other data sources? Out of curiosity.

**Brian E. O'Toole**

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

A

Yeah, we would be able to do that. We don't currently do that, but we do have IP and software capabilities that do analyze other people's, other parties' imagery, not only electro-optical, but radar and other capabilities. And we've been incorporating that into some of our advanced capabilities. I think I may have mentioned on prior calls some of our work in doing broad area search for monitoring large area of interests for change. And we can do that at scale across very large datasets and large areas or regional areas of interest.

**Timothy Horan**

*Analyst, Oppenheimer & Co., Inc.*

Q

And so, is that something you're planning on pursuing? And it could be a pretty large incremental revenue opportunity?

**Brian E. O'Toole**

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

A

Well, we think delivering AI-derived information is certainly part of our core business plan. We're going to see how this market unfolds into what levels of software and other types of capabilities we may or may not license to customers.

**Timothy Horan**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you.

**Operator:** Thank you. And your next question comes from the line of Josh Sullivan from The Benchmark Company. Please go ahead.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Hi. Good morning.

**Brian E. O'Toole**

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

A

Good morning, Josh.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

In the prepared remarks, you noted BlackSky is entering the next phase of growth here. Maybe you could expand on that perspective or wax poetically I guess just as you enter this next phase, what we should be expecting over the next 1 to 3 years versus maybe where you've been?

**Brian E. O'Toole**

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

A

Yeah, I think the main thing that we're excited about is the interest and demand for Gen-3 imagery and analytics. And so, as we continue to deploy those satellites into our constellation, we are seeing a strong step-up in imagery and analytics revenue that's going to be tied to that. We have a significant backlog tied to some of our major programs that begins to get unlocked as we bring that capacity online. So, as you look out over the next 18 months to 24 months, that's the exciting part of our business that's going to be driving very good growth.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

And then just on the full ownership of LeoStella, how has that evolved since taking full ownership?

**Brian E. O'Toole**

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

A

Yeah, I think, as a reminder, that was a strategic acquisition for us as you can see Gen-3 is really demonstrating to be a remarkable platform and we wanted to make sure that we had the ability to optimize and control the production supply chain and production of those satellites. So, we've got that moving ahead very nicely. There's also some next generation technologies that came along with that that we're investing in. We're only really a couple of quarters into integrating them into the operations and that's going well. And we think over the long term, having that type of capability vertically integrated into the business, on top of the satellite constellation our AI and software is going to be – is going to put us in a very strong competitive position.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Great. Thank you.

**Operator:** Thank you. And your next question comes from the line of Chris Quilty from Quilty Space. Please go ahead.

**Chris Quilty**

*Analyst, Quilty Space*

Q

Thanks, Brian. Just wanted to follow up on that LeoStella discussion. I think, you said during the discussion that you're going to invest in Gen-3. I was just wondering, is that R&D investments to improve the platform? Are we talking CapEx investments in facilities to [indiscernible] (00:39:11) or increase flexibility in the design?

**Brian E. O'Toole**

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

A

Yeah, most of the investments are in the platform side, facility's in decent shape. We'll make some incremental investments in some of the back office infrastructure and supply chain management. Our investments in next generation capability come in the form primarily of R&D. Some of that begins to get capitalized as those reach certain levels of feasibility. And so, that's been our normal course and we expect to continue that and in some cases the acquisition of LeoStella helps us move some of that along even faster.

**Chris Quilty**

*Analyst, Quilty Space*

Q

And for Henry, when we look at the Q1 OpEx, SG&A, should we look at that as sort of a steady state now that LeoStella is fully folded in or should that number grow or come down over the course of the year?

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

Chris, now that we've had a full quarter of LeoStella in, that does reflect kind of them in there and we've baked in kind of as we did our forecast, assuming that they would be operating as a wholly owned obviously. So then, I don't expect that to grow. I think that would be the kind of the same [indiscernible] (00:40:42), and keep in mind, those additional costs in SG&A are things that we would have been covering in the prior world through a CapEx line because it would have been covered by the invoices that we are paying to LeoStella on an arm's length basis. So, it doesn't change the cash profile.

**Chris Quilty**

*Analyst, Quilty Space*

Q

Okay. And presumably the increased investments are already – are in the – the capital structure is already reflected in your CapEx guidance that you've provided?

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

Correct.

**Chris Quilty**

*Analyst, Quilty Space*

Q

Got you. Quick question. The imagery and analytics was down \$1 million sequentially. Obviously, you've got EOCL and other things that open up on a go forward basis, were there other one-time items that might have led to the year-over-year decline there or that's just reflective of customer losses or timing of contracts?

**Brian E. O'Toole**

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

A

Yeah, I think, keep in mind, we still have some quarter-to-quarter variability in the business related to both the – particularly in the imagery and analytics business because there are some projects that have deliverables on a quarterly basis that can surge. We are seeing slower than expected orders coming out of Luno for example. But we're also seeing customers anxious to transition to Gen-3. But as I mentioned earlier, we have EOCL and backlog from many other international customers already secured for Gen-2 capacity going well into 2026. So, this is really, I think, Chris, as you're alluding, really timing. And if you look at the general trend that where we are and the direction of the business, we're seeing that backlog growing and the visibility into transitioning that backlog into revenue growth emerging, especially now that we have got Gen-3 operational.

**Chris Quilty**

*Analyst, Quilty Space*

Q

Got it. And speaking of timing, you mentioned that you won't start offering Gen-3 commercially until Q4. Is there any reason that you wouldn't, if you've got a couple of satellites on orbit, start selling that at least in a beta mode to customers prior to the end of Q4? Or what's the rationale for waiting until the end of the year.

**Brian E. O'Toole**

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

A

Yeah, we are planning to. We have an early access program that will kick in when we just have a couple of satellites this summer and customers will begin acquiring imagery and we'll begin initial revenue generating operations through beta sales and evaluation of the imagery. And then, the way we think about the commercial availability is just having enough satellites and the backend infrastructure ready to support a broad range of customers through our Spectra platform. So, it's a normal go-to-market strategy, but of course, we will start monetizing those satellites as fast as we can.

**Chris Quilty**

*Analyst, Quilty Space*

Q

Very good. Thank you. And good luck with the next launch.

**Brian E. O'Toole**

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

A

Thanks, Chris.

**Operator:** Thank you. And your next question comes from the line of Scott Buck from H.C. Wainwright. Please go ahead.

**Scott Buck**

*Analyst, H.C. Wainwright & Co. LLC*

Q

Hey, good morning, guys. Thanks for taking my questions. Brian, I guess first congrats on fully commissioning the first Gen-3 satellite. I'm curious having that first one under your belt, does that change the timeline or the steps required for commissioning to 2 through 12?

**Brian E. O'Toole**

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

A

No, I think we're on plan. I think obviously we wanted to make sure that that satellite was performing as expected before we launched the second one in case we had to make any incremental refinements. But the first satellite is performing better than we expected. Functionally, it's really performing well. The image quality is great and the agility is meeting all of our expectations. So, we're moving out as planned to hit our launch schedule as I outlined earlier.

**Scott Buck**

*Analyst, H.C. Wainwright & Co. LLC*

Q

Okay. Appreciate that. And then, Henry, I assume the CapEx builds through the year kind of in line with Gen-3s?

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

That is correct. I mean, that's the primary driver behind our CapEx, is getting this next batch up and being prepared also for our launches in 2026.

**Scott Buck**

*Analyst, H.C. Wainwright & Co. LLC*

Q



Okay, perfect. That's it for me, guys. I appreciate it.

**Brian E. O'Toole**

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

Thank you, Scott.

A

**Operator:** Thank you. And your next question comes from the line of Austin Moeller from Canaccord. Please go ahead.

**Austin Nathan Moeller**

*Analyst, Canaccord Genuity LLC*

Hi. Good morning, Brian and Henry. Just my first question here. You mentioned the early access program. Are there customers now that are getting that early Gen-3 test imagery that are paying a higher subscription premium under their contract? Or does that not occur until you have more customers on the EAP that can actively task a growing fleet of Gen-3s?

Q

**Brian E. O'Toole**

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

Yeah, I think the way to think about it is there will be customers that we have contracts with to get imagery under the early program. This will be getting imagery at a lower volume primarily for evaluation purposes and to assess integrating that into their operations. The fully automated commercial operations will be in the fourth quarter.

A

**Austin Nathan Moeller**

*Analyst, Canaccord Genuity LLC*

Okay. And you mentioned there's over 20 new customers added in that backlog that you discussed. Are you able to indicate without saying who they are geographically where the bulk of that is located? I'm just trying to understand if the NATO, Europe commitment to spend more than 2% of GDP on defense is becoming visible to you?

Q

**Brian E. O'Toole**

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

Yeah, first, thanks for the question, Austin. Let me just clarify that the 20 I was referring to is \$20 million is part of that backlog. We have been bringing on new customers as part of our normal sales operations. The customers we're seeing are really all over the world. There is growing customers in Europe, Middle East, Asia. And so, we're seeing – particularly now with Gen-3, we're seeing a number of new, larger customers working with us to acquire Gen-3 capability. And as I mentioned in my remarks, we've seen a pretty significant increase in our pipeline just over the last few months that are from new customers for Gen-3 capability. So, that's really exciting and now we're working on how we can move those customers through the pipeline and transition those into contracts.

A

**Austin Nathan Moeller**

*Analyst, Canaccord Genuity LLC*

That's very exciting. Thanks for the insights.

Q

**Austin Nathan Moeller**

*Analyst, Canaccord Genuity LLC*

Thank you.

Q

**Operator:** Thank you. And your last question comes from the line of [indiscernible] (00:49:09). Please go ahead.

Q

Hey, good morning and thank you for taking my questions. I just wanted to circle back on some of the commercial capabilities that you're expecting later this year and maybe how they compare to the same capabilities that you would expect in late 2026 once you have the full baseline constellation?

**Brian E. O'Toole**

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

A

I think functionally, the capabilities that we'll have later this year as far as image quality, automated AI, latency and things around those aspects will pretty much be in place later this year. What happens as we add more satellites is basically adding more capacity. It improves revisit and in some cases reduces latency because we'll have quicker access to locations around the world. The thing that we should keep in mind is we're introducing Gen-3 satellites into a very mature software and ground network that is operating our Gen-2 constellation. So, we're not having to go build out new software, extensively new software and product capabilities to bring Gen-3 to market. It's just an extension of the platform that is highly reliable and been serving our customers now for well over five years.

Q

Understood. That's very helpful. Thank you. And then just curious, now that the global data marketplace has been up for a little bit, are you seeing any differences in the bidding environment or what it takes to win contracts there compared to more traditional routes?

**Brian E. O'Toole**

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

A

Yeah, it's a good question. We're starting to win more of those. They're still small, but we are seeing a trend toward customers wanting to acquire longer term services. It's pretty competitive marketplace, but we seem to be doing pretty well and we're forming some partnerships there with other companies to be able to offer higher value information and insight services. So, still early and we're excited about where that can go and we're seeing the trends related to that marketplace go the right direction.

Q

Understood, thanks for taking my questions and good luck in Q2.

**Brian E. O'Toole**

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

A

Thank you, [ph] Dave (00:51:46).

**Operator:** Thank you. At this time, there are no further questions. This concludes BlackSky's first quarter 2025 earnings call. Thank you for joining the call today. You may all disconnect.

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