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# Blacksky Technology, Inc. (BKSY)

Q3 2024 Earnings Call

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**Henry E. Dubois**

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**Brian E. O'Toole**

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## OTHER PARTICIPANTS

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**Jeff van Rhee**

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**Scott Buck**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen. Welcome to BlackSky Technology's Third Quarter 2024 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 2024. 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 21st. 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 2024, are forward-looking

statements. Actual results may differ materially, and these statements are based on our current expectations as of today and are subject to risks and uncertainties, including those stated in our Form 10-K. We encourage you to review our press release, Form 10-K and other recent SEC filings for a full discussion of the risks and uncertainties that pertain to these statements and that may affect future results or the market price of our stock. BlackSky assumes no obligation to update forward-looking statements except as may be required by applicable law.

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

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

## Brian E. O'Toole

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

Thanks, Aly. And good morning, everyone. Thank you for joining us on today's call. Let's begin with Slide 3. I'm pleased to report that BlackSky delivered another strong quarter as we made great progress across many aspects of our business and continue to deliver year-over-year revenue growth. Demand for our space-based intelligence solutions has never been higher as we delivered near record bookings, which is further expanding our customer base and strengthening BlackSky's position to achieve long-term profitable growth.

Let me share some of our recent highlights. First, we won new and follow-on contracts valued at up to \$780 million. This was one of our strongest quarters for bookings in the past two years, as demand for BlackSky space-based intelligence solutions continues to grow from government customers around the world. Second, we raised over \$45 million in growth capital to fully fund our baseline Gen-3 constellation, which further strengthens our balance sheet. Third, we are excited that our first very high-resolution Gen-3 satellite is completing final pre-ship testing and is expected to ship to the launch site in the next few weeks.

Next, we delivered our fourth consecutive quarter of positive adjusted EBITDA driven by our high margin imagery and analytics revenue and the strong operating leverage inherent in our business model. And finally, we delivered year-to-date revenue growth of 22% as compared to last year as we ramp revenues from new contract awards and work to close additional major contracts in the fourth quarter. We remain on track to deliver against our full year revenue and adjusted EBITDA goals.

I'd also like to mention that we are honored to have won the 2024 Leading Earth Observation Business Award by Novaspace, formerly known as Euroconsult at this year's World Space Business Week in Paris. This award recognizes the most forward-thinking companies and innovator shaping the future of the global space sector. And we're happy to have received this distinguished honor. This award, along with our recent highlights, continues to exemplify how BlackSky is leading a new era of space-based intelligence.

I would now like to share some operational highlights from the quarter. Turning to Slide 4. We continue to see strong growth from US Defense and intelligence agencies looking for BlackSky's high frequency imagery and advanced analytics. During the quarter, we were pleased to announce that BlackSky was awarded the Luno A contract valued up to \$290 million from the National Geospatial Intelligence Agency or NGA, which is the first part of the larger Luno program. The Luno program is one of the government's largest contracts to procure commercial space-based analytic services and demonstrate the government's long-term interest and commitment in acquiring subscription-based monitoring and analytic services.

This multiyear IDIQ Contract Award is a follow-on contract to the Economic Indicator Monitoring or EIM program, which we won back in 2021 and has successfully supported through multiple delivery orders. Through this Luno A contract, we will assist NGA in the monitoring and analysis of global economic and environmental activity, as well as military capability using our current Gen-2 and future Gen-3 satellite constellation. Throughout the program, we will be leveraging our advanced AI technology to automatically detect and identify objects such as ships, aircraft, vehicles and shipping containers and deliver intelligence and change monitoring services over critical areas of interest. This advanced analytics capability is powered by our multi-int Spectra software platform, which is enabling new and innovative broad area search techniques to process a large number of images at a massive scale, utilizing data from multiple sensors and third-party sources.

By combining AI-driven detection analytics with our high frequency constellation and our proprietary broad area search capabilities, we will enable NGA to receive real-time and mission critical insights on changes and emerging events. We're pleased to have won this award and have already received the first delivery order under the Luno A contract. We look forward to expanding our long-term partnership with NGA as they begin to ramp up the award of new task orders in 2025.

Moving to Slide 5. Another major contract win in the quarter was with NASA to support their commercial smallsat data acquisition program. This multiyear IDIQ contract award is valued at up to \$476 million. Under this contract, BlackSky will provide NASA with time diverse high revisit satellite imaging data providing new insight in support of the agency's important research in Earth and applied science. NASA-backed researchers worldwide will be able to use BlackSky imagery to broaden their understanding and develop actionable scientific observations around the most critical changes taking place on Earth. Integrating BlackSky's advanced data into NASA's research data repository provides another valuable example where government agencies can significantly benefit from our real-time dynamic monitoring capabilities.

Turning to Slide 6. We're also continuing to win new and expansion contracts with existing defense and intelligence customers. I'm pleased to report that we signed a \$6 million contract expansion with one of our long-time international defense sector customers. With this increased subscription agreement, the customer's total annual contract value increases to nearly \$18 million and validates how BlackSky space-based intelligence solutions are relied upon every day to support mission critical operations.

We continue to win various awards for the rapid delivery of our space-based intelligence solutions through the Global Data Marketplace or GDMP. These awards are for short-term services occurring within weeks to months that quickly translate into incremental revenue. As a reminder, the GDMP is a new online marketplace that streamlines the acquisition process for US government end users looking to contract and quickly receive a broad range of commercial data and analytic services in support of various mission needs. We are seeing increasing opportunities through the GDMP and believe this can become a long-term viable sales distribution channel to a broader set of missions and end users.

In addition, we were awarded contracts with multiple US government customers looking to explore applications for integrating optical intersatellite link terminals or OISL into our Gen-3 satellites. For those who may not know, OISL are laser-based communication relays that enable faster communication and transmission of data through satellite networks. We are currently in the process of incorporating OISL terminals into our Gen-3 design. The objective is to be compatible with both the Space Development Agency's transport layer and commercial space transport layers.

Once operational, we expect delivery timelines to improve by 10 times further, reducing the already low latency delivery of our imagery and analytic services that we are delivering today. This type of program validates our agile approach to space as we can rapidly deliver incremental enhancements to our space network, aligned with our customers, evolving mission needs. We look forward to enhancing our Gen-3 constellation with OISL capabilities and providing government customers with real-time access to imagery, to support time sensitive tactical ISR missions and military operations around the world.

Moving on to Slide 7. We're excited to announce that we recently launched a new product offering to provide automated non-Earth imaging services to meet the growing demand for space domain awareness or SDA. Space domain awareness missions are vital for identifying, characterizing and tracking objects in space and understanding their operational environments. Delivering non-Earth imaging services has made possible due to the agility of our satellites, which enable us to capture images of objects in space. This capability offers additional revenue generating opportunities at time when our satellites are either passing over the ocean or traveling across the dark side of the Earth.

In response to this new service offering, we were awarded seven figure contracts with government and commercial customers. One of these new contracts is with HEO, an Australian space company dedicated to delivering non-Earth imaging solutions at scale to government, defense and commercial customers. Through a subscription data services contract, BlackSky will enable HEO to task and receive high-resolution non-Earth imaging services to give their customers actionable space-based intelligence about on-orbit objects of interest.

Another contract we won provides non-Earth imaging services to the US government to address critical needs in space situational awareness or SSA. SSA data is critical for maintaining space safety and facilitating real time space traffic coordination, as well as helping space operators predict and avoid collisions between objects or avoid debris that might affect operations. As part of this contract, BlackSky will integrate Gen-2 satellite imagery of on-orbit spacecraft into the customer's collection of space domain awareness assets.

Our non-Earth imaging services is a new way to further monetize our constellation capacity and expand the revenue potential for high margin imagery and analytics services. We expect this new subscription-based offering will expand over time as we are seeing increasing demand for data services to support this important mission. We are excited to bring this new and innovative offering to market to serve a broad array of SDA missions worldwide and expand our customer base.

Turning to Slide 8. We're excited to report that our first very high-resolution Gen-3 satellite is in the final testing phase in preparation for launch. Once final testing is complete, we will ship this first unit to Rocket Labs launch site in New Zealand, where we have a dedicated rocket ready to go through our launch services agreement. As we narrow down the ship date, we will be working on finalizing the launch window, which we expect will open three to four weeks after shipment.

Expanding our constellation with our new Gen-3 satellites will provide customers with new space-based intelligence solutions, powered through a first of its kind platform that combines high frequency monitoring with very high-resolution of 35-centimeter imaging and real-time AI-enabled insights. There is strong demand for this capability, as evidenced by the significant contracted backlog we have already secured from leading defense and intelligence customers around the world. We look forward to introducing the advanced performance of our Gen-3 satellite in the first quarter of 2025. We are excited about the transformative solutions that this constellation will deliver for years to come, in delivering new mission critical insights to our customers while unlocking our next phase of growth.

Moving to Slide 9. While we remain focused on getting our first Gen-3 satellite into orbit and operations, we have also been focused on the scalable production of these satellites to support a regular launch cadence beginning next year. To that end, our Gen-3 production line is up and running with a number of Gen-3 satellites in various stages of production that extend from securing long lead supply chain component deliveries to the assembly and integration phases of our next units. Once we demonstrate on-orbit performance of the first satellite, we plan to begin a regular cadence of Gen-3 deployments starting in 2025.

To support our Gen-3 production objectives, we've taken active steps to further optimize the Gen-3 supply chain and production operations, which includes the acquisition of our partner stake in LeoStella. We are excited to be able to combine the expertise of both the BlackSky and LeoStella teams to drive rapid innovation at our Gen-3 platform, deliver unparalleled value to our customers and fuel growth for our business.

In summary, we're pleased with the operating performance in the quarter highlighted by the significant number of large contract wins, continued revenue growth, strong operating leverage and the progress we made on getting Gen-3 ready for launch.

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

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## Henry E. Dubois

*Chief Financial Officer, Blacksky Technology, Inc.*

Thank you, Brian, and good morning, everyone. I'm pleased with the execution we've made across many aspects of our business and how we're progressing year-to-date. Beginning with Slide 11. Year-to-date revenue for 2024 was \$71.7 million, an increase of \$12.7 million or 22% over the prior year period. We did see some timing delays in Q3 related to our new customer contract wins and the associated ramp-up of those imagery and analytic revenues, as well as the expansion of services with an existing government customer. But we expect these revenues to shift into Q4 and not impact our full-year results.

Year-to-date, imagery and analytics revenue was \$52.6 million, an increase of \$6.2 million or 13% over the prior year period. The year-over-year increase was primarily driven by incremental customer orders for BlackSky's imagery services. Year-to-date, professional and engineering services revenue was \$19.1 million, an increase of \$6.5 million or 52% over the prior year period. The year-over-year increase was primarily driven by new engineering projects that began in late 2023 and ramped up this year, as well as higher professional services fees from new customer contracts. Looking at professional and engineering service revenue on a year-to-date basis minimizes the quarter-over-quarter variability that is often attributed to these types of contracts, which are largely milestone based.

Turning to cost of sales. We continue to demonstrate strong operating leverage in our imagery and analytics business, as shown on Slide 12. On a year-to-date basis, imagery and analytics cost of sales excluding stock-based compensation, depreciation and amortization expenses remain flat as compared to the same period last year at \$10.4 million. Keeping year-over-year cost of sales flat, while increasing imagery and analytics revenue 13% validates once again how our incremental high margin revenues pass directly to the bottom line. This performance is a result of our low-cost operating structure and cost-effective financial model that gives BlackSky a significant ability to grow and scale our business efficiently.

Let's move to Slide 13 and talk about cash operating expenses, which exclude stock-based compensation, depreciation and amortization expenses, as we believe this non-GAAP financial measure enables us to better manage our expenses without having noncash items obscure the underlying performance. For year-to-date 2024, cash operating expenses were \$48 million, a small improvement compared to the \$48.7 million in the prior year



period. The reduction in cash operating expenses was primarily driven by ongoing reductions in general corporate costs, which more than offset investments made into our business. As discussed on prior calls, we continue to maintain a disciplined cost management approach and consistently look for areas where we can further drive efficiencies in our business.

Turning to Slide 14. We're pleased to report that we delivered another quarter of positive adjusted EBITDA in Q3, making it our fourth consecutive quarter of positive results. On a year-to-date basis, adjusted EBITDA was \$4.3 million compared to an adjusted EBITDA loss of \$10.3 million in the prior year period. The strong year-over-year improvement of \$14.6 million was primarily driven by increased revenues, improved gross margin performance in both our core imagery and analytics service, as well as our professional and engineering service business and reductions in our cash operating expenses.

Moving on to our balance sheet. We're pleased that we successfully completed an equity capital raise in late September, generating \$46 million in gross proceeds. This additional growth capital will further strengthen our balance sheet, and we believe fully funds our baseline Gen-3 constellation business line. As a result of this transaction, we ended the third quarter of 2024 with \$64.4 million of cash, restricted cash and short-term investments. This ending balance included net proceeds of approximately \$44.6 million raised in the quarter, plus a \$10 million debt repayment on the commercial bank line, which remains available to us should we choose to draw on it again.

Also, as of the end of September, we had \$26.7 million in contracted assets, down from \$28.2 million at the end of June 2024 as we met certain contract milestones during the quarter and were able to invoice for these services. We expect to bill and receive payments on the current \$26.7 million in contract assets over the next 12 months as we continue to meet interim milestones on a few major customer contracts. These actions, combined with the adjusted EBITDA improvements we expect to continue delivering, will contribute to our strong liquidity position and puts us on a path to reach free cash flow breakeven.

Now, let's move on to 2024 outlook as shown on Slide 15. We're pleased with our year-to-date operating results and the recent success we've had winning new contracts, the sign for ramp up revenues from these new contract awards, while also continuing to work on closing a number of sizable new contracts and expanding agreements with existing customers in the fourth quarter. However, there is some degree of uncertainty surrounding the timing of these contracts and when we can begin to recognize revenue. Taking this into consideration, we are maintaining our full year 2024 guidance of revenue between \$102 million to \$118 million, adjusted EBITDA of between \$8 million to \$16 million and capital expenditures of between \$55 million and \$65 million. In summary, we're pleased with the progress we continue to make across many aspects of our business.

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

## Brian E. O'Toole

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

Thank you, Henry. In closing, we're pleased with the growing demand we're seeing for our space-based intelligence solutions, as demonstrated by the near-record multiyear contract bookings we delivered this quarter. We are excited that our Gen-3 satellites are readying for launch and the innovative solutions that we will begin to deliver in 2025 as we begin a regular cadence of launches to meet the strong demand for this capability. With the capital raise this quarter, we have strengthened our position to execute on our business plan. We are looking forward to a strong finish to the year in-line with our full year guidance and the opportunities that lie ahead in 2025.

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

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] We will pause for just a moment to compile the Q&A roster. [Operator Instructions] And your first question comes from the line of Jaeson Schmidt with Lake Street. Thank you. Please go ahead.

**Jaeson Allen Min Schmidt**  
*Analyst, Lake Street Capital Markets LLC*

Q

[Technical Difficulty] (00:26:19) my questions, just want to touch on your comments on some of the revenue being pushed out of Q3 and into Q4. Just curious if you could quantify how much revenue was actually pushed?

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

A

Good morning, Jason. As Henry mentioned in his call, in his remarks, we had some revenues that pushed into the quarter. We're also working on ramping revenues from contracts that we recently won. So, as you know, we do have some lumpiness in the business tied to some of these milestone-driven contracts. And so, this is natural for the business. And we're expecting that deliver a strong fourth quarter and remain in-line with our guidance.

**Jaeson Allen Min Schmidt**  
*Analyst, Lake Street Capital Markets LLC*

Q

Okay. No, that's great to hear. And then you noted some really nice bookings activity in Q3. Just curious how much of this was related to Gen-3 capacity. And I guess relatedly, if you could just comment on what you're seeing from bookings activity so far here in Q4?

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

A

Yeah, I think what's exciting about what we delivered in Q3 was I don't think all -- I don't think any of it was related specifically to Gen-3. It was primarily driven by what we have today moving into Gen-3. The Luno award was really driven by our software and AI analytics capabilities that we demonstrated in the early phases of EIM, which drove some nice revenue growth there and have us well-positioned to capitalize on that new contract. So we've secured a lot of Gen-3 contracts as we have talked about in the past. These contracts are really not only for Gen-3, but really driven by software and AI.

**Jaeson Allen Min Schmidt**  
*Analyst, Lake Street Capital Markets LLC*

Q

Okay. Now, that's really helpful. Thanks a lot, guys.

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

A

Thank you.

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



**Scott Buck**

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

Q

Hi. Good morning, guys. Thanks for taking my questions. First, I'm curious, of the \$26 million or just under \$27 million of milestone payments expected over the next 12 months, what does the cadence look like? Are those evenly distributed or should we expect a lumpy or significant amount of that coming in a single quarter?

**Brian E. O'Toole**

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

A

Yeah, I mean, I'll throw it over to Henry, but I think they're all tied to milestone-based contracts which are all different. So, you're not going to see a smooth recognition. But as we said, we propose our [indiscernible] (00:29:19) for the next 12 months, but Henry.

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

Yeah, sure. Scott, this is Henry. Yeah, no, we do expect those to coming over the next 12 months. They are somewhat lumpy. You can see between Q2 of this year and Q3 of this year, we had a net reduction of about \$1.5 million. So, we are being able to hit some of those milestones a little bit earlier and then we'll just kind of continue to do that. I mean, we'll always have a little bit there, but the vast majority will be able to collect without putting new bookings into there.

**Scott Buck**

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

Q

Great. I appreciate that. And then second, Henry, with the Gen-3 launches coming up and I guess being more active in 2025. Any change in OpEx or any costs that are directly tied to managing the Gen-3s that are not in 2020 for OpEx?

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

As we're looking at our business line, I mean, we're maintaining our guidance for this year in terms of both the revenue, adjusted EBITDA and CapEx. So, that kind of -- that keeps us pretty well covered here as we go into 2025 and working with our Gen-3s, it's using the same ground network that we're having. It's using the same infrastructure. So there shouldn't be any significant changes.

**Scott Buck**

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

Q

Perfect. That's great. And then last one, just curious if you guys are seeing any change in the sales cycle. Any urgency or people going to move faster or just the broader macro there's been some hesitation or not really macro, the geopolitical data to the world.

**Brian E. O'Toole**

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

A

I think, Scott, we're seeing a couple of things. I think we're definitely seeing growing demand and you're seeing that reflected in the contracts for winning, in the backlog that we're building. The cycles themselves are still remaining pretty typical for government contracts both in the US and internationally. So, the good news there, we have a pretty good handle on those cycles and we're performing on capturing contracts to capitalize on the demand.

**Scott Buck**

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

Great. I appreciate the time, guys.

Q

**Brian E. O'Toole**

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

Thank you, Scott.

A

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

Thanks, Scott. Thank you.

A

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

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Hey, good morning.

Q

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

Good morning, Josh.

A

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Just following-up on the -- hey, just following up on the operating leverage question there. We look at this quarter's results and you talked about lumpiness and with revenues moving out to -- moving to the right. But on the other side, when we think about that regular cadence in 2025 on the launch of the Gen-3 and as that picks up is there any way to just kind of frame what that operating leverage might look like in 2025, just as you get maybe past some of this lumpiness?

Q

**Brian E. O'Toole**

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

Well, I think, as Henry said we do -- we are demonstrating strong operating leverage due to the kind of fixed -- generally fixed operating platform that we have in the ground and in our software. I think what, Josh, you can expect to see is we're securing contracts particularly things like Luno, which should begin to ramp nicely for us in a way we similarly performed under the prior contract. As we bring Gen-3 capability online next year, we're going to begin to start unlocking the revenues from the backlog we've already secured around that capability. So, we will always continue to do some of these professional engineering projects so that there'll be some lumpiness related to that. But we do expect that some of the imagery and analytics revenues will begin to smooth and grow. But Henry, do you want to add to that?

A

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

Sure. I mean, Josh, as we talked in the script and we talked in the prepared remarks, when you take a look at our operating costs associated with imagery and analytics, we did about \$10.4 million of operating cost this year over the first nine months. So, call in the neighborhood of \$3.5 million to \$4 million a quarter. That's basically what it cost to run a ground station at ground network. Yes, there'll be a little incremental increases for additional data transmissions. But as I said earlier on the call, I wouldn't expect there to be any significant increase in costs associated with our imagery and analytics, our key component of the business.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Okay. Got it. And then just on the OISL design that's been integrated into the Gen-3 here, how much of a lift is that design addition? And then is there anything proprietary on the BlackSky front that's being added into that technology?

**Brian E. O'Toole**

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

A

Well, we -- in the Gen-3 design, we've already made considerations in provisioning and the design for this type of capability. What we're doing now is looking at very specific implementation, related to different types of terminals and networks that we're going to integrate with. I think from our proprietary aspect, our focus is on really delivering high frequency, low latency intelligence solutions, which we're already doing today. So, this -- and the software in the AI is also a pretty critical component of enabling that to happen. So, this is a pretty exciting in the sense of what will happen on the hardware side. But the really important aspect of this is when it's implemented in the total system of the speed and low latency that we'll be able to achieve in delivering actionable information and insights to our customers.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Okay. Thank you for the time.

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

**Jeff van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Yes, thank you. Good morning, guys. Apologies. I missed most of the initial comments. I was in the queue waiting for an operator here, so some of these might be redundant. Henry, as it relates to the guide, I'm curious, obviously we got a very steep ramp here, Q3 to Q4. What are you expecting? How much of that ramp sequentially here is going to come from professional services trying to understand this sequential jump Q3 to Q4?

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

Well, we don't guide by individual product or revenue lines revenue streams at the moment. But when you take a look at where we are, we've got about when the queue comes out, you'll see we've got about \$25 million already sitting in backlog, consistent with where we were about this time last year. We do have a number of projects that we're working on as Brian would have mentioned earlier that relate to work that we're already completing in anticipation of these contracts to be completed. Some of those would be professional services. Some of those would be imagery and analytics projects.

**Jeff van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Okay. So you're looking in for about \$7.5 million of sequential at the low end. And last year you had three flat sequential quarters, a big jump in Q4. This year you've had three flat sequential quarters. You're looking for a big jump in Q4. When you look at that jump Q3 to Q4, how many contracts is did drive it last year and is expected to drive it this year trying to understand the drivers here?

**Brian E. O'Toole**

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

A

Yeah, I think, Jeff, there's a couple of drivers. I think Q4 is a natural quarter where a number of our long-term existing customers renew. So we get a natural step-up in the fourth quarter related to those renewals and expansions. And then we continue to close other larger deals, which have some lumpiness to it. So, it's a combination of both, but there is some natural step-up in Q4 as it relates to the timing of contracts.

**Jeff van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Is there anything implicit in what you're guiding here for Q4 that is not sustainable in the following quarter, Q1? Trying to understand, if I can look at what you're implying as a baseline for Q4 as a starting point for Q1 of the following fiscal.

**Brian E. O'Toole**

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

A

I think Q4 will reflect what we planned in the business, which have a continued growth in our imagery and analytics combined with additional projects related to professional and engineering services.

**Jeff van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Okay. And then lastly, I guess for me as you look at the overall bookings value, any ability to provide us more of an ACV-based bookings sense, that gives us a little more clarity on what the annual values are as opposed to the overall contracts you're part of and in our multiyear.

**Henry E. Dubois**

*Chief Financial Officer, Blacksky Technology, Inc.*

A

Yeah, we're not we're not providing that at this point. But I think it's what you can assume as we are building a nice backlog and strong visibility into ACV related to the subscription contracts that we have. The EOCL is a good example of that. Luno is a task order-based contract. So -- but we grew that very nicely into subscription revenues. You saw the announcement on our renewal -- I think our fifth renewal with a major international customer, which is driving about \$18 million of annual commitments from them. So, we are building to a strong ACV business related to that. But there's still some lumpiness that we're -- has been by guiding to it.

**Jeff van Rhee**

*Analyst, Craig-Hallum Capital Group LLC*

Q

Okay. Thank you.

**Operator:** Thank you. [Operator Instructions] And your next question comes from the line of David Storms with Stonegate. Thank you. Please go ahead.

**Dave Storms**

*Analyst, Stonegate Capital Partners*

Q

Good morning and thank you for taking my questions. My first one is just around Gen-2 after Gen-3 starts going up. What's kind of the remaining life of your Gen-2 satellites and is there any decommissioning costs that we should be thinking about as Gen-3 starts to go up?

**Brian E. O'Toole**

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

A

Yeah. So first off, Gen-2 is -- our constellations operating extremely well. We have 12 satellites up there right now that are driving our revenue growth. We expect that constellation to continue to perform well throughout 2025 and into 2026. And then we'll begin to dovetail Gen-3 satellites into that constellation. As those Gen-2 satellites age out there are no material incremental decommissioning costs related to that.

**Dave Storms**

*Analyst, Stonegate Capital Partners*

Q

Understood. That's very helpful. And then I just wanted to ask one more around new non-Earth imaging offerings. With these new offerings, is there any notable differences between the technology needed or the contracts or margins or anything of that nature?

**Brian E. O'Toole**

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

A

No, I think what's exciting about that offering is that it leverages the capacity we already have on orbit and it actually able to expand how we monetize that capacity through this -- through our high margin imagery and analytic services bringing that type of capability to market as a testament to two things. The agility of our satellites unable to actually support that mission. But also as importantly as our software and AI capabilities, use the command and process, that type of data and deliver that to customers in a timely and reliable way. So, think of this type of new service as incremental high margin imagery and analytics revenues off of the capacity we already have on orbit.

**Dave Storms**

*Analyst, Stonegate Capital Partners*

Q

Understood. Thank you for taking my questions and good luck in Q4.

**Brian E. O'Toole**

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

A

Thank you.

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

**Caleb Henry**

*Analyst, Quilty Space*

Q

Hi. Thank you. A couple of questions. I think most of mine have been answered at this point. But there's a mention in the presentation of the baseline constellation for Gen-3. Has BlackSky finalized what exactly that baseline constellation will be in terms of how many satellites.

**Brian E. O'Toole**

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

A

Well, Caleb. Good morning. Our baseline constellation today is 12 to 14 satellites. That's what we have on orbit with Gen-2. So, the plan here for this baseline is to maintain those levels of satellites. So, we'll begin to dovetail Gen-3 into that constellation. The primary driver of that number of satellites is maintaining our reliable hourly monitoring capability from space. So, that is our baseline. We will look at expanding that constellation over time commensurate with contracts and demand.

**Caleb Henry**

*Analyst, Quilty Space*

Q

Okay. And then presentation also makes mention of partners stake in LeoStella. Wondering if you could clarify that a bit more because they're already a joint venture partner, that BlackSky is increasing the stake. And if so, how does that change or reshape that relationship with LeoStella?

**Brian E. O'Toole**

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

A

Yes. Yes. As you noted, we had a 50% ownership stake in LeoStella through our partner Thales. We did acquire their stake in the company. And that's primarily driven by our objectives of scaling and driving efficiencies around the delivery of Gen-3. There's a lot of demand for that capability. Our partnership with Thales remains really strong. We're continuing to partner worldwide on bringing Gen-3 capability combined with their offerings to the market. And just as you recall we're continue to pursue the types of contracts that we jointly closed with countries like Indonesia, which are bringing Gen-3 capability, our high-margin data services along with some of the space capabilities from Thales. So, this is really just a step in just further scaling and optimizing our Gen-3 capabilities.

**Caleb Henry**

*Analyst, Quilty Space*

Q

Okay. And then one other just follow-up on that question. Does that mean that LeoStella is going to be solely focused on the BlackSky constellation going forward or are you going to continue to try and use that for third-party sales that could potentially offset some of the Gen-3 costs?

**Brian E. O'Toole**

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

A

Well, right now, BlackSky is the primary customer for LeoStella. So, we've been essentially funding that business through our existing satellite production contract. So, the focus right now, as I mentioned, is to -- is on the scaling of Gen-3 and in optimizing those production operations. And so, we think that this type of -- this move will give us better operating leverage because of the current situation and we believe may result in better Gen-3 unit economics. So it's really again a step in strengthening our Gen-3 offerings.

**Caleb Henry**

*Analyst, Quilty Space*

Q

Okay. And then just two quick questions. One is on Luno A. I was wondering if you could talk a bit about how that contract is split between imagery and analytics providers, if there is a split and if BlackSky is able to participate in



both. And then the opportunity that you see in the new NEI, SSA market, that's something you expect to continue to grow.

**Brian E. O'Toole**

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

A

Yeah, I think first on Luno A, I believe there was a published piece on the companies that won that contract. We believe there's 10. There's a mix of companies that are pure play analytics companies and others that are satellite operators with AI capability. We happen to be in a great position relative to the fact that we have a proprietary space capability and have demonstrated our ability to deliver the AI and software capabilities for this program under the EIM predecessor program. What's also positive for us is we -- so we have a prime position on the contract like we did before. But we are also able to serve as a vendor to the other providers to give them -- provide them data for their Luno task order. So, pretty exciting for us.

We think we're well-positioned to capitalize on this program and it's also pretty exciting that the government has really made this step and committing a significant amount of budget toward buying commercial space analytic services. So, this was an important contract win and we're excited to begin ramping this going into next year. Oh, and let me get to your NEI question. Yeah, I think -- yeah, as we outlined in the call we have launched that new service that's leveraging the capacity we already have on orbit and our software and AI capabilities to deliver that type of monitoring and analytic solution. We are seeing a significant amount of demand for that capability. As we announced, we've already won a couple of seven figure contracts for this capability and we're seeing that demand increasing. So, we expect to continue to ramp revenues from that offering and also evolve the platform to further address the demand in the market for that. So, pretty exciting development. And again, another way to monetize what we already have invested in on orbit and drive high-margin imagery and analytics revenues.

**Caleb Henry**

*Analyst, Quilty Space*

Q

Thanks, guys. Appreciate the time.

**Brian E. O'Toole**

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

A

Thanks, Caleb.

**Operator:** Thank you. At this time, there are no further questions. This concludes BlackSky's third quarter 2024 earnings conference call. The company thanks you for joining the call today.

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