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# Blacksky Technology, Inc. (BKSY)

Q3 2021 Earnings Call

## CORPORATE PARTICIPANTS

**Johan G. Broekhuysen**

*Chief Financial Officer, Blacksky Technology, Inc.*

**Brian E. O'Toole**

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

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## OTHER PARTICIPANTS

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Greetings. Welcome to the BlackSky Technology Third Quarter 2021 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I'll now turn the conference over to your host, CFO, Johan Broekhuysen. You may begin.

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**Johan G. Broekhuysen**

*Chief Financial Officer, Blacksky Technology, Inc.*

Good morning, everyone. I'd like to welcome you to the first ever BlackSky earnings call fiscal third quarter 2021. Today's call will include comments from our Chief Executive Officer, Brian O'Toole, followed by our Chief Financial Officer, Johan Broekhuysen. And then wrap up comments by Brian, and we will open the call after that for a live Q&A session.

A replay of this earnings call will also be available on our website. Information to access the replay is listed in today's press release, which is available at [blacksky.com](https://blacksky.com) in the Investor Relations section.

Before we begin, I would like to remind everyone that today's call – in today's call, we will be making forward-looking statements regarding future events and financial performance and guidance for our fiscal year 2021. These forward-looking statements are subject to known and unknown risks, assumptions and uncertainties, including our outlook and guidance. Anticipated start date, the government contract and customer capture, our expectations regarding the impact of COVID-19. Our ability to grow our business which depends in part on the successful production, launch, commissioning and or operation of our satellites and related ground systems, software and analytical technologies, all of which are subject to many uncertainties and our ability to keep pace with the technological advances in the industry and successfully compete in highly competitive markets.

Blacksky cautions that these statements are not guarantees of future performance. Blacksky undertakes no obligation to revise any statements to reflect changes that occurs after this call. You should review our most recent SEC filings for a complete discussion of these factors and other risks that could cause actual results to

have material difference from these forward-looking statements and that may affect our future results or the market price for our stock.

In addition, during today's call, we will refer to certain non-GAAP financial measures, including adjusted EBITDA, reconciliations of non-GAAP to GAAP measures and certain additional information. A reconciliation of adjusted EBITDA to net loss to most comparable GAAP measure is included in today's earnings press release, which can be viewed and downloaded from our Investor Relations website.

And with that, we will begin by turning the call over to our CEO, Brian O'Toole.

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**Brian E. O'Toole**

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

Thank you, Johan, and thank you for taking the time today to join us for our third quarter earnings call for fiscal year 2021 and our first as a public company. I'm pleased to report that we're continuing strong execution across all aspects of our business as we continue our mission of providing our customers a personal advantage and leading a new era in real time global intelligence. Achievements during the quarter include positive sales traction, expansion of our global sales force and pipeline and progress on the expansion of our constellation and AI-enabled SaaS platform.

The third quarter marked several major milestones. Most importantly, BlackSky completed its business combination with Osprey, grossing \$283 million of cash to fund our growth plan. In addition, we bolstered the ranks of our executive management team with several strategic executive hires, all with public experience, including a Chief Development Officer, Chief Revenue Officer, Chief Financial Officer and General Counsel. BlackSky also completed the build out of our board of directors with the appointment of Sue Gordon and Jim Tolonen, both seasoned veterans in their respective areas of expertise.

We now have a high caliber experienced team in place to help drive our aggressive growth plans. Demand remains strong in both the commercial and government sectors for our high revisit imaging products and AI-enabled analytics. Starting with our defense and intelligence business, BlackSky was awarded several new multi-year contracts and extensions that include the expansion of our existing commercial imagery contract with the NRO, which is driven by an increase in demand from operational end users for BlackSky's high revisit imagery. Imagery deliveries under this contract increased 100% from the second to the third quarter.

Demand from the US government has continued to grow as BlackSky is now integrated into the day-to-day operations of the government. We also announced the award of a \$30 million, five-year IDIQ contract with the National Geospatial-Intelligence Agency. This is for AI-enabled economic monitoring. This is a significant contract and that it reflects NGA's move to procure commercial analytic services.

In September, we entered into a strategic commercial agreement with Palantir to accelerate BlackSky solution to Palantir's customers and end users through the integration of our platforms. As part of this partnership, Palantir invested in BlackSky through a subscription agreement. We were also encouraged by the release of the final RFP from the NRO for the Electro-Optical Commercial Layer contract with proposals now due in early December. As a reminder, this is the largest US government contract to purchase commercial satellite imagery over the next 10 years. The objective of this new procurement is to open the market for multiple suppliers to the US government.

The release of the RFP is a significant milestone and that it provides good visibility into the timing of contract awards which are expected by the spring of 2022. Internationally, we continue to support several major D&I customers, and during the quarter, added several new regional accounts. We see a large market opportunity here

as we believe this is a supply constrained market with legacy players facing aging and supply constraint constellations.

Turning to our commercial business. We are experiencing growing interest and opportunities across a range of industries and through major channel partners. These opportunities are being driven by our disruptive customer experience, which is enabling users to affordably access our data and analytics through our on-demand platform.

Today, customers can log in, task our constellation, and get data and AI-derived analytics in under 90 minutes. During the quarter, we added several new commercial customers and are making progress in major enterprise opportunities for solutions in mining, financial services, transportation and construction.

Today, I'm happy to announce the award of a five-year multi-million dollar sole source blanket agreement contract with NASA to provide high revisit satellite imagery in support of NASA's existing Earth observation research with the objective to advance their capabilities in predictive analytics.

To spearhead our growth in our commercial business, last week, we announced our new Chief Commercial Officer, Amy Minnick, who is a seasoned industry product and commercial markets executive. Amy brings a strong track record of bringing commercial products to market at companies such as LexisNexis IHS and DigitalGlobe. Moving on to the expansion of our sales pipeline and global sales capacity, our sales pipeline continues to expand with growth being driven by strong demand from the government sector for analytics and advanced AI as well as a broad range of commercial opportunities.

To address these opportunities, we significantly expanded our global sales force and our government business, we brought on J.R. Riordan as our Chief Revenue Officer. J.R. is a seasoned executive in the remote sensing market and brings significant expertise in developing national security solutions. We also added Andy Stephenson, our new VP of international sales to spearhead our international efforts. Andy brings decades of experience in this market and is working to expand our international sales team. During the quarter, we also expanded our reseller network to 13 resellers.

Turning to the status of our constellation, we continue to make progress on the expansion of our high revisit satellite constellation. We have two satellites ready for launch next week with Rocket Lab and what's exciting is that we remain on track to launch as many as four more satellites by the end of the year. The successful launch of these satellites will double our current on orbit capacity and enable us to provide customers with hourly revisit imaging capability. In addition, we have made significant progress in our Gen-3 satellite program and remain on track to expand our constellation over the coming years.

Moving on to our outlook, despite strong operational execution, we are experiencing a delay in the start of some new contracts, the ramp-up revenue from these contracts and supply chain impacts due to COVID-19. These supply chain delays have impacted the execution schedule of some of our engineering and integration projects and thus the recognition of revenue from these programs. As a result, we are revising our 2021 revenue forecast from \$40 million to a range of \$30 million to \$34 million. With that said, recent awards from the NRO, NGA, and NASA demonstrate that we are emerging as a partner of choice and that customers are realizing the value of our high revisit imagery, advanced analytics, and the first to know advantage.

We are winning and extending multiyear contracts which is strengthening our visibility into our out-year revenues. We believe that the investment and achievements of this quarter set BlackSky on a trajectory for long-term success. In summary, our third quarter was solid and we're excited about the multiple growth opportunities in front of us and we remain focused on executing on our plan.

With that, I'll turn it over to Johan to provide more details on our third quarter financial results, Johan.

## Johan G. Broekhuysen

*Chief Financial Officer, Blacksky Technology, Inc.*

Thank you, Brian. I would like to start off by saying how excited I'm about the opportunity to be the CFO at BlackSky. I believe that BlackSky has an incredible opportunity in this industry to be an innovator and a disruptor. I'm confident that its AI-driven platform will transform traditional satellite imaging into a SaaS type service that blends imaging from BlackSky's high revisit rate constellation and other terrestrial and space-based sensors into actionable intelligence and information in real time for governments and commercial operations.

I would also like to start by giving you a brief update on the SPAC transaction. Then I'll go through the quarter's financial results, and then we'll turn it back over to Brian for some final comments and thoughts. Thereafter, we'll open the call up to take some of your questions. As a reminder, this morning, my remarks will talk both GAAP and non-GAAP financial numbers. We show a reconciliation of GAAP measures in the press release, which is available in the Investor Relations section of our website at [blacksky.com](https://blacksky.com) and online with the SEC and the EDGAR database.

Unfortunately, today's financial disclosures will be limited to capsulated numbers, and so, I will be briefer than I would typically be at quarter-end. I would like to stress that we do expect to meet the SEC's reporting deadline of Monday, November 15 to file the BlackSky 10-Q. Starting with the Osprey merger. With the closing of the SPAC transaction on September 9, 2021, BlackSky was able to recapitalize its balance sheet and gross transaction proceeds were approximately \$283 million. After acquired debt repayments, satellite CapEx that was due and other related costs, we ended the quarter with \$197 million of cash in our bank account. We believe that this allows us to continue to fund operations, expand our constellation, and invest in our AI platform and sales forces needed to execute the business plan.

Moving on to our quarterly results. For the three months ended September 2021, for the third quarter of 2021, revenue was \$7.9 million, which is up 49% from the third quarter of 2020 and 8% growth over Q2 2021. For the third quarter of 2021, operating loss was \$48.9 million compared to a loss in the prior year, \$12.5 million. Third quarter 2021, there was a net loss of \$46.9 million or \$0.67 per diluted share. Of the \$0.67 loss, \$0.41 is attributable to non-cash stock comp due primarily to long-standing legacy BlackSky management and \$0.07 is attributable to non-cash transaction-related costs associated with the merger. The third quarter 2021 had an adjusted EBITDA loss of \$16.2 million.

Moving on to the nine months ended September 2021. Year-to-date in the third quarter, we had \$22.6 million of revenue. This is 53% higher than for the same nine months a year ago. Year-to-date third quarter, operating losses were \$88.2 million compared to a loss of \$32.6 million in the same period of the prior year. Year-to-date third quarter net losses were \$251 million or \$4.33 per diluted share. \$2.74 of this loss is attributable to non-cash costs associated with the Osprey transaction. \$0.50 of the per share loss is attributable to non-cash stock comp.

Through the third quarter of this year, the adjusted EBITDA loss was \$30 million. While these results demonstrate real growth, we are disappointed about the downward adjustment to the 2021 revenue outlook. Despite the impact of the timing issues we experienced in Q3, we continue to believe that the opportunities over the next 12 months and beyond are undiminished as the market continues to expand. At this point, we do not intend to provide additional guidance for 2021 nor any guidance for 2022.

Thank you, everybody, and I'll now turn it back over to Brian for some closing remarks.

## Brian E. O'Toole

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

Thank you, Johan. To summarize, we are seeing strong demand for our high revisit imagery and AI-enabled analytics. This demand is reflected in our progress with major government customers around the world and our competitive wins to deliver AI-powered analytics to these customers. We are proud to be supporting some of the most important customers in the world that rely on our insights every day to support their mission critical operations.

We are excited that the US government, EOCL program is moving forward, which we expect will provide an award by the second quarter of 2022. And that we have strengthened our long-term revenue visibility through the award of several multi-year contracts with organizations such as NGA and NASA. With the expansion of our constellation and ongoing enhancements to our AI-enabled SaaS platform, we are on track to bring significant new capability analytics into the market over the next six months. We are well-positioned to meet and disrupt a growing \$40 billion market opportunity for space data and analytics.

In closing, we are excited about where we are and our continued prospects for execution and growth. We have taken important steps to set the company on a course for growth and expansion as we head into 2022. Our successful SPAC transaction is behind us. We are funded – and we are funded to achieve our growth plan. We have strengthened our team. We are growing our customer base and are expanding the delivery AI-enabled insights and our constellation expansion remains ahead of schedule. We are looking forward to the options that lie ahead as we enter our next phase of growth and leading a new era of real time global intelligence. We will now be happy to take some of your questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. And at this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question comes from Josh Sullivan with The Benchmark Company.

Please proceed with your question.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Hey, good morning.

Q

**Johan G. Broekhuysen**

*Chief Financial Officer, Blacksky Technology, Inc.*

Good morning, Josh.

A

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Just – maybe we can dig into some of the COVID delays and with the start of some new contracts, is that customer labor issues, is that budgetary driven? Can we just get a little more detail there?

Q

**Brian E. O'Toole**

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

A

Yeah. I think the – it's truly supply chain impacts to existing contracts. These are large, fixed price contracts, and what we're seeing is the impact of the supply chain on delivery of components and then the – and then as those stretch out the impact in near-term revenues. So, that's the primary driver there, Josh.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Got it. And then just on the pipeline, it looks like you guys have expanded to \$2.5 billion. I think it was \$1.7 billion earlier in the year. Can you just give us some detail on that delta there and where the new opportunities are?

**Brian E. O'Toole**

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

A

Yeah. Josh, we're seeing growth in the pipeline across all three aspects of our business, the US government, international, and commercial. The largest growth in the pipeline is coming from the D&I sector, both US and internationally – international, that's being driven by the demand in the market that's growing for high revisit imagery combined with AI enabled analytics.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Got it. Got it. And then just within the commercial market uptake, which industries are quoting a little faster than others at this point between some of the commercial opportunities that you mentioned there?

**Brian E. O'Toole**

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

A

Yeah. I think Josh, we're seeing strong interest from multiple enterprises, Fortune 1000 companies and the – from mining and mining, financial services, construction, and transportation. Those are the strongest opportunities that we're seeing and that's consistent across a number of different customers.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Got it. Okay. I'll get back in the queue. Thank you.

**Brian E. O'Toole**

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

A

Thank you, Josh.

**Operator:** [Operator Instructions] And again the next question comes from the line from Josh Sullivan with The Benchmark Company. Please proceed with your question.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Yeah. Just maybe you could talk a little bit about the sales force expansion. I think you mentioned 13 resellers versus your internal growth with direct sales. Where are you seeing the most traction or how should we think about that going forward?



**Brian E. O'Toole**

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

A

Yeah. Josh, we are expanding our global sales capacity across all aspects of our business. So, we more than doubled our sales force since the second quarter. That's a combination of building out our US government team as well as expanding our international team. We're also expanding our commercial sales capacity, both through inside sales reps that we've added and then through the expansion of our global reseller network. So, we're highly focused on continuing to expand that sales network across the entire business.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Got it. And then I believe you said you're going to launch as many as four more satellites by the end of the year. Where will that take your constellation, and then, you know, by the end of 2022, where should we think about that constellation being?

**Brian E. O'Toole**

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

A

Yeah. So, we have right now, two satellites ready to launch next week with Rocket Lab, and then we've got launches lined up for two more launches with four – two satellites each in this quarter as well. So, that'll will double our current capacity by the end of the year. So, it will give us a 12 satellite constellation, and then we have more satellites planned in early next year, which will bring us to a steady state of 12 to 14 satellites going into next year.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

And then just one last one on the NASA award this morning. Congratulations. Can you just give us some detail on how large that award might be over the five years. Are there any follow-on opportunities coming from there, that we should think about.

**Brian E. O'Toole**

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

A

Yeah. Josh, it's a five year. What's exciting is it's a five-year contract. It provides NASA the ability to buy imagery from us on an annual basis, at the scale of multiple millions of per year and they've been increasing their interest in commercial imagery and analytics for things related to climate change and other research. So, that's an exciting opportunity and we expect to see more of that from a number of different commercial customers.

**Josh Sullivan**

*Analyst, The Benchmark Co. LLC*

Q

Thank you for the [indiscernible] (00:22:54).

**Brian E. O'Toole**

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

A

Thank you, Josh.

**Operator:** And we have reached the end of the question-and-answer session and I'll now turn the call back over to Johan Broekhuysen for closing remarks.



## Johan G. Broekhuysen

*Chief Financial Officer, Blacksky Technology, Inc.*

Thanks very much, operator. I don't have any remarks beyond. Thank you everybody that joined the call. I'll give the last word to Brian.

## Brian E. O'Toole

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

Thanks Johan and I just want to thank everybody for joining us this morning and appreciate you taking the time and we look forward to talking to you in the future. Thank you.

## Johan G. Broekhuysen

*Chief Financial Officer, Blacksky Technology, Inc.*

Thanks very much.

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

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