

07-Aug-2025

Blacksky Technology, Inc. (BKSY)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to BlackSky Technology's Second 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 that 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.

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 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 August 21. Information to access the replay can be found in today's press release. Additionally, a webcast of this earnings call will be available in the Investor Relations section of our website at www.blacksky.com.

In conjunction with today's call, we have posted a quarterly earnings presentation on the Investor Relations website that you may use to follow along with our prepared remarks. Before we begin, let me remind you that certain statements made during today's conference call regarding our future plans, objectives, and expected

performance, including our financial guidance for 2025, are forward-looking statements. Actual results may differ materially as these statements are based on our current expectations as of today and are subject to risks and uncertainties, including those stated in our Form 10-K. We encourage you to review our press release, Form 10-K, and other recent SEC filings for a full discussion of the risks and uncertainties that pertain to these statements and that may affect future results or the market price of our stock. BlackSky assumes no obligation to update forward-looking statements, except as may be required by applicable law.

In addition, during today's call, we will refer to certain non-GAAP financial measures, including adjusted EBITDA 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?

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. Beginning with slide 3, I'm pleased with our strong execution across many aspects of our business during the quarter. Building on the accomplishments that we have achieved so far this year, we have never been in a better position technically, operationally, and financially to capitalize on the growing global market opportunity for our real-time, space-based intelligence solutions.

Our new Gen-3 satellites are delivering exceptional performance, and when combined with our industry-leading Spectra platform and AI capabilities, we are winning new contracts and expanding our customer base around the world. With the recent closing of our upsized debt refinancing, we strengthened our balance sheet and improved our liquidity, which now puts us in a position to unlock even more future growth opportunities. This strong financial position is further supported by over \$350 million in funded backlog, most of which is from a growing and diverse international customer base for our Gen-3 services.

As we continue to deploy our Gen-3 constellation over the coming months, we expect to continue this momentum as we add new customers and grow our services with existing customers. We are continuing to innovate across a strong and vertically integrated portfolio of space technologies that include proprietary AI, software and advanced satellite design and manufacturing capabilities. And finally, we are accelerating our investments for the future, as evidenced by our recent announcement of a new AROS constellation, which is a new growth and market expansion opportunity for BlackSky.

Now let me share some recent highlights as shown on slide 4. First, as an example of our industry-leading AI and space-based monitoring solutions, we were awarded a multiyear contract with the National Geospatial Intelligence Agency, or NGA under the Luno A program valued at up to \$24 million. We have a long history of supporting NGA and are pleased to have received this delivery order and to continue to assist their global monitoring needs.

Second, we are seeing significant demand and growing traction for Gen-3 services from a diverse international market. And as a result, we signed early access agreements in the quarter with multiple international defense sector customers. We now have customers around the world accessing and using imagery from our first Gen-3 satellites with more customers expected to come online as we commence general availability and full commercial operations of Gen-3 services later this year.

Third. In June, we launched our second Gen-3 satellite, which began delivering very high-resolution imagery within just 12 hours after launch. The speed at which these satellites are collecting imagery and being commissioned in a commercial operations is setting a new industry standard. This achievement is a testament to the differentiated performance of BlackSky's vertically integrated space, AI and software technologies.

Fourth. We remain on track to have six Gen-3 satellites on orbit by the end of this year. To that end, we're excited that our next Gen-3 satellite is in the final testing phase and getting ready to ship to the launch pad in the coming weeks. And finally, we successfully raised \$185 million in an upsized convertible note offering, which increases our liquidity, strengthens our balance sheet, and puts us in a position to unlock additional revenue growth opportunities. And we will go into more details on this transaction later. These highlights continue to demonstrate the momentum in our business and our real-time mission critical space-based intelligence solutions are gaining traction worldwide. I would now like to share some more details on the operational highlights from the quarter.

Turning to slide 5, we're pleased to have been awarded a four-year delivery order for facility operational monitoring under the Luno A program with NGA, valued at up to \$24 million. This win further validates BlackSky's expertise and capabilities to deliver AI-enabled dynamic monitoring solutions. By employing leading edge, automated object, and pattern of life change analytics, we are providing customers with new, timely, and relevant insights that are critical to their operations.

Our AI-powered Spectra platform is monitoring strategic military and economic facilities worldwide, enabling customers to detect and anticipate anomalies in activity at ports, airfields, rail yards, and other key infrastructure with unmatched speed, scale, and efficiency. BlackSky is now monitoring more than 30 million square kilometers of the Earth's surface and delivering advanced insights to geospatial analysts within minutes. Securing this Luno A task order continues BlackSky's long track record of success, delivering commercial real time AI-enabled monitoring capabilities to NGA in support of US national security needs. We are winning contracts like this because of our proprietary AI capabilities, which are becoming a differentiator and a competitive advantage in the market.

Moving to slide 6, we're seeing international demand for BlackSky services accelerate as Gen-3 has been validated and is coming online. And we remain focused on securing multiyear contracts with major customers around the world. In the second quarter, we won a multimillion-dollar contract with a major new international defense customer. This multiyear contract combines immediate Gen-3 and Gen-2 subscription-based imagery and analytics with ground segment modernization services. This customer will have guaranteed tasking ability for dynamic monitoring services over specific areas of interest using BlackSky's automated and AI-enabled Spectra platform.

In addition, BlackSky will upgrade the customer's existing ground station and mission operations center with direct downlink and uplink communications capabilities for faster, locally controlled intelligence. This type of infrastructure investment illustrates the customer's commitment to employing BlackSky's services for years to come. We also continued our expansion into new markets, securing a new Latin American defense and intelligence agency customer. This agreement includes immediate on-demand subscription-based access to our Gen-3 and Gen-2 monitoring services, as well as access to our archive data and the ability to order third-party commercial constellation data through the BlackSky's Spectra platform.

This customer will gain rapid visibility into irregular activities that are taking place at certain strategic locations by monitoring vehicle, vessel, and aircraft movements, as well as important migration changes. We're pleased to support Latin American defense agencies with AI-driven intelligence at the tactical edge to assist their decision-making needs and efforts to combat transnational organized crime.

In Q2, we also signed early access agreements for Gen-3 services with multiple allied defense customers. These customers are now using Gen-3 imagery in their daily intelligence operations. And when combined with Gen-2 imagery, are improving the speed of analysis and opening a new expansive set of mission solutions. These initial contracts are designed to scale in size and volume as capacity for Gen-3 services increases over time as we deploy the baseline constellation over the coming months.

This strong international growth in demand is coming at a time when we are seeing near-term uncertainty from the US government's fiscal year 2026 budget, which includes an expansive agenda from the new administration that is working its way through Congress. It's important to know that about 85% of our funded backlog of over \$350 million is from international customers and for Gen-3 services. As you know, we have been investing in international expansion over the past few years and this is now paying dividends as we have and continue to grow this long-term customer base. With the strong demand for Gen-3 related services and satellite solutions, we have limited our US exposure to a few large US government contracts and annual appropriations uncertainties.

We believe the long-term opportunities with the US government remain strong as BlackSky's capabilities are aligned to the administration's agenda of increased national defense, leadership in space and the use of cost-effective commercial solutions for government programs. New commercial acquisition strategies in the space force and emerging opportunities for programs like Golden Dome, offer long-term opportunities for BlackSky, which we believe we are well-positioned to capitalize on with our portfolio of Gen-3 satellites and manufacturing, AI, and real-time software capabilities. The acceleration and adoption of space-based intelligence solutions has never been more important as the speed of global change is driving the need to real-time and actionable insights, across governments and businesses worldwide.

Now, let's look at some recent examples where customers are using the image quality and analytic insights being delivered by our Gen-3 satellites, and the rapid response of our constellation to monitor and respond to global events.

Moving to slide 7. Let's start with the recent bombing of the Nuclear Research Center in Esfahan, Iran. As you can see in this image, we're able to clearly show the detail and extent of destruction to buildings in this complex following the missile attacks in June. This type of imagery provides critical intelligence assessments and insights into these types of operations.

On the next slide, we captured an image of the Yuchi Naval Base in China, which is reportedly home to China's first aircraft carrier. With our AI-enabled Spectra tasking and analytics platform, our customers are gaining persistent access to high cadence monitoring over areas of strategic importance, allowing them to detect damage patterns, track movements, and inform operations in real time. These are just two examples of the thousands of images we deliver to customers every day as they rely upon BlackSky for space-based intelligence to support their mission-critical national security needs.

Moving to slide 9, we successfully launched and commissioned our second Gen-3 satellite this past quarter. The satellite began collecting its first images within 12 hours after launch, setting a new standard for achieving first light and entering into operations. With the second Gen-3 satellite performing as well as the first, we remain on track to meet our goal of having six Gen-3 satellites by the end of this year and having eight in Q1 of 2026. Our third Gen-3 satellite is now in the final testing phase, and we expect to ship the satellite to the launch site in the coming weeks.

As I mentioned earlier, several customers have already signed agreements to receive early access to our Gen-3 imagery and analytics services and are now eagerly awaiting to receive broader access when we begin general commercial availability in Q4. In fact, due to the exceptional performance of these satellites, some customers requested and started using this imagery ahead of schedule in support of their operations. As a reminder, many of our existing major contracts are structured to incrementally expand as additional Gen-3 capacity comes on line.

Turning to slide 10, in addition to moving ahead with the Gen-3 constellation, we are also investing in the future, leveraging our recent acquisition of LeoStella to further vertically integrate satellite production into our operations and accelerate new and advanced small satellite solutions. During the quarter, we announced AROS, a wide-area mapping and global change monitoring constellation, which is being designed to address an emerging market opportunity for a wide range of government and commercial digital mapping applications. This new constellation provides an opportunity to significantly expand our total addressable market for the delivery of high-performance and cost-effective digital mapping services worldwide.

AROS will deliver large-area multispectral imagery at scale, supporting applications like digital mapping, maritime awareness, environmental and agriculture monitoring, and 3D digital twin databases. The AROS satellites will be different from Gen-3 satellites and that Gen-3 is more like a point-and-shoot camera for high-frequency collection of strategic locations like airports, maritime ports, and border crossings, whereas AROS collects wide swaths of images for mapping applications like Google and Apple Maps.

We made a decision in Q2 to accelerate AROS to meet a supply gap that we expect will impact the market, starting around 2027, as legacy satellites that provide these services today are now beyond their expected life and are projected to age out of service in that timeframe. This anticipated decrease in wide-area mapping capacity is a concern for many customers as it will likely lead to lower collection rates, higher prices, and unreliable service. As a result, we are accelerating the AROS initiative, with plans to start launching these satellites as early as 2027.

It's important to note that we anticipated this market opportunity and began to invest in elements of the AROS system over two years ago, and this was a key factor in our acquisition of LeoStella. AROS will also leverage a significant amount of core capabilities in Gen-3, which, with the recent success, clearly demonstrates the performance and maturity of this technology and our ability to rapidly deploy high-performance satellites at disruptive speeds and economics.

The AROS constellation is an exciting new opportunity for BlackSky, and we look forward to combining our high-frequency site monitoring capabilities from our Gen-3 constellation with the wide-area mapping capabilities from AROS to unlock an entirely new class of scalable AI and space-based intelligence solutions.

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

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

Thank you, Brian, and good morning, everyone. Starting with slide 12, total revenue for the first half of 2025 was \$51.7 million, an increase of \$2.6 million or 5.2% over the same period in the prior year. As we discussed on our first quarter earnings call, we had a large contract award in the first quarter that pulled revenue forward from the second quarter. And as such, we feel it is more appropriate to discuss the full first half performance rather than just the second quarter in many instances.

The main driver of the revenue growth was from higher professional and engineering services as timing of these contracts can vary from period to period. Revenues from our high-margin imagery and analytics business increased in the second quarter, driven by greater imagery orders and subscription growth for these services. Keep in mind, we are only providing initial Gen-3 imagery at this time to a small number of customers through early access agreements. However, we expect for these advanced services to begin ramping up once we start general availability to all customers in the fourth quarter.

Moving to slide 13, our adjusted imagery and analytics cost of sales for the first half of 2025 was \$7.2 million, up only \$400,000 compared to the same period in the prior year. As a reminder, adjusted imagery and analytics 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 noncash items obscure the underlying performance.

Turning to slide 14, our adjusted EBITDA for the first half of 2025 was a loss of \$3.4 million compared to an adjusted EBITDA of \$3.5 million in the prior-year period. The year-over-year decrease was primarily due to higher SG&A expenses from LeoStella, which includes investments in AROS. Excluding these expenses, we would have reported a positive adjusted EBITDA of approximately \$2.2 million for the first half. We will continue to invest in Gen-3 capabilities as planned in order to increase our Gen-3 capacity and unlock revenue growth from existing and new customers. We remain focused on judicious investments and cost management to achieve long-term margin improvement and adjusted EBITDA growth on a path toward free cash flow operations and long-term profitable growth.

Turning to slide 15, as announced in July, we completed a \$185 million eight-year convertible note offering. We're happy that interest from investors was exceptionally strong, which led to an oversubscribed booked and an increase in the offering size, demonstrating a clear vote of confidence in BlackSky's long-term potential. We used part of the proceeds from the convertible note to repay and terminate BlackSky's secured note of \$103.1 million and our commercial bank line of \$10.2 million. The remaining net proceeds of approximately \$65.9 million is charged for general corporate purposes and strategic investments.

This transaction enabled us to pay a higher interest debt and replace it with a note at an 8.25% interest rate, which is payable to noteholders semiannually in February and August, with a maturity on August 1, 2033. With this convertible debt and our path towards free cash flow, our balance sheet and liquidity positions are now much stronger, and they enable us to unlock future growth opportunities.

Let's move on to our cash and liquidity position, as shown on slide 16. We ended the second quarter of 2025 with \$94.9 million of cash, restricted cash, and short-term investments, which is more than double our cash balance from a year ago. This amount includes \$35.8 million in net proceeds from issuing 3.1 million shares of common stock in the quarter under our ATM program.

Following the end of the quarter, as we just discussed, we successfully completed a \$185 million upsized convertible note offering. In addition, in July, we had one warrant holder exercise a portion of their holdings, yielding us \$10.8 million of new cash.

Our ending cash position, together with the net proceeds from the convertible note and warrants, coupled with our other sources of liquidity, namely our unbilled receivables of \$42.5 million and available launch financing of \$13.5 million, brings our adjusted June 30th liquidity position to nearly \$230 million. This is a significant increase of \$130 million of liquidity from the second quarter of 2024.

Moving to slide 17, as we previously disclosed in an 8-K filing on July 17th, we adjusted our guidance for the full year 2025 to be between \$105 million and \$130 million in revenue, and between breakeven to \$10 million in adjusted EBITDA. Given our cost structure and as we grow our revenues in the second half, we anticipate with our operating levers to get back to positive adjusted EBITDA in the second half of the year, enabling us to achieve this guidance range.

Finally, we maintained our full-year 2025 guidance for capital expenditures of \$60 million to \$70 million. The changes made were driven by near-term volatility from the US government budget process and timing related to some international contracts. There is also the likelihood of a US continuing resolution, which historically has slowed the awards of new and expansion government contracts. As a result, any near-term US government reductions have now been factored into our guidance and also reflects the decision we made in Q2 to accelerate our investment in the design of the new AROS initiative in order to prepare for the anticipated supply gap coming to the market in a few years. Despite this near-term volatility, we remain confident in our long-term prospects.

In summary, we're pleased with the successful convertible note financing, which provides us with additional financial flexibility to continue investing in our business to pursue long-term opportunities.

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 are pleased with the progress this quarter as we continue to execute across all aspects of our business. Our accomplishment so far this year have us well-positioned to capitalize on the growing global market opportunity for our real-time space-based intelligence solutions and have us on a path toward long-term profitable growth.

Our new Gen-3 satellites are delivering exceptional performance and when combined with our industry-leading Spectra platform and AI capabilities, we are winning new contracts and expanding our customer base around the world. A strong backlog from these long-term and diverse international customers, provides strong out year revenue visibility and opportunities of expansion as Gen-3 services come online later this year. As we continue to deploy our Gen-3 constellation over the coming months, we expect to continue this momentum because we add new customers and grow our services with existing customers.

With a strong balance sheet and improved liquidity, we are now in a position to unlock even more future growth opportunities. We are continuing our investments and innovation across a strong and vertically integrated portfolio of space technologies, which has us well-positioned to capitalize on rapidly emerging market opportunities. And finally, we are accelerating our investments for the future, as evidenced by the recent announcement of a new AROS constellation, which is a new growth and market expansion opportunity for us.

In summary, we are well-positioned and have set the stage to meet the rapidly growing global demand for space-based intelligence solutions for years to come. This concludes our remarks for the call and we'll now take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Tim Horan with Oppenheimer. Please go ahead.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Thanks, guys. Good morning. Can you give us a sense of when you turn on the third-generation satellites for general availability, what that kind of looks like in terms of what's it mean for the revenue trends and volume trends, like how important is that versus what you're doing right now with limited availability?

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

A

Yeah, Tim. Thanks for the question. The way to think about it, as we get to commercial availability in Q4, we'll begin to incrementally start ramping revenues, both from existing contracts that we already have in backlog, and then new agreements that we're signing over the course of the summer. And so you'll see -- starting to see that incremental revenue over time as we deploy the constellation. I should also note that the contracts we're winning also include a combination of Gen-2 and Gen-3 services. So it's the integrated constellation that is continuing to see strong demand and is part of the overall revenue growth trend.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

And just on the US government spending so -- apologies. Let's get into a little bit more detail on what you're seeing right now or are starting to see new orders out of them, new purchase orders, or what will be the catalyst to kind of close that to turn back on?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Well, I think I think we're seeing the effects of the current budget process and anticipated continuing resolution. So we've looked at a number of -- have good visibility into a number of our contracts and opportunities and looked at a number of those scenarios, and we factored that into our guidance.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Great. And can you talk about the pipeline for new contracts at a high level? I -- yeah. Can you maybe just talk about any new awards or amounts in the quarter, if you were to add it all up? I know you kind of gave out those details last quarter, would be helpful.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. I can comment on the general trends we're seeing. I think with the success of Gen-3 and the validation of the quality of the imagery and the performance of the satellites, we're now seeing a step-up in interest and demand as reflected in some of the early-access agreements that we're signing. And we're also seeing a growing

pipeline of out-year opportunities coming from that, not only from the imagery and analytics elements of that, but also for satellite solutions similar to programs that we announced previously in places like India and Indonesia.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Very helpful. And I guess, lastly, do you have a sense of how your image quality, delivery analytics compares to the competition and I guess strengthening the prices for other alternatives that new customers have here, how much of the competitive advantages is now.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, I'll say at 35 centimeters, it's comparable to other systems that are about 5 times the cost. And so, when you look at the performance and the economics and then when you combine that with our Spectra and AI capabilities, it's a highly differentiated offering relative to frequency, access to strategic locations in terms of monitoring and then, the delivery of actionable intelligence at low latency. So we're highly differentiated not only in the satellites, but across our entire platform.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Thank you.

Operator: Thank you. Our next question comes from Jaeson Schmidt with Lake Street Capital Markets. Please go ahead.

Jaeson Allen Min Schmidt

Analyst, Lake Street Capital Markets LLC

Q

Yeah. Thanks for taking my questions. Looking at that backlog number you gave, Brian, not looking for specifics, but at a high level, can you give us a sense of how much of that relates to Gen-3 capacity?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

I would say, good morning, Jason. Thanks for the question. I think, a significant portion of that backlog is related to Gen-3 imagery and analytics and related satellite solutions and some of those larger contracts that we announced prior.

Jaeson Allen Min Schmidt

Analyst, Lake Street Capital Markets LLC

Q

Got you. And then looking at the outlook -- your updated outlook for this year, the puts and takes the high end versus the low end of that outlook, is it really based on a few programs or is it sort of just broad based on [indiscernible] (00:35:28) in the US government space? How should we think about that?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Considers both. I think, as I said, we factored in -- got good visibility into a number of US government scenarios. But also keep in mind, we typically have a strong second half of the year. And then, some of these large deals

that come in, the timing, it's sometimes difficult to exactly nail down. So we've always had this kind of wide -- maintained a wider range as we've gotten into second half.

Jaeson Allen Min Schmidt

Analyst, Lake Street Capital Markets LLC

Okay. That's helpful. Thanks a lot, guys.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thank you.

Operator: Thank you. Our next question comes from Jeff van Rhee with Craig-Hallum Capital Group. Please go ahead.

Daniel Hibshman

Analyst, Craig-Hallum Capital Group LLC

Hey, this is Daniel Hibshman on for Jeff van Rhee. Thanks for taking my questions, guys. Maybe just one opening for Brian. On the early access programs for Gen-3, maybe you could explain to us a little bit better what those would look like. We've had multiple of those announced. How does an early access program compare or differ from a full-scale contract? As in, is early access essentially just a small operational contract or is there a fundamental difference in how the imagery is used in early access? And then what are the steps it takes for an early access program to become a sort of standard operational, full-scale contract? Thanks.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Yeah. Thanks, Daniel. The way to think about early access is it typically a smaller contract, just access the imagery. It does not typically come with a full service-level agreement like we would provide under commercial operations. So it gives customers early access to assess the imagery and the experience of accessing the imagery to our Spectra platform. Those typically transition into longer multiyear contracts. And also keep in mind we only have a couple of satellites up right now. And so, as Henry had mentioned, we get to four to six that starts to give us meaningful revisiting capacity around a commercial offering. So that ramps up as well.

Daniel Hibshman

Analyst, Craig-Hallum Capital Group LLC

Okay. That's helpful. And then one other just on Luno for me, really great opening win, interesting that facility is monitoring task order you got much larger than Maxar's and I think that's the largest task order, either Luno A or B, yes, that you guys want. So encouraging. As we look forward, is there -- would you expect that that \$24.4 million task order that's sort of the primary award to expect out of -- over the four-year duration of it, or would you expect that potentially later in other Luno A awards as well? And then similarly for Luno B, should we be thinking of Luno B as being a sort of similar scale of opportunity or how should we think about B relative to A? Thanks.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Yeah, Daniel. You're right. We believe it is the largest task order awarded under the new Luno contract vehicle. What we're seeing is there's a pretty wide range in the scope of these Luno task orders. So we kind of deal with them as those task orders get put up for bid in the market. So we're excited about this one in the sense that it is a

multiyear, long-term type of task order that provides as that -- those options get turned down over the years, provides higher visibility of recurring revenue around our high margin imagery and analytic services. So we're really happy to see that award and we're happy to see the trend that seems to be coming out of the Luno program now.

Daniel Hibshman

Analyst, Craig-Hallum Capital Group LLC

Thanks, Brian.

Q

Operator: Thank you. The next question comes from Austin Moeller with Canaccord. Please go ahead.

Austin Moeller

Analyst, Canaccord Genuity LLC

Hi. Good morning. Just my first question, do you plan to offer AROS imagery and Spectra bundled with Gen-3 imagery? Or would it be a premium add-on to a subscription for a customer?

Q

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thanks, Austin. That's a good question. There's a clear demand just for this wide-area mapping services. So there'll be stock offerings related to that, but also it's really -- it's an important point in that when you look at Gen-3 operating in concert with an AROS' capability, you can start doing broad area monitoring and change capability that tips and cues high frequency Gen-3 collection. So that capability being fully integrated by a single company really hasn't been in the market before. So we see that as an opportunity that customers will take advantage of, particularly as you start to use AI to do exploitation on broad area change. And then couple that with doing high frequency change monitoring and other higher order analytics.

A

Austin Moeller

Analyst, Canaccord Genuity LLC

And what commentary have you heard from the congressional appropriators on the funding for the NRO commercial imagery budget?

Q

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Right now, it's in the congressional markup process. So that's very dynamic. Congress is in recess right now. So we'll see how this plays out over the coming months. But it's still very much a dynamic situation.

A

Austin Moeller

Analyst, Canaccord Genuity LLC

Thanks. I'll pass it back there.

Q

Operator: Thank you. Our next question comes from Greg Burns from Sidoti & Company. Please go ahead.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Good morning. In terms of the AROS constellation, what -- how many satellites would make up a full constellation, and what is the cost to build and launch one of those satellites?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, we haven't -- when we get closer to deployment, we will share more of those details. I think one thing you can -- it's safe to say is the types of compelling economics that we're experiencing with Gen-3 would apply to the AROS system. So we see that bringing a very competitive imaging capability at significantly more favorable economics that's in the market today.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Okay. And then in terms of your -- the full-year revenue guidance, what is the split between imagery and engineering?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

About 70/30, 70% being imagery and analytics 30%.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Okay. Thank you. And just lastly, I just wanted to follow-up on the government -- US government spending outlook just to better understand the dynamic there, because I think, before this uncertainty, the expectation would be that they would step up spending and Gen-3 was coming online and assuming they would start taking those services. Is the implication now in the outlook, in the guidance that they are not going to be using the Gen-3 satellite, like, the funding is not going to be there for that? And is there a potential for them to cut back on Gen-2? I just want to understand like what the actual outlook is in terms of their consumption based on what you're seeing now?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. I would say a couple of things. I think obviously, it's this is dynamic, so it's unclear what's actually going to manifest in the actual budget, but we may not know that until early next year. There is significant demand for Gen-3 capabilities. So we anticipate the government will want access to Gen-3 as well as Gen-2.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Okay. All right. Thank you.

Operator: Thank you. [Operator Instructions] Our next question comes from Caleb Henry with Quilty Space. Please go ahead.

Caleb Henry

Analyst, Quilty Space

Q

Yeah. Good morning, guys. A couple of questions. One, I know that AROS is still a little ways out, but can you give any sense of the resolution the satellites will have, revisit size and -- excuse me, revisit rate and will the satellites be roughly the same size, are we talking about a much bigger or smaller spacecraft?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

As we -- without getting into specifics, this will be a very high-resolution multi-spectral satellite. We'll size the constellation based on demand in the market, but targeting a reasonable refresh and revisit rate. As I mentioned, we anticipated this opportunity. So we had started investing in some of the technologies for the system a couple of years ago and that was behind our -- one of the factors behind our acquisition of LeoStella. So, it'll be a different payload for sure, but it will also take advantage of some new technologies in the bus and other things that we've been developing.

Caleb Henry

Analyst, Quilty Space

Q

Okay. In your presentation this morning, references strategic investments as a potential use of proceeds from recent funding raised. Can you talk any about what types of things BlackSky would be interested in as a strategic investment, especially since AROS is being built internally and you already have LeoStella?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. I will just talk more broadly. Obviously, we are investing significantly in AI. We are also seeing emerging opportunities for things like Golden Dome that can leverage aspects of our technology stack and space. And as those opportunities become clearer, that may be an impetus to invest more. AROS is a strategic investment. So, we see that as a new market and growth opportunity out in that 2027 timeframe. So, I still want to emphasize that we remain highly focused on growing our EBITDA margins and get into free cash flow operations here in the near future. So just because we've secured the cash and liquidity on the balance sheet does not mean we're going to be changing significantly our overall operating or investment profile.

Caleb Henry

Analyst, Quilty Space

Q

Okay. And then my last question was just about the international business. 85% of backlog is much higher. I think last year this time, it was 40%. I know BlackSky has invested a lot in that area. I'm curious if there's anything else you see helping you grow in those markets and if this is kind of where you expect the levels to -- things to level out or if you see international kind of continuing to grow faster than domestic.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

We're seeing it growing faster than domestic, for sure, absent what happens with some of these larger programs like Golden Dome and some of the space force opportunities. But certainly, we see international growing faster and, in some cases, accelerating. So that's going to create new opportunities for us in regions across the world -- different regions across the world.

Caleb Henry

Analyst, Quilty Space

Q

All right. Thank you.

Operator: Thank you. Our next question comes from Robert Lynch with Stonegate Capital Partners. Please go ahead.

Robert Lynch

Analyst, Stonegate Capital Partners

Q

Hey. Good morning, guys. Thanks for taking my questions today. Just wanted to tie back to that 70/30 revenue split you mentioned earlier. [indiscernible] (00:49:03) our revenue was a bit lumpy this quarter. Any sense of if you'll get that pick up in the back half of the year tied to any specific milestones or is this a broader shift towards recurring imagery and analytics driving the mix change?

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

A

I think for now you can assume that appropriate ratio of imagery and analytics to professional engineering services. There's still some lumpiness in those professional engineering contracts as they're all different and have different milestone-based delivery. So we do anticipate kind of continuing quarter-to-quarter variability related to that revenue line.

Robert Lynch

Analyst, Stonegate Capital Partners

Q

Okay. Great. Thank you. Just how are you seeing contract terms shift with Gen-3 going up? Is there competition to lock in longer terms, or what does that landscape look like, going forward, into the second half here?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. I think we're -- the trend is to lock in longer-term agreements. As you know, in the first half, we signed a significant multiyear agreement. The two contracts that we announced just this past quarter were multiyear agreements. And so that's generally been the trend, and the historic performance of these types of customers, once they integrate these types of services into their operations, they tend to want to secure long-term recurring contracts and ensure that they have the capacity they need over the regions of interest. So we're seeing that trend, and we're seeing that pick up now that Gen-3 is working and operational.

Robert Lynch

Analyst, Stonegate Capital Partners

Q

Okay. Great. Very helpful. I think that's it for me, and congrats on the quarter.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Okay. Thanks, Robert.

Operator: Thank you. At this time, there are no further questions. This concludes BlackSky's second quarter 2025 earnings conference call. Thank you for joining the call today. Thank you.

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