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Blacksky Technology, Inc. (BKSY)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for joining us, and welcome to the BlackSky Technology Third Quarter 2026 Earnings Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to Aly Bonilla, Vice President of Investor Relations. Aly, please go ahead.

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 2026. Following our prepared remarks, we will open the line for your questions. A replay of this conference call will be available later today. 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 we will make forward-looking statements during today's conference call, including statements about our plans, objectives, and future outlook. 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 and SEC filings. 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 cash operating expenses. Definitions and

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reconciliations between our GAAP and non-GAAP results are included in our earnings press release and presentation, which are posted on 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 excited to report that we delivered the strongest quarter in our company's history. We continue to experience strong momentum across all aspects of our business as Gen-3 sales and customer demand translated into record revenues and earnings growth. During the quarter we delivered year-over-year revenue growth of nearly 120%, and adjusted EBITDA margins of 30% as Gen-3 continue to unlock and accelerate strong top and bottom-line performance. We have reached an inflection point where the annual run rate of our high margin space-based intelligence services has grown to over $100 million with a right-sized, capital-efficient constellation.

This is a major business milestone as incremental revenues from these subscription services contributed to ongoing margin expansion and positive operating cash flows. Our strong year-to-date sales performance has secured the backlog required to meet our full-year revenue objectives, and when combined with strong program execution, we are raising full-year revenue and adjusted EBITDA guidance for the second time this year. We expect this momentum to continue in Q4 and into 2027, as we expand our Gen-3 capacity and continue on a trajectory toward sustained, long-term, profitable growth, and free cash flow operations.

Turning to slide 4, the growth in our business can be directly attributed to the critical need for real-time space-based intelligence. Now, more than ever, major organizations around the world require assured access to timely intelligence that is vital to their national security and economic interest. This demand is reflected in the significant step up in defense and space-related budgets worldwide, especially at a time when we are seeing a dramatic increase in consequential world and geopolitical events. BlackSky is well positioned to meet this demand.

With the success of Gen-3, we have achieved a high-performance tech stack that includes a combination of space, software and AI capabilities that is purpose-built to deliver assured real-time intelligence of the most important and strategic locations in the world. We are providing customers with an unmatched combination of assured access and capacity, with the speed and clarity that delivers operational certainty and decision advantage that is essential to see, understand, and respond to today's global events. The proven on-orbit performance and superior image quality of Gen-3 is driving sales growth, customer adoption and utilization of our space-based intelligence services and mission solutions as investments in these mission-critical capabilities continue to expand around the world.

Now, let's turn to some key highlights from the quarter. Moving to slide 5, Q3 was a record quarter and a result of strong sales growth in our space-based intelligence and AI services, as Gen-3 adoption continued to expand. We also continued strong execution across our major mission solutions and advanced technology programs, hitting major progress milestones which also contributed to growth in the quarter. Here are some of the operational highlights. First, total revenues for the quarter more than doubled year-over-year to $43 million, led by record sales in our space-based intelligence and AI services business. Second, we continue to grow beyond $100 million in annual run rate revenue for our space-based intelligence and AI services, driven by strong growth in Gen-3 assured subscriptions and pilot programs.

Third, our adjusted EBITDA margin expanded to 30%, more than twice the margin we delivered in Q2, demonstrating the operating leverage of our business model and strong margin expansion. Fourth, we were

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selected as the exclusive provider of very high-resolution electro-optical satellites as part of a $1 billion international initiative to build the world's largest artificial intelligence infrastructure in space, a key win for our mission solutions business. And finally, in September, we successfully deployed our fifth Gen-3 satellite, achieving first light imagery and revenue-generating operations in less than 24 hours after launch. The proven on-orbit performance of Gen-3 has been a major catalyst in our strong financial results delivered this year, which has manifested into our historic Q3 performance.

Now, let's move on to some operational highlights from the three major elements of our business. Turning to slide 6 in our space-based intelligence and AI services. We delivered record revenue of $33 million, up 107% year-over-year and 34% sequentially. Increasing Gen-3 utilization is unlocking growth as customers move from evaluating the performance of our imagery and AI services during initial pilots to long-term subscription contracts where they're integrating our services into their daily operations. Strong year-to-date sales performance has enabled us to secure the backlog necessary to achieve full year growth of 50% over 2025 in this part of our business. This growth in our high margin Gen-2 and Gen-3 subscription revenues is a major driver in accelerating our adjusted EBITDA performance.

Our land-and-expand sales strategy continues to deliver as we converted multiple pilot programs into seven-figure contracts across government, international, and commercial markets. During the quarter, we completed a seven-figure, two-month pilot for Gen-3 assured services with a major US government customer. In addition, an international defense partner expanded its Gen-3 assured subscription after growing it from a small Gen-2 pilot into a seven-figure contract in less than six months. And finally, our longtime partner HEO also signed a seven-figure annual extension, adding Gen-3 to their non-Earth imaging services.

Moving on to slide 7. We were also excited to announce a major new pilot with SkyFi, that is an opportunity to open new commercial sales channels for subscription-based Gen-3 imaging and AI analytics services. During the quarter, SkyFi selected BlackSky as the first satellite imagery provider for its satellite intelligence platform. Under this pilot program, our Gen-3 35-centimeter imagery will power automated monitoring facility insights into Robinhood agent apps. This opportunity brings our rapid revisit, very high-resolution imagery into a new workflow, enabling retail investors to receive real-time insights into questions about activity and patterns taking place at facilities associated with publicly-traded companies.

The initial applications include monitoring vehicle production, logistics activity at e-commerce fulfillment hubs, data center construction and progress, and theme park attendance. The same constellation and automated Spectra architecture that supports our customers' most demanding defense and intelligence missions can now help deliver timely insights into economic activity to a broader commercial audience. This pilot is an example of how partners and developers can use our APIs and platform infrastructure to create new applications to reach new users and expand the commercial market opportunities for our real-time intelligence services.

Turning to mission solutions on slide 8, we continued strong execution on our major mission solutions programs and are on track to hit several major Gen-3 delivery milestones in the fourth quarter. Mission solutions revenue in Q3 was up about 5 times compared to the prior year quarter as we are successfully executing and meeting major program commitments. In parallel, we are successfully ramping our Gen-3 production capacity and are on track for multiple Gen-3 deliveries in Q4. Our first Gen-3 sovereign satellite is ready to ship and available for launch in less than one year after receiving the contract award.

With over 20 satellites in process, our ability to accelerate our customers' sovereign space programs, leveraging a proven Gen-3 design that can be rapidly delivered from our production facility, provides us with a strategic advantage to capture new sales opportunities. We are continuing to actively develop and work in multibillion-dollar

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sales pipeline for Gen-3 and AROS-related mission solutions. The combination of our shared subscription services and sovereign space solutions enables us to provide customers with immediate access to assured real-time intelligence capabilities that grow over time and are aligned with their long-term defense intelligence and economic development imperatives.

Moving to slide 9 and a major win for our mission solutions business. We are proud to be selected as the exclusive provider of very high-resolution, electro-optical satellites as part of a new international initiative to build the world's largest artificial intelligence infrastructure in space. This $1 billion initiative is led by a consortium of international leaders that is bringing together best-in-class AI and space technologies to accelerate the development of new applications for AI in space. The initial constellation of 50 satellites will carry radar, optical and other sensors, and is designed to serve users across France, Europe, and the UAE. The proven and superior on-orbit performance of Gen-3 as a best-in-class 35-centimeter imaging satellite was a major factor in this key win. We believe that these types of international partnerships will be instrumental in a model for capturing and growing sovereign mission solutions worldwide. We recently received a contract to commence initial program development activities and expect to provide additional details on the scope and timing of the program in the coming months.

Turning to slide 10 and our advanced technology programs. Revenues for this element of our business in Q3 grew approximately 80% year-over-year, primarily driven by government-funded AROS development to support a launch in 2028. We are also continuing development work on optical inter-satellite links and advanced payload technologies under other advanced programs. These programs are aligned with customer requirements and strengthening the technology foundation of our future offerings. This approach allows us to advance critical capabilities, reduce internal R&D expenses, and extend our competitive advantage. Together with our space-based intelligence subscription services and mission solutions business, these programs create multiple growth vectors from a common technology platform.

Moving to slide 11, we are successfully scaling Gen-3 production capabilities to support the deployment of our commercial constellation, while also building production capacity of Gen-3 satellites for current and future sovereign mission solutions programs. In September we launched our fifth Gen-3 satellite, which delivered first light imagery in less than 20 hours after launch, and entered revenue-generating operations within 24 hours. Our ability to rapidly commission new satellites enables us to scale very high resolution imaging capacity commensurate with demand, to provide customers with expanding assured capacity where and when they need it. Our capital-efficient approach employs a right-sized and highly optimized constellation that maximizes collection capacity over the most consequential and high-value locations around the world.

This strategy underpins the strong operating leverage and capital efficiency that is reflected in the performance that we delivered in recent quarters. We are on track to launch two more Gen-3 satellites this year for our commercial constellation, with our eighth satellite expected to launch in early 2027. In parallel, we are also on track with multiple Gen-3 sovereign satellite deliveries scheduled for customers in Q4. Our demonstrated ability to scale Gen-3 production has us well-positioned to meet our growth objectives for space-based intelligence and AI services and mission solutions business in 2027 and beyond. In summary, we delivered the strongest quarter in BlackSky history. The speed, clarity and assured performance of Gen-3 is driving customer adoption and increasing capacity utilization, which is translating into high-margin growth across all elements of our business.

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.

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Thank you, Brian, and good morning, everyone. Building on the momentum from the second quarter, I'm pleased that we delivered a strong third quarter with record revenue, record adjusted EBITDA, growing margins, positive operating cash flow, and a strong balance sheet. Now, let's get into our financial results. Turning to slide 13, total revenue for the third quarter of 2026 was $42.8 million compared with $19.6 million in the prior year quarter, a year-over-year increase of 118%. Revenue also increased approximately 30% sequentially from Q2. This strong performance was driven by over 100% growth in our space-based intelligence and AI services business growing to $32.7 million, which included a successful Gen-3 assured pilot program with the US government and continued growth in our subscription business.

Mission solutions contributed $4.7 million in the quarter, a 5x increase over the prior year period, as we executed against customer program milestones. We anticipate revenues from our mission solution business to increase in Q4 with multiple Gen-3 deliveries, as Brian mentioned. Advanced technology programs revenue increased approximately 80% to $5.4 million, primarily driven by government-funded AROS development work. I'm happy to report that all three elements of our business contributed to growth in the quarter. Turning to slide 14 and our cost of sales. During the quarter, our space-based intelligence and AI services revenue grew $17 million over the prior year, while corresponding cost of sales remained essentially flat. This performance demonstrates that over 90% of every incremental dollar in revenue contributes to the bottom line. Moving forward, growth in our space-based intelligence and AI services revenue will drive margin expansion.

Turning to slide 15, cash operating expenses for the third quarter were $21.4 million compared with $18.3 million in the prior year quarter. Combined with our strong revenue growth, cash operating expenses decreased to 50% of revenue. Revenue growth significantly outpaced operating expense growth by 7 times. As a reminder, cash operating expenses excludes depreciation and amortization expenses and stock-based compensation within selling, general and administrative expenses. Now on to slide 16. Adjusted EBITDA for the third quarter of 2026 was a record $12.8 million, an improvement of $17.3 million over the prior year quarter, and $8 million sequentially. This represents an adjusted EBITDA margin of 30%, which is more than double the margin we reported in Q2. We also reported net income of $18.5 million compared with a net loss of $15.3 million in the prior year quarter.

Let's move to our cash and liquidity position as shown on slide 17. We ended the third quarter with $231 million in cash, cash equivalents, restricted cash, and short-term investments, an increase of 57% over the prior year quarter. I am pleased that the strong revenue and margin performance enabled us to deliver positive operating cash flow this quarter. This is significant as we achieved this milestone as part of our normal cost of operations, and it did not include any extraordinary one-time cash receipts such as prepayments, which, as you know, typically create large deferred liabilities. Capital expenditures during the quarter were $15.4 million, bringing year-to-date CapEx to $46.5 million, in line with our expectations. We believe our liquidity and cash position is sufficient to complete our baseline Gen-3 constellation in 2027 with ample cash available to pursue other strategic growth initiatives.

Our focus remains on disciplined cost management, efficient capital deployment, growing our operating margins, and driving returns on our invested capital. Turning to slide 18, based on our strong year-to-date sales and visibility into the remainder of the year, we are raising our full year guidance for revenue and adjusted EBITDA for the second time this year. We now expect revenue between $140 million and $150 million, and adjusted EBITDA between $18 million and $24 million. For capital expenditures, we are maintaining our guidance of $50 million to $60 million. In summary, we are pleased with the record Q3 financial performance, the performance of our business model, the strength of our balance sheet, and the visibility into the remainder of the year, and expect to continue the momentum into 2027.

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With that, back to you, Brian.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thanks, Henry. In closing, Q3 was a historic quarter. We delivered record financial performance and achieved a major inflection point in our business. Our year-to-date sales performance has enabled us to secure the backlog to raise our full year outlook for the second time this year. Our strong revenue growth, combined with the operating leverage of our business, enabled us to deliver strong earnings growth and positive operating cash flows. This margin performance, combined with other initiatives this year, resulted in improved liquidity and a strengthened balance sheet, providing ample cash to complete our baseline Gen-3 constellation in 2027, and support investments and other strategic initiatives to accelerate our growth. We believe we are well positioned to maintain this trajectory and continue on our path towards sustained, long-term profitable growth. We are looking forward to a strong finish to 2026 and carrying that momentum into 2027. One final note. We look forward to sharing more about our vision and growth strategy at our upcoming Investor Day event taking place December 2nd in New York. We hope to see you all there.

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

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Austin Moeller with Canaccord Genuity. Your line is now open.

Austin Moeller

Analyst, Canaccord Genuity LLC

Q

Hi. Good morning, Brian and Henry. So just my first question here. What do you view is the appetite of the new Congress for commercial ISR imagery procurement? And presumably, I would assume, there's going to be a renewed interest in imagery over Eastern Europe.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Good morning, Austin. Thanks for the question. I think, we look at it this way. There's always been very strong interest and demand for our commercial imagery, both from the US government and international customers worldwide. I think, from our perspective, the need for real-time intelligence is growing, and the success of Gen-3 and our ability to deliver assured capacity with speed and clarity is now an essential part of government operations worldwide, and that's growing. So I think, we can see expanding opportunities that can come, and we're already seeing that reflected in defense and intelligence budgets worldwide.

Austin Moeller

Analyst, Canaccord Genuity LLC

Q

And I understand there's a multi-billion dollar sales pipeline for Gen-3 sovereign satellites, and you've got three coming up for delivery. What percentage of the backlog does that look like? And can you talk about maybe where some of those customers are geographically?

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

Well, just to be clear, backlog is not related to our pipeline. Pipeline are new opportunities, and these are opportunities that are both related to our space-based intelligence services and our mission solutions. So we're tracking several billion dollars in opportunities related to those two parts of our business. The opportunities we see in there are worldwide, both from the US government and from a broad customer base of international opportunities. So it's very exciting. I think the success of Gen-3 has us well positioned to go capitalize on those things. Just to remind you, there's a range of things in that pipeline from early pilots to very large constellation programs that all have different sales cycles. And so we're pretty pleased with the pipeline and the broad opportunities that are there worldwide and the diverse customer base that is creating our growth opportunities.

Austin Moeller
Analyst, Canaccord Genuity LLC
Q

That's great. Thanks for all the thoughts.

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

Thanks, Austin.

Operator: Your next question comes from the line of Timothy Horan with Oppenheimer. Your line is now open.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.
Q

[indiscernible] (00:28:49). Can you just maybe give us a qualitative how does it compare now to six months ago or a year ago? It seems like you're getting into a lot of new markets that I hadn't really contemplated a year ago.

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

Hey. Good morning, Tim. Sorry, could you repeat the question? The beginning [indiscernible] (00:29:06). Thanks.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.
Q

Yeah. Sure, Brian. Can you give us a little bit more color on the pipeline? It seems to have expanded dramatically. I mean, you seem to be entering a lot of new markets that we weren't really aware was around 12, 18 months ago. So I guess, can you just qualitatively talk about how much larger the pipeline is now versus a year ago?

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

Yeah. I can say that the pipeline has expanded significantly over the last 12 to 18 months. I think, there's two primary factors. I think, the success of Gen-3 exceeding our expectations and the level of service we're able to provide customers has reached – has been validated. And so now we're seeing the increase in the adoption and interest to access those services from customers around the world. And then, I think, there's been a massive shift and budget growth around mission solutions, and again, Gen-3 being approved on on-orbit capability is really critical for these customers that are planning to acquire proven capabilities to support their long-term sovereign capabilities. And so I think, those two factors – and it's really anchored on the success and highly differentiated

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capabilities we have in our tech stack and the Gen-3 performance that has driven that. And I'll add, we're delivering extremely high-value services off of that stack at extremely compelling economics at a price point that is delivering very high value to our customers, but also for us translating into top line and bottom line performance.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Q

And then the new AI constellation, Henry, I know you kind of referenced in August that there was a new kind of constellation that would be a game-changer. Was this the one you were referencing?

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

A

Yeah. Tim, this was one that's been in our pipeline. This is a really exciting project for the industry, and it has a potential, I think, to significantly shape the future of AI-enabled space constellations and infrastructure. So we're proud to have been selected to be part of that industry-leading technology team. And that program was just announced, and there'll be more details coming on that. But this was something back to the question on pipeline, that we've been tracking for a long time, we've been shaping and working this for a while. And now we're going to see that result can translate into significant growth opportunity for the company.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Q

And just lastly, I know your images are really high quality and you've been getting a lot more data. Can you talk about how your AI models and platforms have been improving or performing with usage?

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

A

Yeah. I think, as you know, we've invested in advanced AI and machine learning capabilities now for over a decade. We have processes and capabilities that are constantly improving those models, and then that is translating into better value for our customers with better intelligence. So those are constantly improving. Gen-3 is significant in that the improved resolution and image quality allows us to deliver even higher levels of accuracy and improved insights. So this is something we're constantly improving. And as we've talked about before, these are things that we're bringing to our customers. I think, it's also important to mention that our AI models are purpose-built for this real-time intelligence capability. These are not generic third-party AI models. These are proprietary that leverage our ability to train off of our proprietary data, but also can be deployed into real-time environments to deliver high-value solutions to our customers.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Q

Thank you.

Operator: Your next question comes from the line of Jeff van Rhee with Craig-Hallum Capital Group. Your line is now open.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Q

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Hey. Good morning, Brian, Henry. This is Daniel on for Jeff. Congrats on a great quarter. In terms of maybe the Gen-3 deliveries, if you could expand on what that means, and I know you talked about two commercial Gen-3 units to go up and then these three sovereign Gen-3 deliveries for a total of five. Does that mean five total satellites launching or is delivery in this context mean more like physical delivery of a satellite, like on the ground to a sovereign customer? Just what does that mean? And then, in terms of rev rec, are those deliveries sort of the key rev rec milestone, or how should we think about which events are the key ones where the bulk of the rev rec lands for these sovereign satellites? Thanks.

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

Yeah. Good morning, Daniel. Thanks for the question. Yeah, you can think of these as hardware or system deliveries out of the production environment. And so from there, in our case, for our commercial constellation, they're available for launch at that point. And then for some of the customer programs, it's a progress delivery milestone related to the contract. And in some cases, we'll be launching those satellites for them, in other cases they will take – they have launch responsibilities. The rev rec, for those programs, is progress based. And maybe, Henry, you want to add some color on that.

Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.
A

Sure, Daniel. On the rev rec on these, there's some customization for each individual customer. There we are able to recognize the revenue over time on progress. There is some triggers, though, as we hit the delivery milestone.

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

And Daniel, I'll add, I think, the important point here is, we're demonstrating the scalability to produce Gen-3s at a rate that is significant to support the growth in our commercial constellation, while meeting and being able to accelerate deliveries for our mission solutions customers.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC
Q

Yeah. That's helpful. And then in the deck on the slides, it's about imagery, it talks about securing the backlog to achieve full year growth of 50% over 2025. So just to be clear, is that guiding to 50% year-over-year imagery growth for fiscal 2026 over fiscal 2025?

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

Yeah. For that slide, I think you're referring to the 50% growth in our space-based intelligence and AI services. So that's correct. We've secured the backlog at this point that will drive 50% growth in that part of the business year-over-year.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC
Q

Okay. That's helpful. And then last of all from me, just Henry, do you have the backlog, next 12-month backlog numbers? Are you sharing those?

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Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.

A

Sure. We'll be filing the Q after market, there'll be in that. But right now, we've got total backlog of $355 million, of which we expect about $45 million of that to be in the fourth quarter.

Daniel Hibshman
Analyst, Craig-Hallum Capital Group LLC

Q

Thanks. Congrats on the quarter.

Operator: Your next question comes from the line of Sheila Kahyaoglu with Jefferies. Your line is now open.

Adam Samuelson
Analyst, Jefferies LLC

Q

Yes. Hi. It's Adam Samuelson on for Sheila. Good morning, everyone. I guess, my first question is just making sure you're saying kind of the fourth quarter implied guidance. Revenues are flat to up $10 million or so sequentially from the third quarter, but EBITDA is flat at the high end of that range. Some of the comments on Gen-3 deliveries on mission solutions suggest that just the mission solution revenue that comes in with lower margin. But [indiscernible] (00:37:32) just kind of revenue is up, flat to up $10 million sequentially, and EBITDA that would be declining quarter-on-quarter in the guidance? Thank you.

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

A

Yeah. I think maybe a couple of comments. I think, as we mentioned in our remarks, there's some significant satellite-related deliveries in the fourth quarter, which will affect the mix, the revenue mix. So you're going to see that. I think, you're also, with respect to the range, we have strong visibility and secured the backlog to hit these objectives this year. A little bit of variability you're seeing is the ramping of some recent awards and accounting for potential timing of deliverables of related revenues and programs. So I also should add that, as we perform on pilot programs for our space-based intelligence and AI services, that will add some – we're seeing strong annual growth in that part of the business as you've seen us report in the quarter. It does introduce some lumpiness as these pilots kind of come in and out quarter-over-quarter. So those are all the factors that are contributing to a slightly different mix in the fourth quarter.

Adam Samuelson
Analyst, Jefferies LLC

Q

Okay. That's helpful. Maybe just on the last point. As we think about maybe in space-based intelligence, kind of distinguishing between kind of the subscription kind of contract business versus some of those pilots, and specifically the subscription side is kind of a baseline that can keep growing into 2027, how much were the pilots, if you could parse that, just so we think about kind of what that underlying kind of steady base is versus some of the lumpier kind of increments on top?

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

A

Yeah. There's a wide range of pilots, anything from a six-figure pilot that might go for a few months to seven-figure pilots. And so I think, the way to think about the run rate from that business is, we're continuing to build a strong base of recurring subscription revenue that will grow over time, and the success of Gen-3 has enabled us to build up that base. And when you combine it with these pilot programs, it's enabled us to reach $600 million run

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rate for these high-margin services. And as I just mentioned, you should expect to see some variability quarter-to-quarter as the size and timing of the pilots can introduce some lumpiness on top of the subscription base. And then, the last factor is, as we have these successful pilots, the time to transition and ramp into subscription contracts also introduces some variability. So I hope that provides you some color on kind of how that part of our business is working.

Adam Samuelson
Analyst, Jefferies LLC

Q

That's all very helpful. I appreciate the color, and I'll pass it on. Thank you.

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

A

Thanks, Adam.

Operator: Your next question comes from the line of Edison Yu with Deutsche Bank. Your line is now open.

Q

Hi. This is [ph] Laura (00:40:55) dialing in for Edison. Thank you for taking our questions. So wanted to come back to the 50 satellites AI constellation with the consortium. So it seems you have received the initial contract to begin the development. So what's the initial contract [indiscernible] (00:41:16)?

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

A

Yeah. This is just a small initial contract to get started. We're working the definitive agreements for the much larger contract. And so you can expect to – we'll have more to report on that in the coming months as that solidifies.

Q

Okay. Got it. Yeah. [indiscernible] (00:41:42) probably not defined yet, but, like, conceptually, what's the, like, total opportunity you can potentially capture out of this [indiscernible] (00:41:53) initiative? Are we thinking about more of like eight or nine figures?

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

A

Yeah. I think at this point I'm going to just wait until we firm that up. Keep in mind, this is part of a very significant international consortium. So there's a lot of stakeholders involved with this, and they're leading this effort. So I think for now, we'll have more to report on this in the coming months.

Q

Okay. Got it. And also, just looking ahead to 2027, are there any early thoughts you can share, like, the growth drivers, any contracts you'd highlight? Basically, how should we think about the trajectory from the 4Q, especially considering the multi-billion dollar pipeline and expansion that you just discussed as well?

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

A

Yeah. At this point, we're not guiding to 2027. We'll do that in the first quarter. I think, I'll just say is that, we expect the strong momentum in both our space-based intelligence and AI services to continue, and we're working a very large pipeline of mission solutions opportunities. And as I mentioned, we'll have more to report on the size and scope and impacts of the billion-dollar initiative here in the coming months.

Q

Okay. [indiscernible] (00:43:26). I appreciate it.

Operator: Your next question comes from the line of Greg Pendy with Clear Street. Your line is now open.

Greg Pendy
Analyst, Clear Street LLC

Q

Hey, guys. Thanks for taking my question. Just wanted to go into space domain awareness a little bit, given the contract extension that you guys had during the quarter with the Australian company, I think, it's HEO. Kind of what are the opportunities in that market, and what are the margin profile, because it seems like you're getting a dual use out of your satellites with the space domain awareness. So are there other opportunities, and what does that market look like?

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

A

Yeah. I think – thanks, Greg, for the question. I guess, I'd view this from two perspectives. It's a nascent market, but there's very high demand for improved space domain awareness because of the activity that's happening in space from a national security perspective. So this is early, and so we see this as a new and growing opportunity. As far as the margin aspect of this, we see this as an exceptional opportunity because we're able to use our satellites for this kind of capability at night time and at other times of day when we're not imaging for customers. So it's an extremely high-margin use of assets that we already have on orbit, which will drive additional margin to our bottom line.

Greg Pendy
Analyst, Clear Street LLC

Q

That's very helpful. Thanks a lot. Oh, and just one more, if I can get it, just on the Robinhood deal. Is that exclusive or could that be – can you possibly pursue other financial firms with a similar type approach?

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

A

Yeah. This is not an exclusive contract. I think, what it really signals is the real-time capabilities of our platform that can be accessed by developers, AI-enabled applications, and other platforms. It's really a powerful way for us to go to market in multiple channels vertically, into vertical markets. And I think that creates a really strong TAM expansion opportunity for us to expand commercially off of our common tech stack using these types of channels to drive revenue and earnings growth.

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Greg Pendy
Analyst, Clear Street LLC

Q

That's very helpful. Thanks a lot.

Operator: Your next question comes from the line of Dave Storms with Stonegate Capital Partners. Your line is now open.

Maximus Alexander-Nino
Analyst, Stonegate Capital Partners

Q

Hello. Good morning. This is Maximus. I'll be asking questions for Dave this morning. I wanted to touch – follow up on the Robinhood relationship. What exactly are you guys looking to validate during the pilot, and how long do you expect it to run, and what milestones would need to be reached before this becomes a broader commercial agreement? Thank you.

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

A

Yeah. I think there are several objectives related to the pilot. I think, it's on the SkyFi side, it's the development of the application, and then testing that with Robinhood. And so there'll be aspects of testing the service itself. And then, I also think there'll be some work exploring the long-term subscription and business model. So we expect this pilot to execute over several months, and that will inform the next phase.

Maximus Alexander-Nino
Analyst, Stonegate Capital Partners

Q

Got it. Thank you for that. And so just to confirm, the way you guys are participating in the revenue, is it a subscription model? And if so, how would those margins compare to the existing intelligence subscription model?

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

A

It's the same. It's a subscription model. And as Henry walked through kind of the operating leverage in our business, every incremental dollar of revenue we generate has a 95% contribution margin, whether it's an intelligence customer or a commercial subscription.

Maximus Alexander-Nino
Analyst, Stonegate Capital Partners

Q

Thank you. And then just one last point, on slide 11, you guys talked about scaling satellite production with CapEx expected to be $50 million to $60 million this year. Can you help distinguish the spending required to sustain the existing constellation, some investment in additional capacity?

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

A

I think, I can let Henry chime in, but the majority of our CapEx is around deploying the Gen-3 constellation. There is CapEx in there for investments in software and AI in our tech stack, and that's been consistent over the last several years.

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Henry E. Dubois
Chief Financial Officer, Blacksky Technology, Inc.
A

Yeah. That's correct. I mean, the $50 million, $60 million primarily supports getting our Gen-3 constellation up. And there's a little bit for our CapEx software.

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

And it's probably important to point out that, we are well along in the investments on the baseline Gen-3 constellation at this point, our position to achieve that baseline in 2027.

Maximus Alexander-Nino
Analyst, Stonegate Capital Partners
Q

Thank you so much, and congrats on the quarter.

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

Thanks, Maximus.

Operator: There are no further questions at this time. This concludes today's call. Thank you for attending. You may now disconnect.

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