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Blacksky Technology, Inc. (BKSY)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to BlackSky Technology's Third Quarter 2025 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Please note this conference call is being recorded.

I would now like to turn the call over to Aly Bonilla, BlackSky's Vice President of Investor Relations. Please go ahead, Aly.

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 get the 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 November 13. 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 cash operating expenses. The 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 the strong momentum in the business as the success of Gen-3 is delivering best-in-class imagery and analytics and driving significant demand toward unlocking our next phase of growth. We are gaining customer traction, growing our pipeline and building backlog for both our imagery and analytics services and for Gen-3-powered sovereign solutions.

Customers around the world are recognizing Gen-3's superior performance, especially at a time when they are seeking to accelerate their sovereign, space-based intelligence capabilities. BlackSky is well-positioned to capitalize on this market opportunity by leveraging a full technology stack that includes real-time software, advanced AI, Gen-3 satellites and vertically integrated satellite production capabilities. While the quarter reflected anticipated impacts related to US government budget uncertainty, we closed significant new contract awards and expect to remain on track to hit our full-year financial objectives. Strong international demand is outpacing the near-term US government business. And as such, we are anticipating a strong Q4 and expect to take that momentum into 2026.

Now let me share some recent highlights as shown on slide 4. First, we were awarded more than \$60 million in new contracts, primarily with international customers as we continue to diversify our customer base and revenue mix. In addition, these contract wins are predominantly for the delivery of Gen-3 services, demonstrating the traction we are seeing for this capability around the world. We expect this momentum to continue as we move forward on the deployment of the Gen-3 constellation over the coming months.

Second, we're pleased to have been awarded a contract valued at over \$30 million to integrate Gen-3 high-cadence tactical ISR services into a strategic international defense customer secure environment. This contract demonstrates how BlackSky is accelerating sovereign space-based intelligence capabilities by leveraging proven commercial space technology to address their mission-critical requirements. Third, traction for our Gen-3 imagery continues to build as we expand the number of customers participating in our early access program, including a new seven-figure contract to commence delivery of Gen-3 imagery services to the US government. We are starting to see contributions from Gen-3 imagery revenues and expect this trend to continue as we bring more Gen-3 capacity on line.

Fourth, we're seeing our AI and analytics solutions continue to gain traction across our customer base, including with NGA Luno, a global data marketplace and with major international government programs. Fifth, our Gen-3 constellation continues to expand. Our latest satellite is at the launch site and we're excited to get the satellite launched as we move forward in our plans to have a baseline Gen-3 commercial constellation fully operational next year. And finally, our cash balance increased more than 50% from last year following the successful raise we completed in July, bringing our total liquidity to over \$200 million. Our stronger balance sheet and cash position puts us on a clear path toward free cash flow operations.

These highlights underscore how our space, software and AI capabilities are well-positioned to provide customers with mission-critical intelligence that they rely on every day for their national security needs. I would now like to share some more details on the operational highlights from the quarter.

Turning to slide 5. As I highlighted a moment ago, we're seeing international demand for sovereign solutions continue to accelerate and in the near term is outpacing our US government business. In fact, revenues from international customers now represent about half of our total revenues, driven by new contracts and expanded service agreements with a number of ministries of defense and organizations around the world. And we expect this trend to continue. We should also note that over 90% of our backlog is related to international contracts for Gen-3 capabilities.

Countries around the world are accelerating their investments in space-based intelligence solutions in support of national security and economic development imperatives. This is driving a major shift and expansion of the market, which is being reflected in growing space-based defense budgets and sovereign investment funds. BlackSky is well-positioned to capitalize on these market dynamics as our vertically integrated technology enables us to accelerate an organization's space-based intelligence capabilities, leveraging proven and mature software, AI and satellite technologies. We are winning new contracts and building an expanded sales pipeline as demand for our Gen-3-powered sovereign solutions continues to gain traction worldwide.

Moving to slide 6. We recently won a multi-year contract valued at over \$30 million with a strategic international defense customer to integrate our Gen-3 high-cadence, tactical ISR services into their secure operational environment. This expanded solution will enable BlackSky tasking and AI-enabled analytics services to operate seamlessly within the customers' workflows, delivering a new level of fully secure and autonomous operations. The tactical ISR services, being delivered under this program, feature high-frequency Gen-3 tasking combined with real-time AI-enabled detection, identification and classification of tactical objects delivered through a low-latency architecture. This win marks a step forward in the operational deployment of our Gen-3 capabilities in support of delivering secure, real-time tactical ISR solutions for 24/7 time-dominant missions.

Turning to slide 7. We continue to win contracts and task orders on programs such as the Global Data Marketplace and NGA Luno program. In Q3, we received a seven-figure delivery order under the NGA Luno program, bringing our total orders won this year under this contract to about \$30 million. This follow-on award leverages our proprietary computer vision algorithms and AI capability to automatically detect and identify areas of change caused by human activity. Our proven AI software is very effective in identifying anomalies, detecting infrastructure changes and delivering alerts within minutes, giving defense analysts a crucial first-to-know advantage.

Moving to slide 8. We're seeing significant demand and growing traction for our Gen-3 imaging services as additional customers have signed up for early access agreements in Q3, including a new seven-figure contract with the US government. The positive customer feedback we've received from early adopters confirms that Gen-3's very high-resolution imagery, combined with our AI-driven analytics, is delivering high-value intelligence

[indiscernible] (00:12:09) compelling performance for the class of the satellite and we expect this momentum to continue as we build out the constellation.

Turning to slide 9. We're pleased that our next Gen-3 satellite has arrived at the launch site and we anticipate its deployment in the coming weeks. Gen-3 satellites continue to move through our production line and we will continue a cadence of launches to build out our constellation in 2026. The Gen-3 satellites in orbit are performing well and generating revenue.

Moving to slide 10. We believe the long-term opportunities with the US government remains strong, as many agencies are seeking to leverage mature commercial space technologies to advance national capabilities, especially missions that require proven technology to support proliferated, lowered satellite constellations. We continue to make important progress across our US government portfolio, including advanced R&D for capabilities like the integration of optical and for satellite cross-links into our current and next-generation capabilities.

Although we have experienced near-term impacts for the fiscal year 2026 budget on the EOCL program, we are seeing congressional support to restore funding to the program. We expect to have better visibility once the final budget is approved. As the US government expands its investments in space, we see opportunities for companies like BlackSky who have proven, agile space capabilities and tech stacks that can rapidly deploy technology to support cost-effective government programs. In particular, there are programs such as Golden Dome where aggressive deployment schedules and non-traditional acquisition models favor proven commercial space capabilities. We have a strong track record of supporting these types of customers and feel we are well positioned as these future opportunities unfold.

Turning to slide 11. We continue to make progress on our AROS Initiative. Recall that AROS is a new satellite designed to provide wide-area mapping, monitoring and change detection to address an anticipated gap in these capabilities in the 2028 timeframe. We continue to work through the design phase and engage potential customers and partners on the development of this constellation. We will have more to report as we progress on this program through 2026.

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 13, total revenue for the first nine months of 2025 was \$71.4 million, consistent with the prior-year period. While we were expecting imagery and analytics revenue growth in the third quarter of 2025, our revenue was negatively impacted in August and September by approximately \$4 million due to reductions made in the EOCL contract. Our professional and engineering services revenue for the first nine months of 2025 grew to \$20.8 million, a 9% increase over the same period in the prior year.

Let's now turn to slide 14 and talk about cash operating expenses, which excludes stock-based compensation, depreciation and amortization expenses. For the first nine months of 2025, cash operating expenses were \$56.6 million compared to \$48 million in the prior-year period. The year-over-year increase in cash operating expenses was driven by about \$9 million of overhead expenses in 2025 from the integration of LeoStella. These costs would have been previously capitalized into our satellite assets and not included as operating expenses. Therefore, excluding the LeoStella overhead expenses, year-to-date 2025 cash operating expenses would have been in line

with the prior-year period, demonstrating the discipline we have in managing our costs while still making investments in our business.

Moving to slide 15. Our adjusted EBITDA for the first nine months of 2025 was a loss of \$7.9 million compared to an adjusted EBITDA of \$4.3 million in the prior-year period. The year-over-year decrease was primarily attributable to EOCL and LeoStella, as I've mentioned earlier. Excluding these two impacts, we would have reported a positive adjusted EBITDA of approximately \$5 million for the first nine months of 2025. We remain committed to achieving adjusted EBITDA growth and margin expansion.

Let's move on to our cash and liquidity position as shown on slide 16. We ended the third quarter of 2025 with \$147.6 million of cash, restricted cash and short-term investments, which is more than double our cash balance from a year ago. This amount includes \$65.9 million in net cash proceeds from a convertible note offering and \$10.8 million from the exercise of warrants both completed in July. In addition to the cash, we also have \$43.4 million in unbilled contract assets, of which \$36 million is anticipated to be billed and received over the next 12 months.

Together with the \$13.5 million available launch financing, this brings our total liquidity position to over \$200 million. This position reflects an increase of \$85 million or a 71% growth over the position we had in the third quarter of 2024 and provides BlackSky with sufficient cash to deploy our Gen-3 constellation, invest in strengthening our in-house AI capabilities, continue the design and development of our AROS program and puts us on a path to positive free cash flow.

Turning to slide 17. We are maintaining our guidance for full-year 2025 revenue, adjusted EBITDA and capital expenditures. We are maintaining the current range as we are actively working to close on a number of large sales opportunities that we expect will impact the fourth quarter.

In summary, we are pleased with the momentum in our business, our growing sales pipeline, our strong cash and liquidity position. We look forward to a strong fourth quarter, high visibility growth in 2026 and continuing our path to free cash flow.

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

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thanks, Henry. In closing, we're pleased with the strong momentum in our business and the growing demand for our space-based intelligence solutions. As we look ahead, we expect a strong finish to 2025 and significant high visibility growth in 2026. This visibility is anchored by a strong backlog of international contracts and a growing pipeline for our imagery and analytics services and sovereign solutions. Customers around the world are recognizing Gen-3's superior performance, especially at a time when they are seeking to accelerate their sovereign space-based intelligence capabilities. The opportunities ahead are significant. We remain confident in our ability to capitalize on the growing global market for our space-based intelligence solutions.

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

QUESTION AND ANSWER SECTION

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

Edison Yu

Analyst, Deutsche Bank Securities, Inc.

Q

Hey. Good morning, everyone. Thanks for taking our questions. First, wanted to check on the Gen-3 deployment cadence. Is that still progressing on the same kind of deployment number as you were previously looking for?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yes. Good morning, Edison. Yeah. As we mentioned, the next satellite is at the launch site and we expect that to be deployed here in the coming weeks. Well, we did find a faulty component in that satellite during final testing. So we experienced some delays, but it was not systemic to the rest of the constellation. And so we fixed that and we're moving forward. Obviously, there's some delays, but we're continuing on the plan that we outlined earlier.

Edison Yu

Analyst, Deutsche Bank Securities, Inc.

Q

Understood. And I know you mentioned in the deck that next year, it will be fully operational. Can you just remind us, what does that mean? Exactly how many satellites does it have to be fully operational?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. As I mentioned before, our goal is to have at least 12 out by the end of next year.

Edison Yu

Analyst, Deutsche Bank Securities, Inc.

Q

Understood. And then just if I could sneak one in on the financials. The range for 4Q is quite wide. So if we want to kind of take that as a jumping off point, what are sort of the main factors in getting to the low end or the high end? Is it – is the government shutdown hurting that? So, yeah, just trying to get an understanding of what the – what kind of the delta is. Thanks.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. I think, Edison, I think maybe first off, as you've seen in the past couple years, we've had – tend to have really strong Q4 performance and that's the case again this year. We are expecting a step up from contracts that we have in place and others that we expect to close shortly. The wide range really is just accounting for the timing of these deals. So we're seeing a lot of momentum. We've got, as Henry outlined, a number of large deals that are in play right now and the range reflects really just where we are and the timing of those.

Edison Yu

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you.

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

Thank you.

A

Operator: Your next question is from the line of Jeff van Rhee of Craig-Hallum. Please go ahead.

Daniel Hibshman

Analyst, Craig-Hallum Capital Group LLC

Hey. Good morning, Brian, Henry. This is Daniel Hibshman on for Jeff. Just maybe if you could talk to us a little bit on the early access agreements, just kind of where those are at, how those are progressing, those early access agreements for Gen-3. And then a little bit more about the steps you see needing to take place to get those to a more significant revenue line, just if that's all about size of the fleet you're deploying or about the customers' internal processes or about them getting budget in place? Just how those will progress and then steps to get there?

Q

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Yes. Good morning, Daniel. Yeah. The early access program is progressing really well. The way that is playing out is we have customers that are coming on line with six-figure type early-access agreements to basically test and evaluate Gen-3 performance in their operations. What we're seeing is couple things. One is we're adding more of those types of agreements as we are still early in the deployment of Gen-3, but we're also seeing an acceleration of some of those transitioning to longer term, much larger contracts.

And then finally, just as a reminder, as I indicated in our backlog, there's already pretty significant Gen-3 services in our backlog as we continue to deploy the constellation. So, all in all, we're very pleased at the momentum we have with bringing on new customers, their valuation and our visibility into transitioning those customers into long-term subscription revenue.

A

Daniel Hibshman

Analyst, Craig-Hallum Capital Group LLC

Okay. That's helpful. And then on the – to be clear on the \$4 million of impact from EOCL for August and September, is that significant enough that just to be clear, is that a total pause on the program right now or is that just a significant reduction?

Q

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

It's not a pause and it's – I wouldn't – I'm not sure I would deem it as significant reduction at this point. The government made some adjustments to our contract to reflect the potential baseline budget that was submitted by the administration for fiscal year 2026. But keep in mind, the budget is not final. We have seen marks from multiple committees to restore funding to the EOCL line in the budget. But we won't really know until the budget is finalized. These are reductions that we're experiencing, we're set to carry into Q2 of next year, which would align with timing of a CR and a final fiscal-year 2026 budget.

A

Daniel Hibshman

Analyst, Craig-Hallum Capital Group LLC

Q

Okay. That's helpful. And then maybe just on satellite sales/dedicated capacity, how do you think about it? But those deals that you got with Indonesia and India, in terms of dedicated Gen-3 capacity, if you could talk to us a little, I mean, those are large kinds of opportunities. Talk to us a little bit about the pipeline for those kinds of opportunities and how go-to-market is progressing or evolving in that area?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. I would say, as I mentioned in my remarks, the demand for those types of solutions is growing very rapidly. We have a significantly growing pipeline for those types of arrangements. I think what we're also seeing is building on the success of Gen-3, the interest is increasing as we're demonstrating significant performance for this class of satellite, both in terms of image quality and economics. So, we see as we continue to deploy Gen-3 and also demonstrate Gen-3's performance with our AI capabilities that these types of opportunities will continue to expand and will begin to continue to capture more contracts that were similar to what we announced in India and Indonesia.

Daniel Hibshman

Analyst, Craig-Hallum Capital Group LLC

Q

All right. That's it. Thanks, Brian.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Thanks, Daniel.

Operator: [indiscernible] (00:28:06) next question comes from the line of Timothy Horan of Oppenheimer. Your line is open.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Hi, guys. Thanks for the questions. Can you just give us the number? How many satellites did you actually have in operation at the end of the quarter and what do you expect to hear by the end of the year? And if you can give us rough guess on the first quarter, would be helpful.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. Right now, we have two Gen-3s entries and 11 Gen-2s. So we've got 13 satellites on orbit. As I mentioned, we have another satellite at the launch pad and another one coming out of production later this year. So, the Gen-2s that we have up on orbit are continuing to perform well. They'll carry well into next year longer. And the Gen-2s that – the early Gen-3s that we have are performing well as well. So, we'll just continue a regular cadence of Gen-3 launches going into 2026.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

So, you think about two per quarter is still a relatively good guide?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, it's a reasonable assumption to keep in mind. We have to deal with timing of launches and those types of things, which are normal course.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

And on the Gen-2s, what's – how much longer or what's the cadence of them kind of coming down?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

As I mentioned, those were deployed in sequence. And so, we expect at least half of the satellites up there will still be in service by the end of next year.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Okay. Got it. Sorry. Thanks. And then professional and engineering services were very strong in the fourth quarter last year. Should we assume a kind of a similar rebound this year? And I guess somewhat related to that, like Indonesia and India contracts. When do they start kicking in and where is that revenue going to show up in the line items? Thanks.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. Well, yeah, you can expect similar type of trend that you saw last year in Q4 with respect to Indonesia and the India contracts. We're recognizing revenue as those programs progress. So there's – that's kind of a smooth ramping of revenue from those programs.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Got it. Very helpful. And so what are you assuming for the government budget for your fourth quarter guide and going into next year in your guide, I guess for the fourth quarter here?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. As I mentioned or responded in the prior question, the EOCL program in particular has been set at the levels that are at now through Q2 of next year and that's what we expect and are planning for Q4 and into the early half of next year.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Thank you. Very helpful. And just lastly, I know you kind of mentioned on it and so on that point on EOCL, so there could be upside if the budget is approved do the trends, I mean, would you expect if the budget is approved, there could be a, I guess, a step-up there?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

There could be. As I mentioned, we're seeing positive activity out of Congress in the marks to this budget to restore the funding. So, we think that could be a positive upside next year, but we'll have to wait and see what actually comes out in the budget.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

And I think you said international is half the revenues. Can you say what that was a year ago?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

I think a year ago, it was 60% to 75%. Well, US government was 60% to 75%.

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

A

60/40.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

60/40?

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

A

Yeah.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Got it. Got it. And then lastly, I know you kind of touched on it also. Just how is the pipeline looking now, I guess qualitatively maybe just not quantitatively? Are you talking to a large increase of new customers? And are these customers willing to spend much – can you charge them much more per image than you have kind of historically? Thanks.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. The quality of the pipeline is excellent. [indiscernible] (00:32:44) the customers that we're engaged with and then the scope of services that range from long-term Gen-3 subscription services to these types of sovereign programs that we're successfully executing on in places like India and Indonesia. So, I'll say both quantitatively and qualitatively, we're very pleased with where the pipeline is and how it's growing.

Timothy Horan

Analyst, Oppenheimer & Co., Inc.

Q

Thanks, guys. Appreciate it.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Thanks, Tim.

Operator: Your next question is from the line of Austin Moeller of Canaccord Genuity. Please go ahead.

Austin Moeller

Analyst, Canaccord Genuity LLC

Hi. Good morning, Brian and Henry. Just my first question here, does the shutdown affect the timing of government customers being able to use the early access program for Gen-3?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

No, it's not affected at all. As we mentioned, we closed a seven-figure contract recently for the government to begin accessing Gen-3. So that's moving ahead.

Austin Moeller

Analyst, Canaccord Genuity LLC

Okay. And you've already done this with some customers, but how do you think about the TAM opportunity for building and operating exclusive remote sensing satellites for them as a service versus building the satellites for your own fleet and then providing customers with access to a Spectra subscription?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

I think we're seeing pretty strong demand for both. There's really a couple different models. One is for customers who want to own the satellites, but we fly them for them using our Spectra platform and ground network and that is a form of a sovereign capability and then there's another variant where it's fully owned and operated and run within a customer's environment. And then you have a hybrid approach where customers are buying satellites from us through one of those first two models, but also bundling in subscription access to our Gen-3 commercial constellation.

So we're finding that what customers are finding attractive is they get the benefit of a sovereign capability very quickly as we can pull satellites and deploy software that already exists. And then they get the benefit of our commercial constellation, which is providing very high-frequency monitoring capability. We see the bundling of this as being – pretty exciting opportunity for us.

Austin Moeller

Analyst, Canaccord Genuity LLC

Excellent. That sounds super exciting. I'll pass it back there.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thanks, Austin.

Operator: And your next question is from the line of Greg Burns of Sidoti. Please go ahead.

Gregory Burns

Analyst, Sidoti & Co. LLC

Morning. Can you just talk about maybe some of the non-government opportunities? I know you announced an expansion of a contract for non-Earth imaging. How much of an opportunity are incremental services like that for you? And how should we think about maybe some of the commercial opportunities for the business to find growth outside of the government marketplace?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah, I think we're continuing to see traction on our non-Earth imaging capability. We just renewed a seven-figure contract, subscription contract for that. I think relative to commercial, we'll look to see that starting to expand later next year as we get our baseline constellation deployed and are able to service those types of customers with our high-frequency Gen-3 capability. But for now, we're staying highly focused on this opportunity in the US and international government sector.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Okay. And then just in terms of the guidance, I know you maintained the ranges, but should we be thinking about you coming in towards the low end of those ranges? I mean, are the top end still feasible or is it – how should we think about that? Just because – it implies a pretty significant step up into – in the fourth quarter?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

It does. And as I said, this is pretty consistent in the way that we performed in the fourth quarter over the past couple years. But we are expecting a major step-up from contracts that we already have in place. You've seen some of the announcements and then we are working a number of fairly large contracts right now that we expect to close shortly. The wide range really is accounting for the timing of these deals. So, that's why we're maintaining that range at this point.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Okay. And are the step ups-tied to the Gen-3 satellites like you need to – like is that the trigger, like getting the Gen-3 up in orbit?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

No, I don't believe any of the deals that we have in play right now are reliant on us to launch satellites in the coming months.

Gregory Burns

Analyst, Sidoti & Co. LLC

Q

Okay. Thank you.

Operator: [Operator Instructions] And your next question is from the line of Dave Storms of Stonegate. Please go ahead.

Dave Storms

Analyst, Stonegate Capital Markets, Inc

Q

Good morning and thank you for taking my questions. Just want to start by asking if you could give us a little more detail on the sales that you're expecting in the fourth Q, that'll get to the guidance? Is that expected to continue to be primarily international? Is there any Gen-3 versus Gen-2 components? And any more detail like that would be great.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. Good morning, Dave. Yeah, I think primarily these are international deals. We are seeing – we have a number of opportunities with the US government that are in act – are in – that are active right now, but that's been slowed due to the shutdown. But the range that we're talking about is primarily tied to the international contracts.

Dave Storms

Analyst, Stonegate Capital Markets, Inc

Q

Perfect. And just thinking about those international contracts. Should we expect, if your backlog right now is about 90/10 international versus domestic, but historically revenues have been 40/60 international versus domestic. Where do you think that normalizes out on a revenue level? Do you think it shakes out to more 50/50 in the near future or do you think international continues to grow proportionately?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Well, right now, we're about 50/50 coming out of the third quarter. From what we can see in our backlog and the pipeline, we're expecting the international to continue its growth in that trend and 2026 will likely outpace the contribution from the US government.

Dave Storms

Analyst, Stonegate Capital Markets, Inc

Q

Understood. Appreciate that. And just one more, if I could. Thinking about the software side of Gen-3. What are you seeing in terms of attracting and maintaining [indiscernible] (00:40:29) AI talent as you continue to put these satellites up in the air?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. We've been very successful in attracting AI talent. Dave, as you know, we've been investing in our AI capabilities, infrastructure, training and model development and deployment in real-time environments now for 10 years and we've built a proprietary capability that's a competitive advantage. And you can see that playing out as we're winning – we're successfully winning contracts based on that capability at a point when we see others just outsourcing their AI to third-party platforms. So, we feel that when you combine this proprietary AI, which is very high performance in real-time with the satellite constellation, it's a really significant differentiator in the market. And we're bundling those things together and we're getting very positive response from customers for that capability.

Operator: And your next question is from the line of Caleb Henry, Quilty Space. Please go ahead.

Caleb Henry

Analyst, Quilty Space

Q

Hi. Good morning. Thanks for the questions. First one is, can you talk about how the average contract value for Gen-3 compares to Gen-2? I know you're seeing, I assume, because of the international mix, mostly new customers, or are we talking about existing customers upgrading more so?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Yeah. I think what we're experiencing is we're seeing open the contracts for winning and the deals that are in our pipeline is a pretty marked step-up in the overall contract values, both in terms of the size of the contracts and the duration. They're all tending to be much larger and multiyear-type arrangement. So – and we're – I think again Gen-2 was an exceptional capability to demonstrate the performance of a high-frequency constellation.

Now, when you bring in very high resolution with the type of AI with a satellite of this performance and economics, the attractiveness of that is being reflected in the pipeline and the structure of these deals.

Caleb Henry

Analyst, Quilty Space

Q

All right. Can you talk about how revenue recognition compares for international customers versus US government? Is that something that's roughly the same speed or is that faster or slower with different compliance requirements?

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

I don't think there's a difference between US and international. It's just dependent on the structure of the contract. Imagery tends to be very stable as a subscription and then we've always had these other projects under our professional engineering and services line that tend to be milestone-driven. But I don't know, Henry, do you want to comment on that?

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

A

Yeah. I mean, whether it's an international contract or US government, imagery and analytics revenues tend to be subscription-based and kind of smooth and easy to predict. The professional and engineering services, as Brian said, they tend to be more milestone and lumpier and those tend to be more internationally focused.

Caleb Henry

Analyst, Quilty Space

Q

Okay. Thanks. And then how are you thinking about leverage and what do you have in terms of a mid-term target there?

Henry E. Dubois

Chief Financial Officer, Blacksky Technology, Inc.

A

Well, I mean, we just raised the convertible notes and we're quite comfortable with the liquidity that we have on the books at the moment. So I think we're in a pretty good position at the moment.

Caleb Henry

Analyst, Quilty Space

Q

All right. Those were my questions. Thank you.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

A

Thanks, Caleb.

Operator: And at this time, there are no further questions. This does conclude BlackSky's Third Quarter 2025 Earnings Conference Call. Thank you for joining the call today.

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