06-Aug-2026

Blacksky Technology, Inc. (BKSY)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

Aly Bonilla
Vice President-Investor Relations, Blacksky Technology, Inc.

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

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

OTHER PARTICIPANTS

Edison Yu
Analyst, Deutsche Bank Securities, Inc.

Chris Quilty
Analyst, Quilty Space

Jeff Van Rhee
Analyst, Craig-Hallum Capital Group LLC

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Austin Moeller
Analyst, Canaccord Genuity LLC

Adam Samuelson
Analyst, Jefferies LLC

Greg Pendy
Analyst, Clear Street LLC

Ryan Koontz
Analyst, Needham & Co. LLC

Gregory Burns
Analyst, Sidoti & Co. LLC

Dave Storms
Analyst, Stonegate Capital Markets, Inc

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for joining us, and welcome to BlackSky Technology Second 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 [indiscernible] (00:01:42) 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 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 happy to report that the second quarter delivered strong operating performance and growing business momentum. The exceptional performance of Gen-3 is driving increasing customer demand and strong sales growth across all aspects of our business. This quarter marked an important milestone as Gen-3 imagery services began to scale and accelerate significant top-line revenue and bottom-line earnings growth. We have now unlocked a phase of rapid growth driven by a growing backlog and strong visibility from multi-year subscription contracts for our high-margin space-based intelligence and AI services. We are well-positioned to maintain this momentum and deliver a strong second half of the year while capturing new opportunities to continue this growth trajectory in 2027, which has us on a path towards sustainable long-term profitable growth.

Turning to slide 4. Behind our growing momentum is the success of Gen-3. Our Gen-3 satellites continue to exceed expectations and are consistently delivering exceptional 35 centimeter imaging performance. Our space-based intelligence and sovereign mission solutions are rapidly becoming an essential capability for major customers around the world, at a time when real-time space-based intelligence is critical to national security imperatives.

Now, with over a year of on-orbit operating performance, Gen-3 is a proven best-in-class space vehicle delivering high-quality imagery, operational agility, and scalability at about a fifth the cost of legacy platforms. We are successfully leveraging the superior technology, cost, and performance advantages of Gen-3 as a major differentiator, fueling TAM expansion opportunities and multiple growth vectors that span each of the elements of our business. First, the very high-resolution imagery from our Gen-3 constellation, combined with low latency delivery and real-time AI insights from our Spectra platform, is driving high-quality revenue growth in our space-based intelligence and AI subscription services.

Second, the proven on-orbit performance and unit economics of Gen-3 satellites are an attractive high-performance, low-risk option for customers seeking to accelerate their sovereign space-based intelligence capabilities. And third, the Gen-3 architecture offers a proven technology platform that can be expanded and leveraged to accelerate the development of next-generation space systems.

We are winning major new advanced technology programs from customers that are seeking to rapidly develop and deploy advanced-based capabilities. Our capital-efficient approach to advancing our edge in space is delivering strong operating results as Gen-3 related products and services are winning in the market and driving 90% of our growth at attractive margins.

Moving to slide 5. With a rapidly changing global landscape, now more than ever, real-time space-based intelligence is an essential element of national security. Tactical and autonomous space sensors, combined with

AI, are fueling major economic growth opportunities as space has transitioned from a niche set of capabilities to an emerging growth industry. For major governments and enterprises around the world, sovereign space capabilities are no longer an option, but a necessity. BlackSky saw this opportunity years ago before the need for tactical space-based intelligence emerged as a critical layer in our customer's defense technology stack. We have developed a vertically integrated and purpose-built platform to meet this moment in the market, and the execution of that vision is now translating into numerous growth opportunities for the company and driving top and bottom-line performance.

Now let me turn to key highlights from the quarter. Moving to slide 6. When we entered 2026, we expected to unlock a phase of strong growth as we scaled and brought Gen-3 related offerings to market. In Q2, we hit that inflection point and are proud to report strong operating results driven by focused execution in the first half of the year. First, total revenues in Q2 grew 50% year-over-year, driven by record space-based intelligence and AI services revenue. Second, we delivered significant positive adjusted EBITDA growth unlocked by high-margin Gen-3 imaging services revenue. Third, we secured up to $200 million in year-to-date bookings and continued to increase our contract backlog and our revenue visibility. Fourth, we continued to diversify our customer base and grew revenues from our international customers by 200% over the prior period.

And finally, we significantly strengthened our balance sheet and cash position through a successful $150 million capital raise, increasing our total liquidity to over $325 million. With this strong start to the year, we are well-positioned to sustain this growth through the second half of the year and beyond.

Now let's move on to key highlights from each of the three elements of our business. Turning to slide 7, and our space-based intelligence and AI services. Gen-3 adoption, combined with a major step-up in imagery subscription contracts, was a key driver to delivering 50% sequential growth in this part of the business. During the quarter, we hit an important milestone, achieving a $100 million annual run rate for our high-margin imagery and AI subscription services. This was a major achievement as this revenue hurdle begins to accelerate incremental earnings growth, as evidenced by the positive adjusted EBITDA performance we delivered during the quarter. We are achieving this operating leverage by combining a right-sized constellation with high-quality satellites and imaging capability. This strategy results in a highly optimized and capital-efficient model to deliver strong revenue and earnings growth and significant returns on invested capital.

As you can see from our Q2 performance, we're delivering 14% adjusted EBITDA margins on $33 million of revenue driven by our high-performing constellation. We have a business model that is working with high-performing small satellites that provide strong operating leverage, which we can scale efficiently to meet demand and rapidly launch new capacity as needed, commensurate with the needs of our customers and the business.

Our superior Gen-3 technology, combined with our industry-leading intelligence platform, enables us to meet mission-critical customer needs for real-time tactical intelligence in a rapidly changing global environment. As a result, we are continuing to see strong demand internationally as evidenced by 150% year-over-year growth in international subscription revenues. Multi-year international contracts for space-based intelligence subscription services now comprise over 80% of our total funded backlog. We expect this momentum to continue as new customers adopt Gen-3 services and current customers expand existing contracts to take advantage of growing Gen-3 capacity, improving latency, and revisit performance.

Moving on to slide 8. We are continuing to successfully scale our Gen-3 production operations to support the delivery of Gen-3 satellites for the expansion of our commercial constellation, while meeting delivery milestones for a number of Sovereign Mission Solutions programs. Our next two satellites in our commercial constellation are on track for launch in Q3. Despite some launch-related delays, we remain on track with our deployment plans to have eight Gen-3 satellites on orbit by the end of the year. As a reminder, we do not require any additional Gen-3 satellites to hit our 2026 revenue targets. We have a pipeline of over 20 Gen-3 satellites underway and are scaling production of these satellites to support future capacity demands and anticipated expansion of the Mission Solutions business.

Now let's turn to Mission Solutions on slide 9. We are continuing strong execution across our portfolio of key Mission Solutions programs, as evidenced by ongoing revenue growth from this part of the business. We are on track for an on-time delivery of our first sovereign Gen-3 satellite in 2026 and expect to hit other major delivery milestones this year, contributing to second half revenue growth. As Gen-3 continues to demonstrate exceptional on-orbit performance, we are actively growing our pipeline and working to capture a number of new sovereign opportunities to build additional backlog and contribute to our future growth.

Our strategy of bundling our subscription services with sovereign space solutions enables us to deliver high-margin growth while building long-term relationships that will drive recurring revenue. We have a distinct advantage in that our customers can operate firsthand the capabilities they are seeking to acquire from a mature and proven commercial on-orbit system. This massively reduces their risk of designing, building, and deploying an unproven capability. And when combined with our attractive economics and our ability to rapidly deliver systems through a scaled production capacity, provides customers with better cost, schedule, and performance certainty. We believe we are well-positioned to rapidly grow this business, especially at a time when countries are accelerating the development and deployment of their current and future space-based intelligence capabilities and are demanding proven best-in-class assets and technology.

Moving on to slide 10 and our advanced technology programs. This element of our business continues to serve as another growth vector while extending our technology leadership in space and AI that is highly aligned with customer needs. The Gen-3 architecture offers a proven technology platform that can be expanded and leveraged to accelerate the development of next-generation space systems. We are winning major new advanced technology programs, and here are some of the highlights from the quarter. First, we were awarded an eight-figure contract from the US government to accelerate AROS development, to meet mission-critical foundation mapping needs and provide a cost-effective alternative to traditional commercial capabilities.

Second, we grew revenues from our growing portfolio of advanced technology programs by 65% over the prior quarter. Third, we won additional R&D contracts for the advancement of AI-enabled space-based solutions in support of defense-related tactical intelligence. And finally, we expanded multiple existing contracts associated with the development of optical inter-satellite links and advanced payload technologies as an extension to current and next-generation space platforms. This part of our business is accelerating our ability to leverage customer-funded development programs to advance critical technologies and space capabilities that, in turn, ultimately strengthen our commercial offerings and competitive differentiation. This model results in improving capital efficiency and increasing revenue growth, while minimizing R&D costs.

Turning to slide 11. We continue to make excellent progress advancing the development of AROS. And with the NRO contract award, we are able to accelerate this program to support a targeted launch in 2028. The AROS satellites are being designed to address a critical market need in that timeframe, as a number of legacy systems are expected to reach end of life and leave a gap in the market. This capacity gap creates an opportunity for cost-effective and very high-resolution solutions to support country-scale digital mapping, broad area monitoring, maritime surveillance, and 3D digital twin applications. This capability will deliver foundational services in support of current and emerging tactical mission applications. This system will leverage Gen-3 technology and our existing space infrastructure, software platform, and operational architecture.

When integrated with our Gen-3 constellation, customers will be able to combine broad area search and mapping with high-frequency dynamic monitoring and AI-driven analytics through a unified platform. In summary, we have established multiple growth vectors of a highly capital-efficient platform that is driving a flywheel effect for long-term sustainable growth. The execution of this strategy is clear. Space-based intelligence generates high-margin recurring revenue. Mission Solutions expand strategic customer relationships and drives growth through the delivery of sovereign solutions. And Advanced Technology Programs accelerate innovation and extend our technology leadership through customer-funded investments. Together, these business elements reinforce one another, creating a highly differentiated platform that is an essential element of our customer's defense technology stack as space, autonomous, and AI-enabled solutions accelerate in the market.

With that, I'll 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. The second quarter marked an important financial milestone for BlackSky as we delivered record space-based intelligence revenue, significant year-over-year revenue growth, expanded gross margins, strong positive adjusted EBITDA, continued backlog growth, and a strengthened balance sheet. Perhaps most importantly, these financial results demonstrate the strong operating leverage inherent in our business model. As Gen-3 capacity expands and high-margin subscription services become a larger portion of our revenue mix, we're beginning to realize the financial benefits of our business.

With that, let's turn to our results. Beginning with slide 13, revenues for the second quarter of 2026 were $33.3 million, up 50% over the prior year quarter and up 60% sequentially from Q1. This strong performance was driven by our space-based intelligence and AI services business, which delivered a record revenue of $24.5 million, representing a 50% growth from Q1. This growth was attributable to a step up in our recurring subscription revenue, driven by the expansion of international customer demand. In fact, our international space-based intelligence and AI services revenue grew 150% as compared to Q2 2025. In Q2, our Mission Solutions revenue contributed to year-over-year growth as we continued strong execution against major contract milestones. Our advanced technology program revenue also drove growth in the quarter, as we began work on the NRO contract to support the development of AROS that we won earlier in the quarter. As you can see, all aspects of our business contributed to the significant growth in the quarter.

Turning to slide 14. Q2 cash operating expenses for the quarter remained flat while we grew revenues by 50% year-over-year. This performance demonstrates the strong operating leverage in our business. As a reminder, cash operating expenses exclude stock-based compensation, depreciation, and amortization expenses.

Moving on to slide 15. Our adjusted EBITDA for the second quarter of 2026 increased to $4.7 million, a $7.5 million improvement over the prior year quarter. Driven by 50% growth in our high-margin space-based intelligence and AI services revenue, the $4.7 million achievement represents an adjusted EBITDA margin of 14.2% on total revenues of $33.3 million.

Let's move on to our cash and liquidity position as shown on slide 16. We ended the second quarter with a cash balance of $244.1 million, representing an increase of over 150% compared to the prior year quarter. During the second quarter, we successfully raised $150 million through our ATM offerings. The capital raise was executed opportunistically to strengthen our balance sheet and cash position. At the end of Q2, our total liquidity position exceeded $325 million, representing a 108% increase compared to the prior year. Capital expenditures during the quarter were approximately $15 million, bringing year-to-date capital expenditures to about $31 million in line with our expectations.

Turning to slide 17. We are reaffirming our full year guidance, which we previously updated back in May. Specifically, we expect revenue between $130 million and $150 million, adjusted EBITDA between $12 million and $24 million, and capital expenditures between $50 million and $60 million. After increasing our guidance last quarter and with the strong performance in the second quarter, we remain confident in achieving our full-year outlook.

In summary, I'm pleased with the strong financial performance in Q2 and the growing momentum in our business. With strong revenue growth, increasing profitability, and a solid balance sheet, we believe we are well-positioned to capitalize on the significant market opportunities ahead.

With that, back to you, Brian.

Brian E. O'Toole

Chief Executive Officer & Director, Blacksky Technology, Inc.

Thanks, Henry. In closing, we're pleased with the strong operating performance we delivered in the quarter, which marks an important inflection point for the business. The exceptional performance of Gen-3 is driving strong customer demand across all aspects of our business that is now translating into accelerating revenue and expanding earnings growth. As I described earlier, we are achieving a powerful flywheel effect that is fueling long-term sustainable growth. Space-based intelligence generates high-margin recurring revenue. Mission Solutions expands strategic customer relationships and drives growth through the delivery of sovereign solutions. And advanced technology programs accelerate innovation and extend our technology leadership through customer-funded investments. The strong execution of our strategy is playing out, as evidenced by the results in the quarter, and we're well-positioned to build on this momentum in the second half of the year and accelerate that growth into 2027.

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] Your first question comes from the line of Edison Yu at Deutsche Bank. Your line is now open. Please go ahead.

Edison Yu
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Good morning. Thank you for taking our questions, as always. I want to come back to a comment, Brian, you made about, I think you said 20 satellites in the pipeline. Any more color you can provide on that? In particular, how many of those do you think are for yourself versus potential sovereign customers?

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

A

Yeah. Good morning, Edison. Thanks for the question. I think there's a balance of use of those assets. First off, our goal is to maintain an hourly revisit service with our commercial constellation. So that's a constellation of about 12 to 15 satellites. There's obviously a lot of demand, and we have existing contracts for Mission Solutions customers. So some of those assets will be used for those. The remaining satellites are creating inventory that we can leverage and improve our competitive posture for some of the Mission Solution programs that we're pursuing. We believe that by having that inventory on hand and a scalable production environment, we can start delivering to customers within a year or so of getting those orders, which is highly differentiated. If they were going to others and had to start from scratch, it would may take as long as three to five years. So we struck a really good balance building the capacity and the inventory and having assets available to drive the growth in the business.

Edison Yu
Analyst, Deutsche Bank Securities, Inc.

Q

Understood. And then, separately, to follow-up on AROS. I know you got the funding from the NRO. I guess, what's the next kind of commercial milestone we may be looking for? Is it something with Apple or Google? And if it's – I think 2028 is the timeline. Would you need to get some type of commitment from the commercial guys before 2028 to take off? Or is the NRO commitment enough?

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

A

Right now, the NRO commitment is enough. There's clearly a gap coming and we're seeing strong commercial opportunities from AROS. So right now, this was a pretty significant contract award. It's sufficient capital, along with some internal investments that we'll use to augment that to keep this thing on track. And then – so, I guess, you'll see some incremental announcements over time as we are talking to other customers and continue to evaluate the size of that constellation and the rate at which we need to produce those satellites. But right now, we're in really good shape. There's clear demand, and it's a capital-efficient approach to getting this capability into the market.

Edison Yu
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you.

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

Thank you, Edison.

Operator: Your next question comes from the line of Chris Quilty. Your line is now open. One moment, please.

Chris Quilty
Analyst, Quilty Space
Q

How much of that – I mean, is that all pure service revenue that is recurring, like, think of it as ARR from this point going forward, where you'll build on that base, or were there any one-time recognitions in the quarter?

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

Morning, Chris, sorry, I think we missed the beginning of your question. Could you say it again?

Chris Quilty
Analyst, Quilty Space
Q

In the space-based intelligence and AI, you had a nice $8 million sequential step-up. And I was wondering, is that – were there any one-time elements in there, or is that a good base on a go-forward basis?

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

It's a really good base on a go-forward basis. It's all subscription revenue. As we've been saying, as we get the first tranche of Gen-3 satellites in orbit and delivering that service, we expect to begin to unlock revenue growth from that part of the business, and that's what you saw happen in the second quarter. And of course, you're seeing that revenue step-up translate into bottom-line growth. So we see this as a base for moving forward, and we anticipate this type of performance is going to continue.

Chris Quilty
Analyst, Quilty Space
Q

Got you. So that's genuinely just a Gen-3 unlock of contracts you had in place. I guess the question is, did all of your customers turn on their Gen-3 contracts in the quarter, or are there more that will in the back half of the year?

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

So there's more customers coming, I think, also keep in mind, there is still a lot of our customers that also use Gen-2. So what you saw happening here was new customers. As we've been saying, we had a number of customers that last year started with some small pilots that quickly went to seven and eight-figure subscription deals, so you're seeing those kick in. Seeing other pilot programs come online, and we're also seeing other customers, existing customers, starting to expand their contracts and transition into Gen-3 services. So we're seeing a lot of momentum and opportunity across multiple vectors for driving growth around Gen-3 services.

Chris Quilty
Analyst, Quilty Space
Q

Great. And Henry, it looks like that NRO contract is now up around like $150 million. Can you remind us how that's going to flow through the P&L? And also, is it reflected as part of the backlog?

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

A

Yeah, Chris, let me take that one. I think when you look at that broader number, it's the total amount of contract dollars that we're getting through that contract, which consists of the base subscription for EOCL imagery services, as well as things like the AROS development, which is more of a R&D program rather than a subscription business. So I just want to be clear that when you hear that number, that's a total number from a point of year-to-date. So – and then how that revenue gets applied to the business is the EOCL subscription revenue falls under the space-based intelligence business. And right now, the AROS work goes into the advanced technology program line. And that's a contract-to-date number.

Chris Quilty
Analyst, Quilty Space

Q

Got you. And so when would we see that ramp, and would it shift – would it stay in the advanced technology programs?

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

A

We're anticipating that it'll shift into Mission Solutions.

Chris Quilty
Analyst, Quilty Space

Q

Okay.

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

A

And it will also, as we build out the commercial aspect of that, drive revenue in the space-based intelligence business as well. But I think we're seeing opportunities for AROS where there is strong interest, both here and internationally, for a government-owned, commercially operated model for AROS, which would be part of the Mission Solutions offering. But then we see a pure-play commercial imagery service for those type of mapping capabilities that would come off of a baseline commercial constellation.

Chris Quilty
Analyst, Quilty Space

Q

Got you. And so the – obviously, you had a design for the system. You had a customer who stepped in and said, we like this and we'd like to do certain things with it. Does that imply that there will be two designs, a specific one for that customer and then another baseline that you'll operate? Or is it same design?

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

A

Same design. Yeah. And Chris, just to be clear, the reason we're moving forward with this is, as I mentioned in my remarks, there's a lot of the mapping capacity in the market right now comes from a handful of really large, expensive satellites that are coming out of service in the next couple of years, creating a gap. So customers have been coming to us seeking this solution. So we've optimized the design to be a single design to support the commercial and the government requirements. And I should also add, it's really building on the advanced and superior technology we have in Gen-3. And so that's giving the customers a lot of comfort in that Gen-3 obviously is a best-in-class space vehicle built on a long heritage of small satellite capability that we've developed here at BlackSky. So that's giving us a significant competitive advantage.

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

Jeff Van Rhee
Analyst, Craig-Hallum Capital Group LLC

Q

Yeah, great. Thanks. Thanks for taking the questions. Good morning, guys. Just a few for me, maybe, Brian, last quarter you mentioned you had a couple of dozen Gen-3 six-figure pilots working through, and just curious if you can quantify to the degree that that pipeline has expanded evolution there past to full deploy. Just maybe a little more color along that sort of set of metrics would be nice?

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

A

Yeah. Jeff, I think the way to think about it is we've been continuing to expand the pilot projects. You can see from some of our announcement, those pilots are transitioning to seven and eight-figure subscription contracts. We've got a very good pipeline of customers that are moving through that funnel. So, I mean, without getting into quantifying, it's a significant number of customers that are looking at the system and trying it out. And then what we're seeing is a very high conversion rate of those customers into the next phase of contract growth.

Jeff Van Rhee
Analyst, Craig-Hallum Capital Group LLC

Q

So maybe just one follow-on there. If you look at the very large portion of the pipeline – very large deal portion of the pipeline, primarily sovereign's, just any color on the evolution of those deals and how changes and how those deals are moving forward, things they're focused on, competitive landscape, timing, that kind of thing. Just maybe an update on the sovereign/very large deal portion?

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

A

Yeah, I think, what we're seeing, Jeff, and I think it's really, as I'd mentioned in my remarks, the exceptional performance of Gen-3 as is best-in-class base vehicle is a competitive differentiator. And as we bundle that with the very high-resolution imaging services from our Gen-3 constellation, it's a very attractive offer for these customers that are seeking to accelerate their capabilities. The – so what we're seeing is because of that success, we're seeing a growth in the pipeline. And that is also triggering initial subscription contracts. And it's driving expanded discussions on how to accelerate their programs with Gen-3 satellites that we can take off the production line. Yeah. And that's...

Jeff Van Rhee
Analyst, Craig-Hallum Capital Group LLC

Q

Yeah. Got it.

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

A

Again, Jeff, that's another driver to why we have invested in the inventory for the 20 satellites that I mentioned.

Jeff Van Rhee
Analyst, Craig-Hallum Capital Group LLC

Q

Yeah. Yeah. Makes sense. And congrats on the Gen-3, by the way. The imagery you guys are sharing is just is fantastic. One last for me on space domain awareness. Just kind of curious, a lot of folks talking, although it's very seemingly misunderstood in terms of the in-space warfare aspect and just awareness of who's where doing what. You made a couple announcements about some of the things you're capable of and starting to do there. Just any sense of scope, timing, when you think that'll turn into anything material?

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

A

Yeah, I would say, we're early days on that. We have an architecture that supports what we call non-Earth imaging. You've seen some of that come out of Gen-2. It's extremely compelling and high performance, and we're able to support those applications with our real-time architecture. Gen-3 will be able to provide that capability as well. We have been receiving funding under some of our advanced technology programs to advance the automation of this. So we have some incremental programs and revenue moving through the system, and it's still early, but we're going to expect that to grow.

Jeff Van Rhee
Analyst, Craig-Hallum Capital Group LLC

Q

Okay, great. I'll leave it there. Congrats, guys.

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

A

Thanks, Jeff.

Operator: Your next question is from the line of Timothy Horan from Oppenheimer. Your line is now open. Please go ahead.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Q

Hi, guys. A couple of questions. And the first one is kind of tied together. Can you talk about how rapidly your AI analysis is improving and your time to delivery, maybe where you were a year or two from now and how are you improving on that? And can you just elaborate a little bit more on these new space-based systems? What's your skill set that's unique and customers are looking for from you? Just any more color on your [indiscernible] (00:38:40).

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

A

Yeah. Maybe I'll start with your second question first. I think you're obviously seeing the performance of Gen-3 is exceptional and customers are seeing that exceeded expectations right out of the gate. And the on-orbit performance of that has emerged as a best-in-class space vehicle. The 35-centimeter image quality for this class is exceptional. And you can see that being reflected in the growth of our revenue and earnings on the bottom-line. I think what's important to understand is we were able to achieve this level of performance and technology lead right out of the gate because this is the third-generation satellite for us. And we're building on significant on-orbit experience and a strong technology heritage for satellites of this class.

If you look back, we haven't had to launch tech demos to prove out the technology. Our satellites have worked right out of the box as expected. There's others in the market that have not internally built a satellite of this class before. And when you look at the technology that's going into orbit, there's a huge difference in image quality. And this is the part of the system that matters most to customers as we're in a time when tactical mission capability is critical.

Also, when you kind of look at the cost performance perspective of this compared to the larger, more expensive satellites, we're offering really significant value at an attractive point for customers, which is also contributing to the performance of Gen-3. I'd say this technology heritage also extends into AI. We started investing in AI 10 years ago. It's been built into our platform from day one and we deliver AI-enabled intelligence in real-time. So as the data is coming off the satellites, we're able to bring that directly to the customers without having to bring it to the ground, process it for hours, and then deliver it to customers. So we're scaling our AI capability in multiple directions. We are improving the speed of that capability. And at the same time, we're improving the quality of the algorithms and the performance of the insights that we can derive off of satellites.

The exceptional performance of Gen-3 gives us another competitive advantage, because the very high-resolution capability when applying AI algorithms delivers exceptional insights and other [ph] analytic (00:41:25) products that were more difficult to achieve with lower resolution satellites.

Now, I also want to add that this technology baseline translates into the competitive advantage for our Mission Solutions business, where customers can try all of this out firsthand as they're developing their acquisition programs. So I think we built a very strong technology base, experienced team, and we're on our third generation of this, and that's being reflected in the leadership we're bringing to the market.

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

And then lastly, we hadn't really ever modeled in sovereign all that much or these new space-based systems. Can you talk about what percentage of revenue these two could represent if we're going out five longer-term? Just any sense.

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

Yeah, look, I think, right now, space-based intelligence services, the high-margin part of the business is about 70% of our revenues. Obviously, that's going to continue to grow. I think as we get into next year and [ph] year after (00:42:35), we start to capture some larger Mission Solutions deals. You'll see some of the growth in that business. But I think the goal is because we're bundling these things together, we're going to be able to maintain a very high gross margin performance across all three elements of the business.

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

And that 70% will that be maintained or these other businesses will be growing a lot faster, maybe that drops to 50%.

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

A

I don't want to get into forecasting that. But I think – but keep in mind, these Mission Solutions tend to be very large, and they get delivered over a couple of years. So those are lumpy businesses. So, we'll see how that plays out. But we expect all of – as I mentioned in my remarks, all three aspects of our business we expect to grow. And as we win Mission Solutions deals, you can expect there's going to be some large lumpy ones that are going to create some quarter-over-quarter variability.

Timothy Horan
Analyst, Oppenheimer & Co., Inc.

Q

Thank you.

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

Austin Moeller
Analyst, Canaccord Genuity LLC

Q

Hi. Good morning, Brian and Henry. On the Mission Solutions, are those all sovereign governments or are there potential US intel agencies that would be interested in a responsive launch of a ISR satellite?

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

A

We see opportunity both within the US government and internationally. I would say the strongest demand right now is internationally, but obviously, we do a lot of work with US government and we feel there are some emerging opportunities there.

Austin Moeller
Analyst, Canaccord Genuity LLC

Q

And within the current quarter, are you seeing the most meaningful budget dollars from the US customer coming out of the fiscal year 2026 budget as people are trying to spend the appropriated dollars before the end of the year? Or are you also starting to see funds from reconciliation bills like Big Beautiful Bill that had some space funding?

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

A

I think, that's all still playing out. I think we're seeing some of that – we're seeing all that flow through multiple types of contracts. EOCL obviously continues at the current levels for us. You're seeing an uptick from us in US government funding for advanced technology programs, both for AROS and our next-generation payloads with advanced segmented optics capabilities. So – and then, of course, we're pursuing a number of other opportunities that leverage both of those things. So the budget is still playing out, even though it's getting late in the year, but we're capturing what we plan.

Austin Moeller
Analyst, Canaccord Genuity LLC

Q

Excellent. I'll pass back there. Thank you.

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

A

Thanks, Austin.

Operator: Your next question is from the line of Sheila Kahyaoglu from Jefferies. Your line is now open. Please go ahead.

Adam Samuelson
Analyst, Jefferies LLC

Q

Yeah, hi. This is Adam Samuelson on for Sheila. Good morning. I guess, the first question is in the space-based intelligence in AI, just trying to get a better sense of how much of your customer base has already converted to Gen-3, versus kind of – or what's that mix looks like today? Just thinking about the potential kind of revenue uplift that would come as you see more customers switching to the Gen-3 offering?

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

A

I think almost all the customers we have, the large ones are using both, because they're taking advantage of the constellation of Gen-2s and Gen-3s to get this very high revisit response of tactical capability. What we're seeing is that as they start to use Gen-3 in their operations, that they're going to be shifting to higher levels of Gen-3 tasking over time, which is a win-win in the sense that they'll start getting high valued, very high resolution imagery. That's a higher value product for us. So that helps to drive our earnings growth. So I think at the end of the day, we've got a very compelling offering with the constellation we have. And as we add more Gen-3s, that's going to keep getting better.

Adam Samuelson
Analyst, Jefferies LLC

Q

Okay. And then just a quick follow-up, just in the quarter, [ph] in the prepared remarks you said (00:47:51) 150% in the international revenue growth. I know in the filings you provide North America revenue, so it's not quite necessarily international, but if international is growing 150% and presumably [indiscernible] (00:48:05) just why is it US business was flat, maybe slightly down in the quarter. Is that correct or am I missing something there?

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

A

Yeah, I would say what we're seeing in the US is as what we expected, primarily driven by EOCL. And that's, as we've said in the past, at last year, we assume this year last year's run rate. So I think you're seeing that reflected in the quarterly numbers. Henry, do you have anything you want to add to that?

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

A

Yeah. I mean, Adam, if you take a look at the Q2 this year versus Q2 last year, you may recall last year we had some adjustments on the US spending between the second quarter and third quarter. And so in the second quarter, you still have higher US government spending. And so it's the growth from the international in that quarter to the growth in the international this quarter that we were comparing.

Adam Samuelson
Analyst, Jefferies LLC

Q

Okay. Got it. That's very helpful. I'll pass it on. Thank you.

Operator: Your next question is from the line of Greg Pendy from Clear Street. Your line is now open. Please go ahead.

Greg Pendy
Analyst, Clear Street LLC

Q

Hey, thanks for taking my question. Just want to shift gears a bit to the balance sheet. The ATM gave you raised $150 million. You said total liquidity is at $325 million, and that stacks against CapEx of $50 million to $60 million. So just wondering, what – how should we think about that? I think in the last quarter you said AROS could be a CapEx light strategy with partnerships. Does this give you flexibility to possibly just do this alone? Just kind of wondering how we should think about the strong liquidity position you're on now?

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

A

Yeah, I think the way to think about it is we were – we had a good opportunity to raise that capital to strengthen our balance sheet and improve our cash position, and it's there for if and when we need it. We are employing a CapEx light strategy for AROS. As you can see, we won an eight-figure contract from a customer to essentially fund that program out of the gate. And so, yeah, that $150 million is there opportunistically, and it's there if and when we need it.

Greg Pendy
Analyst, Clear Street LLC

Q

Understood. Thanks.

Operator: Your next question is from the line of Ryan Koontz at Needham & Company. Your line is now open. Please go ahead.

Ryan Koontz
Analyst, Needham & Co. LLC

Q

Hi. Thanks, just on reflecting on your progress in your non-traditional US government business. Maybe share a little more color on your differentiation on the mission systems and kind of operations support that you've got there for onboarding new customers, and also reflect on maybe changes you've made investments in go-to-market that give you reach and how do you plan to support these sort of customers as you continue to scale in an OpEx efficient way? Thanks.

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

A

Yeah. As I said before, our advantage in the Mission Solutions business is the exceptional on-orbit performance of Gen-3, combined with the unit economics of that platform and our ability to quickly pull satellites off the production line and put that capability, provide a high level of certainty to customers, both from a cost, performance perspective to meet their requirements. Also, we can bundle that with our commercial services, which give them immediate additional capabilities and the opportunity for them to test the system and try it out firsthand with mature technology and mature operating capability. So that's a competitive advantage for us in the sense that our software platform, the real-time capabilities with AI is highly mature and works operationally at scale, and the satellites are best-in-class. So that combination of capability is creating a number of opportunities for us.

Ryan Koontz
Analyst, Needham & Co. LLC

Q

That's helpful. And how about investments in go-to-market on that line? How does that scale going forward? Do you feel like you have the resources you need and how was that evolved over the last several quarters?

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

A

Yeah, we haven't been – we have been investing in sales and marketing. We have been investing in the scaling of our sales organization, including our partner network, which is giving us scale globally. So we're making very good progress from that perspective. And again, we started focusing on this international strategy years ago and you're seeing the results.

Ryan Koontz
Analyst, Needham & Co. LLC

Q

That's helpful. Thanks a lot.

Operator: Your next question is from the line of Greg Burns at Sidoti. Your line is now open. Please go ahead.

Gregory Burns
Analyst, Sidoti & Co. LLC

Q

Good morning. What is the size of the Mission Solutions backlog?

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

A

Hi, Greg. We don't break that out. We just provide a single number for the total business.

Gregory Burns
Analyst, Sidoti & Co. LLC

Q

Okay. And then we saw a strong kind of unlock from Gen-3 this quarter with a big step up in imaging revenue. Is there another like unlock to happen or now we had a run rate? Like, do you get up four more satellites and there's another unlock or does it kind of build incrementally from this level now that you have four Gen-3 operational now? Like, how should we think about kind of the revenue progression?

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

A

Yeah, I think we've established a very strong base, which is to build and grow from as a strong subscription base. So the way you should think about it is that will start – you'll start seeing that incrementally grow both top-line and bottom-line quarter-over-quarter. We will put additional Gen-3 satellites on orbit, which will improve the service and the level of capacity in different regions. So that will contribute to the scaling of that business. But you should think about where we are now as a solid baseline of subscription revenue. And as we mentioned, at this $100 million run rate, which gets over our hurdle – our revenue hurdle which is driving bottom line performance for every incremental dollar we generate from there going forward.

Gregory Burns Q
Analyst, Sidoti & Co. LLC

Okay. And what is the NRO's current budget for broad area mapping? How much are they spending a year currently on that?

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

Yeah. No, that's something I can't share in public.

Gregory Burns Q
Analyst, Sidoti & Co. LLC

Okay. And do you have a sense of the NRO budget, like where that's landing? Is funding getting restored to prior levels? Like do you have any sense of maybe that revenue line item stepping back up to where it was?

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

We're seeing how that manifests in 2026. We've got good visibility to that. 2027, it's still unclear. I just think from our perspective, we assumed the current levels from last year, but we are seeing growing interest and adoption on Gen-3, and they're very interested in that capability, and we think that's going to drive some growth going into 2027.

Gregory Burns Q
Analyst, Sidoti & Co. LLC

Okay, great. All right. Thank you.

Operator: Your next question is from the line of Dave Storms at Stonegate. Your line is now open. Please go ahead.

Dave Storms Q
Analyst, Stonegate Capital Markets, Inc

Hey, guys. Good morning. The CapEx guide was obviously unchanged. You started investing in AI like 10 years ago, but is there anything about the broader AI infrastructure build-out that's causing any constraints or higher costs or competition for AI talent, anything like that you're navigating?

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

Not really. I think, as you said, we started investing in this 10 years ago, both with technology, scalable infrastructure, and talent. We're able to acquire the talent we need. And I'll say we have been able to build quite a bit of efficiencies into our AI processing. We are really set up with our architecture to process where we can generate revenue to minimize our costs and maximize the value we're delivering to customers. And so, I think we're in a great spot and the expansion of our AI capabilities is baked into our model.

Dave Storms
Analyst, Stonegate Capital Markets, Inc

Q

Got it. That's helpful. And then maybe one quick follow-up. I know you can't share specifics, but broadly, how do you think about M&A? Are there any capabilities or assets you'd consider adding through another kind of LeoStella-type transaction?

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

A

Yeah, Dave, we're always looking at opportunities. So that can grow our business or improve our competitive posture. So whether that's in space or in ground in AI or through expanding customers' reach. We look at those things all the time, and when we – if we see something that's interesting and makes sense, we'll take a look at it.

Dave Storms
Analyst, Stonegate Capital Markets, Inc

Q

Got it. Okay. Thanks, guys. Appreciate it.

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

A

Thanks, Dave.

Operator: There are no further questions at this time. We have reached the end of the Q&A session. This concludes today's call. Thank you for attending. You may now disconnect.