

REFINITIV

DELTA REPORT

10-Q

BKSY - BLACKSKY TECHNOLOGY INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1174

■ CHANGES	171
■ DELETIONS	518
■ ADDITIONS	485

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number **001-39113**

BLACKSKY TECHNOLOGY INC.

(Exact name of registrant as specified in its charter)

Delaware

47-1949578

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer
Identification No.)

13241 Woodland Park Road

Suite 300

20171

Herndon, Virginia

(Address of Principal Executive Offices)

(Zip Code)

(571) 267-1571

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.0001 per share	BKSY	The New York Stock Exchange
Warrants, each whole warrant exercisable for one share of Class A common stock at an exercise price of \$11.50	BKSY.W	The New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of **November 6, 2023** **May 6, 2024**, there were **142,987,503** **146,830,442** shares of the registrant's **Class A** common stock, at \$0.0001 par value, outstanding.

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains, and our officers and representatives may from time to time make, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risks and uncertainties. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "plan," "intend," "could," "would," "expect" and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. Forward-looking statements included in this Quarterly Report on Form 10-Q include, but are not limited to, statements regarding:

- our ability to retain or recruit key employees;
- our ability to grow distribution channels and partner ecosystems;
- our anticipated capital expenditures, liquidity, and our estimates regarding our capital requirements;
- our ability to integrate proprietary and third-party sensor data;
- our ability to add new satellites to our commercial operations;
- our ability to invest in our software, research and development capabilities;
- our ability to grow a third-party developer community;
- our ability to expand our services and offerings to customers both domestically and internationally;
- our ability to continue delivering data in a cost-effective manner;
- our ability to maintain and protect our brand;
- our ability to expand within our current customer base;

- our ability to compete with legacy satellite imaging providers and other emergent geospatial intelligence providers;
- our ability to maintain intellectual property protection for our products or avoid or defend claims of infringement;
- our ability to comply with laws and regulations applicable to our business;
- our expectations about market trends and needs;
- our estimates of market growth, future revenue, expenses, including stock-based compensation expense, cash flows, capital requirements and additional financing;
- our expectations regarding our ability to progress toward becoming operating cash flow positive;
- our ability to grow our imagery and software analytical services revenue;
- our ability to manage the timing of capital expenditures to allow for additional flexibility to optimize our long-term liquidity requirements;
- our ability to optimize our cash spend to meet ~~short~~ ~~short~~ and long-term operational needs;
- the volatility of the trading price of our common stock;
- the performance of our Blacksky Spectra platform;
- our plans and expectations for our next generation satellites ("Gen-3");
- the impact of local, regional, national and international economic conditions and events; and
- other factors including but not limited to those detailed under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended **December 31, 2022** December 31, 2023 and filed by us with the Securities and Exchange Commission (the "SEC") on March 23, 2023.

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We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended **December 31, 2022** December 31, 2023. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, whether written or oral, except as required by law.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BLACKSKY TECHNOLOGY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except par value)

		September 30,	December 31,		
		2023	2022		
				March 31,	December 31,
Assets	Assets			2024	2023
Current assets:	Current assets:				
Current assets:					
Cash and cash equivalents					

Cash and cash equivalents						
Cash and cash equivalents	Cash and cash equivalents	\$ 32,138	\$ 34,181			
Restricted cash	Restricted cash	1,835	2,835	Restricted cash	413	619
Short-term investments	Short-term investments	17,543	37,982	Short-term investments	20,428	19,697
Accounts receivable, net of allowance of \$19 and \$0, respectively		2,714	3,112			
Amounts receivable from equity method investees		1,146	—			
Accounts receivable, net of allowance of \$252 and \$151, respectively	Accounts receivable, net of allowance of \$252 and \$151, respectively				5,582	7,071
Prepaid expenses and other current assets						
Prepaid expenses and other current assets						
Prepaid expenses and other current assets	Prepaid expenses and other current assets	5,375	4,713		3,836	3,916
Contract assets	Contract assets	9,944	5,706	Contract assets	24,134	15,213
Total current assets	Total current assets	70,695	88,529	Total current assets	69,358	79,331
Property and equipment - net	Property and equipment - net	74,555	71,584	Property and equipment - net	59,883	67,116
Operating lease right of use assets - net	Operating lease right of use assets - net	1,760	3,586	Operating lease right of use assets - net	4,517	1,630
Goodwill	Goodwill	9,393	9,393	Goodwill	9,393	9,393
Investment in equity method investees		6,197	5,285			
Intangible assets - net						
Intangible assets - net						
Intangible assets - net	Intangible assets - net	1,497	1,918		1,216	1,357
Satellite procurement work in process	Satellite procurement work in process	45,409	50,954	Satellite procurement work in process	62,106	55,976
Other assets	Other assets	3,288	2,841			
Total assets	Total assets	\$ 212,794	\$ 234,090			
Liabilities and stockholders' equity						
Current liabilities:	Current liabilities:					
Current liabilities:	Current liabilities:					

Current liabilities:						
Accounts payable and accrued liabilities						
Accounts payable and accrued liabilities						
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	\$ 10,520	\$ 14,368			
Amounts payable to equity method investees	Amounts payable to equity method investees	—	3,728	Amounts payable to equity method investees	164	10,843
Contract liabilities - current	Contract liabilities - current	6,621	6,783	Contract liabilities - current	2,157	3,670
Debt - current portion	Debt - current portion				304	—
Other current liabilities	Other current liabilities	1,527	2,048	Other current liabilities	1,560	1,405
Total current liabilities	Total current liabilities	18,668	26,927	Total current liabilities	17,263	27,491
Long-term contract liabilities	Long-term contract liabilities	96	109			
Operating lease liabilities	Operating lease liabilities					
Operating lease liabilities	Operating lease liabilities	3,320	3,132			
Derivative liabilities	Derivative liabilities	15,383	5,113	Derivative liabilities	15,404	15,149
Long-term debt - net of current portion	Long-term debt - net of current portion	79,474	76,219			
Long-term debt	Long-term debt				84,695	83,502
Other liabilities	Other liabilities	3,718	716	Other liabilities	4,041	1,724
Total liabilities	Total liabilities	120,659	112,216	Total liabilities	128,400	130,907
Commitments and contingencies (Note 17)	Commitments and contingencies (Note 14)					
Stockholders' equity:	Stockholders' equity:					
Class A common stock, \$0.0001 par value-authorized, 300,000 shares; issued, 142,946 and 121,938 shares; outstanding, 140,543 shares and 119,508 shares as of September 30, 2023 and December 31, 2022, respectively.	14	12				

Class A common stock, \$0.0001 par value-authorized, 300,000 shares; issued, 146,821 and 145,232 shares; outstanding, 144,434 shares and 142,837 shares as of March 31, 2024 and December 31, 2023, respectively.					
Class A common stock, \$0.0001 par value-authorized, 300,000 shares; issued, 146,821 and 145,232 shares; outstanding, 144,434 shares and 142,837 shares as of March 31, 2024 and December 31, 2023, respectively.					
Class A common stock, \$0.0001 par value-authorized, 300,000 shares; issued, 146,821 and 145,232 shares; outstanding, 144,434 shares and 142,837 shares as of March 31, 2024 and December 31, 2023, respectively.				14	14
Additional paid-in capital	Additional paid-in capital	687,303	666,973	Additional paid-in capital	696,479
Accumulated deficit	Accumulated deficit	(595,182)	(545,111)	Accumulated deficit	(614,780)
Total stockholders' equity	Total stockholders' equity	92,135	121,874	Total stockholders' equity	81,713
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 212,794	\$ 234,090		93,159

See notes to unaudited condensed consolidated financial statements

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BLACKSKY TECHNOLOGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) LOSS
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2023	2022	2023	2022	
Three Months					
Ended March 31,					
Three Months					
Ended March 31,					
Three Months					
Ended March 31,					
2024					
Revenue	Revenue				2023
Imagery & software analytical services					
Imagery & software analytical services					

Imagery & software analytical services	Imagery & software analytical services	\$ 15,264	\$ 13,707	\$ 46,352	\$ 31,249
Professional & engineering services	Professional & engineering services	5,996	3,228	12,632	14,684
Total revenue	Total revenue	21,260	16,935	58,984	45,933
Costs and expenses	Costs and expenses				
Imagery & software analytical service costs, excluding depreciation and amortization	Imagery & software analytical service costs, excluding depreciation and amortization				
Imagery & software analytical service costs, excluding depreciation and amortization	Imagery & software analytical service costs, excluding depreciation and amortization				
Imagery & software analytical service costs, excluding depreciation and amortization	Imagery & software analytical service costs, excluding depreciation and amortization	3,479	3,513	10,634	10,537
Professional & engineering service costs, excluding depreciation and amortization	Professional & engineering service costs, excluding depreciation and amortization	3,288	4,274	11,137	17,991
Selling, general and administrative	Selling, general and administrative	17,572	18,758	55,289	59,041
Research and development	Research and development	133	197	525	449
Depreciation and amortization	Depreciation and amortization	11,304	9,598	32,735	26,166
Operating loss	Operating loss	(14,516)	(19,405)	(51,336)	(68,251)
Gain on derivatives	Gain on derivatives	17,012	7,135	7,445	10,629
Income (loss) on equity method investment	Income (loss) on equity method investment	328	(776)	913	694
Operating loss	Operating loss				
Operating loss	Operating loss				
(Loss) gain on derivatives	(Loss) gain on derivatives				
(Loss) gain on derivatives	(Loss) gain on derivatives				
(Loss) gain on derivatives	(Loss) gain on derivatives				
Income on equity method investment	Income on equity method investment				
Interest income	Interest income	519	486	1,602	664
Interest expense	Interest expense	(2,532)	(1,226)	(6,627)	(3,756)

Other income (expense), net	Other income (expense), net	2	(14)	(1,808)	(54)
Income (loss) before income taxes		813	(13,800)	(49,811)	(60,074)
Loss before income taxes					
Income tax expense	Income tax expense	(138)	—	(260)	—
Income (loss) from continuing operations		675	(13,800)	(50,071)	(60,074)
Discontinued operations:					
Gain from discontinued operations		—	707	—	707
Income tax (expense) benefit		—	—	—	—
Gain from discontinued operations, net of income taxes		—	707	—	707
Net income (loss)		675	(13,093)	(50,071)	(59,367)
Other comprehensive income		—	—	—	—
Total comprehensive income (loss)	\$	675	\$ (13,093)	\$ (50,071)	\$ (59,367)
Basic and diluted income (loss) per share of common stock:					
Income (loss) from continuing operations		\$ 0.00	\$ (0.12)	\$ (0.38)	\$ (0.51)
Gain from discontinued operations, net of income taxes		—	0.01	—	0.01
Net income (loss) per share of common stock	\$ 0.00	\$ (0.11)	\$ (0.38)	\$ (0.50)	
Net loss					
Net loss					
Net loss					
Other comprehensive income					
Total comprehensive loss					
Basic and diluted loss per share of common stock:					
Basic and diluted loss per share of common stock:					
Basic and diluted loss per share of common stock:					
Net loss per share of common stock					
Net loss per share of common stock					
Net loss per share of common stock					

See notes to unaudited condensed consolidated financial statements

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BLACKSKY TECHNOLOGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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(unaudited)
(in thousands)

Nine Months Ended September 30, 2023						
Common Stock		Additional Paid-In		Accumulated		Total Stockholders'
Shares	Amount	Capital	Deficit			Equity
Balance as of January 1, 2023	119,508	\$ 12	\$ 666,973	\$ (545,111)		\$ 121,874
Three Months Ended March 31, 2024						
Three Months Ended March 31, 2024						
Three Months Ended March 31, 2024						
Common Stock						
Common Stock						
Common Stock						
Shares	Shares					
Shares	Shares					
Balance as of January 1, 2024						
Balance as of January 1, 2024						
Balance as of January 1, 2024						
Stock-based compensation						
Stock-based compensation						
Stock-based compensation	Stock-based compensation	—	—	3,214	—	3,214
Issuance of common stock upon exercise of stock options	Issuance of common stock options	129	—	3	—	3
Issuance of common stock upon exercise of stock options						
Issuance of common stock upon exercise of stock options						
Issuance of common stock upon vesting of restricted stock awards						
Issuance of common stock upon vesting of restricted stock awards						
Issuance of common stock upon vesting of restricted stock units	Issuance of common stock upon vesting of restricted stock units	787	—	—	—	—
Issuance of common stock, net of equity issuance costs						
Net loss	16,404	2	11,127	—	—	11,129
Net loss	—	—	—	(17,315)	—	(17,315)
Balance as of March 31, 2023	136,839	14	681,317	(562,426)		118,905
Stock-based compensation						
Issuance of common stock upon exercise of stock options	95	—	2,488	—	—	2,488
Issuance of common stock upon vesting of restricted stock awards	8	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units						
Issuance of common stock upon vesting of restricted stock units	668	—	—	—	—	—

Issuance of common stock, net of equity issuance costs	Issuance of common stock, net of equity issuance costs	1,039	—	995	—	995
Issuance of common stock, net of equity issuance costs						
Issuance of common stock, net of equity issuance costs						
Withholding of stock units to satisfy tax withholding obligations upon the vesting of restricted stock units and exercise of stock options						
Withholding of stock units to satisfy tax withholding obligations upon the vesting of restricted stock units and exercise of stock options						
Withholding of stock units to satisfy tax withholding obligations upon the vesting of restricted stock units and exercise of stock options	Withholding of stock units to satisfy tax withholding obligations upon the vesting of restricted stock units and exercise of stock options	(240)	—	(414)	—	(414)
Net loss	Net loss	—	—	—	(33,431)	(33,431)
Balance as of June 30, 2023	138,409	14	684,388	(595,857)	—	88,545
Stock-based compensation	—	—	2,562	—	—	2,562
Issuance of common stock upon exercise of stock options	98	—	4	—	—	4
Issuance of common stock upon vesting of restricted stock awards	8	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	1,664	—	—	—	—	—
Issuance of common stock, net of equity issuance costs	804	—	908	—	—	908
Withholding of stock units to satisfy tax withholding obligations upon the vesting of restricted stock units and exercise of stock options	(440)	—	(559)	—	—	(559)
Net income	—	—	—	675	—	675
Balance as of September 30, 2023	140,543	\$ 14	\$ 687,303	\$ (595,182)	\$ 92,135	
Net loss	—	—	—	—	—	—
Net loss	—	—	—	—	—	—
Balance as of March 31, 2024						
Balance as of March 31, 2024						
Balance as of March 31, 2024						

	Three Months Ended March 31, 2023					
	Common Stock		Additional Paid-In Capital		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Capital	Deficit	Equity	
Balance as of January 1, 2023	119,508	\$ 12	\$ 666,973	\$ (545,111)	\$ 121,874	
Stock-based compensation	—	—	3,214	—	—	3,214
Issuance of common stock upon exercise of stock options	129	—	3	—	—	3
Issuance of common stock upon vesting of restricted stock awards	11	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	787	—	—	—	—	—
Issuance of common stock, net of equity issuance costs	16,404	2	11,127	—	—	11,129
Net loss	—	—	—	(17,315)	—	(17,315)

Balance as of March 31, 2023	136,839	\$ 14	\$ 681,317	\$ (562,426)	\$ 118,905
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See notes to unaudited condensed consolidated financial statements

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BLACKSKY TECHNOLOGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

	Nine Months Ended September 30, 2022				
	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of January 1, 2022	114,452	\$ 11	\$ 650,518	\$ (470,909)	\$ 179,620
Stock-based compensation	—	—	10,862	—	10,862
Issuance of common stock upon exercise of stock options	404	—	17	—	17
Issuance of common stock upon vesting of restricted stock awards	129	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	4,816	1	—	—	1
Withholding of restricted stock to satisfy tax withholding obligations upon the vesting of the related restricted stock	(1,874)	—	(3,616)	—	(3,616)
Net loss	—	—	—	(19,992)	(19,992)
Balance as of March 31, 2022	117,927	12	657,781	(490,901)	166,892
Stock-based compensation	—	—	3,365	—	3,365
Issuance of common stock upon exercise of stock options	180	—	8	—	8
Issuance of common stock upon vesting of restricted stock awards	27	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	520	—	—	—	—
Withholding of restricted stock units to satisfy tax withholding obligations upon the vesting of restricted stock units	(201)	—	(444)	—	(444)
Net loss	—	—	—	(26,282)	(26,282)
Balance as of June 30, 2022	118,453	\$ 12	\$ 660,710	\$ (517,183)	\$ 143,539
Stock-based compensation	—	—	3,423	—	3,423
Issuance of common stock upon exercise of stock options	54	—	12	—	12
Issuance of common stock upon vesting of restricted stock awards	22	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	633	—	—	—	—
Withholding of restricted stock units to satisfy tax withholding obligations upon the vesting of restricted stock units	(241)	—	(491)	—	(491)
Repurchase and retirement of common stock	(15)	—	—	(30)	(30)
Net loss	—	—	—	(13,093)	(13,093)
Balance as of September 30, 2022	118,906	\$ 12	\$ 663,654	\$ (530,306)	\$ 133,360

See notes to unaudited condensed consolidated financial statements

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BLACKSKY TECHNOLOGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

Three Months Ended March	31,	Three Months Ended March 31,
--------------------------	-----	------------------------------

	2024	2024	2023
Cash flows from operating activities:			
Net loss			
Net loss			
Net loss			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense			
Depreciation and amortization expense			
Depreciation and amortization expense			
Operating lease right of use assets amortization			
Operating lease right of use assets amortization			
Operating lease right of use assets amortization			
Bad debt expense			
Bad debt expense			
Bad debt expense			
Stock-based compensation expense			
Amortization of debt issuance costs and non-cash interest expense			
Loss (gain) on derivatives			
Non-cash interest income			
Income on equity method investment			
Gain on disposal of property and equipment			
Nine Months Ended			
September 30,			
2023 2022			
Cash flows from operating activities:			
Net loss	\$(50,071)	\$(59,367)	

Gain from discontinued operations, net of income taxes	—	707
Loss from continuing operations	(50,071)	(60,074)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense		
Operating lease right of use assets amortization	32,735	26,166
Changes in operating assets and liabilities:		
Bad debt expense	39	13
Stock-based compensation expense	7,725	16,389
Amortization of debt discount and issuance costs	249	1,549
Income on equity method investment	(913)	(694)
Loss on disposal of property and equipment	127	—
Gain on derivatives	(7,445)	(10,629)
Interest income	(551)	(373)
Other, net	—	106
Changes in operating assets and liabilities:		
Accounts receivable		
Accounts receivable		
Accounts receivable	359	(2,485)
Contract assets - current and long-term	Contract assets - current and long-term	(5,271) (4,237)
Prepaid expenses and other current assets	Prepaid expenses and other current assets	(13) 657
Other assets	Other assets	1,144 (1,335)
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	834 692
Other current liabilities	Other current liabilities	(640) (1,727)
Contract liabilities - current and long-term	Contract liabilities - current and long-term	(175) (2,774)
Other liabilities	Other liabilities	5,316 (1,872)

Net cash used in operating activities	Net cash used in operating activities	(15,798)	(39,431)
Cash flows from investing activities:			
Purchase of property and equipment			
	Purchase of property and equipment	(12,296)	(8,905)
Purchase of property and equipment			
Satellite procurement work in process	Satellite procurement work in process	(23,603)	(25,421)
Purchases of short-term investments	Purchases of short-term investments	(29,167)	(50,343)
Proceeds from maturities of short-term investments	Proceeds from maturities of short-term investments	50,110	—
Proceeds from sale of property and equipment		22	—
Distributions from equity method investment		—	546
Net cash used in investing activities		(14,934)	(84,123)
Net cash (used in) provided by investing activities			
Net cash (used in) provided by investing activities			
Net cash (used in) provided by investing activities			
Cash flows from financing activities:			
Proceeds from equity issuances, net of equity issuance costs			
Proceeds from equity issuances, net of equity issuance costs		—	—
Proceeds from equity issuances, net of equity issuance costs		—	—
Proceeds from equity issuances, net of equity issuance costs	Proceeds from equity issuances, net of equity issuance costs	30,868	—
Proceeds from options exercised	Proceeds from options exercised	9	37
Payments of transaction costs for debt modification		(1,311)	—
Proceeds from options exercised		—	—
Proceeds from options exercised		—	—

Withholding tax payments on vesting of restricted stock units		
Payments for deferred financing costs		
Payments for deferred financing costs		
Payments for deferred financing costs		
Payments for deferred offering costs		
Payments of transaction costs related to derivative liabilities	Payments of transaction costs related to derivative liabilities	(905) —
Withholding tax payments on vesting of restricted stock units		(972) (4,551)
Net cash provided by (used in) financing activities		27,689 (4,514)
Net decrease in cash, cash equivalents, and restricted cash		(3,043) (128,068)
Net cash provided by financing activities		
Net (decrease) increase in cash, cash equivalents, and restricted cash		
Cash, cash equivalents, and restricted cash – beginning of year	Cash, cash equivalents, and restricted cash – beginning of year	37,016 168,104
Cash, cash equivalents, and restricted cash – end of period	Cash, cash equivalents, and restricted cash – end of period	\$ 33,973 \$ 40,036

See notes to unaudited condensed consolidated financial statements

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The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the unaudited condensed consolidated balance sheets that sum to the total of the same such amounts shown in the unaudited condensed consolidated statements of cash flows:

March 31, 2024	2024	March 31, 2023
September 30, 2023 2022		

Cash and cash equivalents				
Cash and cash equivalents				
Cash and cash equivalents	Cash and cash equivalents	\$32,138	\$37,201	
Restricted cash	Restricted cash	1,835	2,835	
Total cash, cash equivalents, and restricted cash	Total cash, cash equivalents, and restricted cash	\$33,973	\$40,036	
Nine Months Ended September 30, 2023 2022 <small>(in thousands)</small>				
Three Months Ended March 31, 2024 <small>(in thousands)</small>				
Supplemental disclosures of cash flow information:	Supplemental disclosures of cash flow information:			
Cash paid for interest				
Cash paid for interest				
Cash paid for interest	Cash paid for interest	\$ —	\$ 5	
Cash paid for income taxes	Cash paid for income taxes	182	—	
Supplemental disclosures of non-cash financing and investing information:	Supplemental disclosures of non-cash financing and investing information:			
Property and equipment additions (credits received)				
accrued but not yet paid, net	\$(226)	\$ 4,329		
Capitalized stock-based compensation	539	1,261		
Capitalized interest for property and equipment placed into service	220	220		
Accretion of short-term investments' discounts and premiums	531	357		
Repurchase and retirement of common stock	—	30		
Equity issuance costs accrued but not paid	90	—		

Property and equipment
additions accrued but not yet
paid
Property and equipment
additions accrued but not yet
paid
Property and equipment
additions accrued but not yet
paid
Vendor financed satellite
procurement costs
Debt modification costs
accrued but not paid 6 —
Vendor financed satellite
procurement costs
Vendor financed satellite
procurement costs
Credits from
LeoStella
applied to
satellite
procurement
costs
Leasehold
improvements
funded by
tenant
improvement
allowance
Accretion of
short-term
investments'
discounts and
premiums
Capitalized
stock-based
compensation
Deferred
financing
costs accrued
but not yet
paid
Equity
issuance
costs accrued
but not yet
paid
Transaction
costs related
to derivative
liabilities
accrued but
not yet paid

Capitalized interest for property and equipment placed into service		
Satellite procurement costs included in settlement with LeoStella	Satellite procurement costs included in settlement with LeoStella	36
Credits from LeoStella applied to satellite procurement costs	—	122
Contingent liability for working capital adjustment and use taxes to M&Y Space Co. Ltd	—	707
Increase of debt principal for paid-in-kind interest	3,490	—
Deferred offering costs accrued but not yet paid		
Deferred offering costs accrued but not yet paid		
Deferred offering costs accrued but not yet paid		
Proceeds from sale of property and equipment accrued but not yet received		
Proceeds from sale of property and equipment accrued but not yet received		
Proceeds from sale of property and equipment accrued but not yet received		

See notes to unaudited condensed consolidated financial statements

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BLACKSKY TECHNOLOGY INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 **March 31, 2024**

1. Organization and Business

BlackSky Technology Inc. ("BlackSky" or the "Company"), headquartered in Herndon, Virginia, is a leading provider of space-based intelligence company that delivers real-time geospatial intelligence, imagery, analytics and high-frequency monitoring. The Company owns and operates one an advanced purpose-built commercial, real-time intelligence system that combines the power of the industry's leading high-performance BlackSky Spectra tasking and analytics software platform and the Company's proprietary high-resolution low earth orbit ("LEO") small satellite constellations. The constellation is optimized to cost-efficiently capture imagery at high revisit rates where and when customers need it. The BlackSky Spectra software platform processes millions of observations a day by integrating data from the Company's proprietary satellite constellation and from multiple external data sources including imaging, other third-party sensors such as synthetic aperture radar and radio frequency satellites, environmental sensors, asset tracking sensors, millions of GPS-enabled terrestrial data sources and Internet of Things ("IoT") connected devices, internet-enabled narrative sources, and a variety of geotemporal data feeds. Blacksky Spectra employs advanced, proprietary artificial intelligence ("AI") and machine learning ("ML") techniques to process, analyze, and transform these raw feeds into actionable intelligence via alerts, information, and insights. Customers can access Blacksky Spectra's data and analytics through easy-to-use web services or through platform application programming interfaces.

BlackSky has two primary operating subsidiaries, BlackSky Global LLC and BlackSky Geospatial Solutions, Inc. The Company also owns fifty percent of LeoStella LLC ("LeoStella"), its joint venture with Thales Alenia Space US Investment LLC ("Thales"). LeoStella is a vertically-integrated small satellite design and manufacturer based in

Tukwila, Washington, from which the Company procures satellites to operate its business. The Company accounts for LeoStella and X-Bow Launch Systems Inc. ("X-Bow"), a space technology company specializing in additive manufacturing of solid rocket motors of which BlackSky owns less than 20%, as an equity method investments (see Note 6).

In November 2023, the Company sold its equity method investment in X-Bow and expects to recognize a gain on the disposal of the investment of \$9.5 million. investment.

The Company's equity issuances during the three months ended March 31, 2024 were in the nine months ended September 30, 2023 included a private placement and form of an at-the-market ("ATM") offering. In March 2023, the Company completed a private placement of 16.4 million of the Company's Class A common stock and an equal number of corresponding warrants, for a purchase price of \$1.79 per share and associated warrant. The Company received \$29.4 million in gross proceeds from the private placement. The Company also offering whereby 953 thousand shares were sold 1.8 million common shares in its ATM offering, at an average purchase price per share of \$1.59, \$1.43, resulting in gross proceeds of \$2.9 million. \$1.4 million. The transaction costs of \$79 thousand for these the equity issuances consisted incurred during the three months ended March 31, 2024, consisting of legal fees accounting fees, and placement agent fees, and other third-party costs directly related to the equity issuances. During the nine months ended September 30, 2023, \$1.6 million of transaction costs that had have been incurred were recorded as a reduction to additional paid-in capital in the unaudited condensed consolidated statements of changes in stockholders' equity and unaudited condensed consolidated balance sheets, and as a reduction to the proceeds from the transaction in the unaudited condensed consolidated statements of cash flows.

On May 9, 2023, BlackSky and its subsidiaries entered into the Second Amendment (the "Amendment") to its Amended and Restated Loan and Security Agreement with Intelsat Jackson Holdings SA ("Intelsat") and Seahawk SPV Investment LLC ("Seahawk"), dated October 31, 2019 and previously amended on September 9, 2021. The Amendment amended the secured loan facility to, among other things, extend the maturity date of the loan, roll the cash interest payment due on May 1, 2023 into the outstanding principal to be paid on the maturity date, and increase the interest rate. See Note 9 for more information regarding the Amendment.

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2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Preparation

The Company has prepared its unaudited condensed consolidated financial statements in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") and the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. In addition, the unaudited condensed consolidated financial statements include the Company's proportionate share of the earnings or losses of its equity method investments and a corresponding increase or decrease to its investment, investments, with recorded losses limited to the carrying value of the Company's investment, investments. All intercompany transactions and balances have been eliminated upon consolidation.

Effective January 1, 2022, the Company reorganized its captions in the unaudited condensed consolidated statements of operations and comprehensive income (loss) to better align the Company's broad portfolio. As a result, for the nine months ended September 30, 2022, the amounts presented to reflect the impact of the reorganization have been recasted. This resulted in a \$6.9 million reclassification between imagery & software analytical services revenue and professional & engineering services revenue and a \$6.0 million reclassification between imagery & software analytical service costs, excluding depreciation and amortization and professional & engineering service costs, excluding depreciation and amortization in the Company's unaudited condensed consolidated statements of operations and comprehensive income (loss).

As previously disclosed in the Company's Form 10-K for the year ended December 31, 2022, effective January 1, 2022, the Company adopted Accounting Standards Codification ("ASC") Topic 842, *Leases*, using the modified retrospective method, with the cumulative effect of initially applying these updates recognized at the date of initial application. The adoption of this standard is reflected in the amounts and disclosures set forth in this Form 10-Q. In accordance with the adoption on a modified retrospective basis, comparative periods prior to the effective date were adjusted, resulting in a \$53 thousand change to selling, general and administrative for the nine months ended September 30, 2022 in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

The Company's unaudited condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, including derivative financial instruments, which are stated at fair value. Unless otherwise indicated, amounts presented in the Notes pertain to the Company's continuing operations.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of

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contingencies at the reporting date, and the reported amounts of revenue and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could materially differ from these estimates. Significant estimates made by the Company include, but are not limited to, revenue and associated cost recognition, the collectability of accounts receivable, the recoverability and useful lives of property and equipment, the valuation of equity warrants and warrant liabilities, fair value estimates, the recoverability of goodwill and intangible assets, the provision for income taxes, the incremental borrowing rate to measure the operating lease right of use assets, and stock-based compensation.

Investments

The Company invests in short-term investments, which generally consist of A-1, or higher, rated corporate debt and governmental securities. The investments are classified as held-to-maturity and have a stated maturity date of one year or less from the balance sheet date. Any investments with original maturities less than three months are considered cash equivalents.

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As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company's short-term investments had a carrying value of **\$17.5 million** **\$20.4 million** and **\$38.0 million** **\$19.7 million**, respectively, which represents amortized cost, and an aggregate fair value of **\$17.5 million** **\$20.4 million** and **\$37.9 million** **\$19.7 million**, respectively, which represents a Level 1 measurement based off of the fair value hierarchy.

Equity Method Investments

Investments where the Company has the ability to exercise significant influence, but not control, are accounted for under the equity method of accounting and are included in investment in equity method investees on the Company's unaudited condensed consolidated balance sheets. Significant influence typically exists if the Company has a 20% to 50% ownership voting interest in the investee or retains a voting seat on the investee's board of directors. In evaluating whether the Company has significant influence, the Company considers the nature of its ownership interest in the investee, as well as other factors that may give the Company the ability to exercise significant influence over the investee's operating and capital financial policies. Under this method of accounting, the Company's share of the net earnings or losses of the investee are included in the Company's unaudited condensed consolidated statements of operations and comprehensive loss. The **gross unrecognized holding losses** Company did not recognize any percentage of LeoStella's estimated net loss during the three months ended March 31, 2024 since our investment in LeoStella was \$0 as of **September 30, 2023** **December 31, 2023**. As of March 31, 2024, the Company accounts for its LeoStella joint venture as its only equity method investment. The investment in LeoStella is not significant to the financial statements.

Intra-entity profits arising from the sale of assets from the equity method investments to the Company are eliminated and **December 31, 2022** were **\$0** deferred if those assets are still held by the Company at the end of the reporting period. The intra-entity profits will be recognized as the assets are consumed. As of March 31, 2024 and **\$0.1 million** **December 31, 2023**, respectively; there were not any gross unrecognized holding gains as the Company had differences between the carrying value of **September 30, 2023** its equity method investment and the underlying equity in the net assets of the investee of \$0.3 million and \$1.2 million, respectively.

Equity method investments are evaluated for impairment whenever events or **December 31, 2022**, changes in circumstances indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period.

Fair Value of Financial Instruments

The Company accounts for certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The process for analyzing the fair value measurement of certain financial instruments on a recurring, or non-recurring, basis includes significant judgment and estimates of inputs including, but not limited to, share price, volatility, discount for lack of marketability, application of an appropriate discount rate, and probability.

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of liquidating events. The Company utilizes the market valuation methodology and specific option pricing methodology, such as the Monte Carlo simulation, method to value the more complex financial instruments and the Black-Scholes option-pricing model to value standard common stock warrants and common stock options.

The framework for measuring fair value specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs. Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 Inputs. Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 Inputs. Inputs are unobservable inputs which reflect the Company's own assumptions on what assumptions market participants would use in pricing the asset or liability based on the best available information.

Revenue Recognition

The Company generates revenue from the sale of imagery and software analytical services and professional and engineering services. Imagery and software analytical services revenue, which is mostly from contracts from government agencies, includes imagery, data, software, and analytics. This revenue is primarily recognized from services rendered under non-cancellable subscription order agreements or, in limited circumstances, variable not-to-exceed purchase orders. Professional and engineering services revenue is generated from both time and materials basis contracts and firm fixed price service solutions contracts and firm fixed price long-term engineering and construction contracts.

The Company generates revenue primarily through contracts with government agencies. Some of the fixed price contracts include multiple promises, which may result in distinct performance obligations. The Company allocates the transaction price to each performance obligation based on the relative standalone selling prices using observable sales transactions where applicable.

In accordance with Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASC 606"), the Company uses the five-step model of identifying the contract with a customer, identifying the performance obligations contained in a contract, determining the transaction price, allocating

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the transaction price, and determining when performance obligations are satisfied, which can require the application of significant judgment, as further discussed below.

Revenue is measured at the fair value of consideration received or receivable and net of discounts. The Company applies a policy election to exclude transaction taxes collected from customer sales when the tax is both imposed on and concurrent with a specific revenue-producing transaction. The Company estimates any variable consideration, and whether the transaction price is constrained, upon execution of each contract. The Company did not have any active contracts with significant variable consideration as of September 30, 2023 March 31, 2024.

Imagery & Software Analytical Services Revenue

Imagery

Imagery services include imagery delivered from the Company's satellites in orbit via the BlackSky proprietary satellite constellation and Spectra software platform and in limited cases directly uploaded to certain customers. Customers can directly task our the Company's proprietary satellite constellation to collect and deliver imagery over specific locations, sites and regions that are critical to their operations. We offer The Company offers customers several service level subscription options that include basic plans for on-demand tasking or multi-year assured access programs, where customers can secure priority access and imaging capacity at a premium over a region of interest on a take or pay basis. Imagery

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revenue is recognized ratably over the subscription period based on the promise to continuously provide contractual satellite capacity for tasked imagery or analytics at the point in time discretion of the customer receives access to the imagery.

customer.

Data, Software, and Analytics

The Company leverages proprietary AI and ML algorithms to analyze data coming from both the Company's proprietary sensor network and third-party space and terrestrial sources to provide hard-to-get data, insights, and analytics for customers. The Company continues to integrate and enhance its offerings by performing contract development, while retaining the intellectual property rights. The Company also offers services related to object, change and anomaly detection, site monitoring, and enhanced analytics, through which the Company can detect key pattern of life changes in critical locations such as ports, airports, and construction sites; retail activity; commodities stockpiles; and other sites that contain critical commodities and supply chain inventory.

The Company's analytics services are also offered on a similar subscription or consumption basis and provide customers with access to our the Company's site monitoring, event monitoring and global data services. Software Analogous with the recognition of revenue for imagery, software analytical services revenue derived from data, software, and analytics is recognized from ratably over the rendering of analytical and monitoring services over time on a firm fixed price basis, or at the point in time the customer receives access to an analytic product. subscription period.

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Professional and Engineering Services Revenue

The Company performs various professional and engineering services, that are highly-interrelated, including providing technology enabled professional service solutions to support customer-specific software development requests, integration, testing, and training, as well as training. The Company also provides engineering services, which include, developing and delivering advanced satellite and payload systems for a limited number of customers that leverage the Company's capabilities in mission systems engineering

and operations, ground station operations, and software and systems development. These promises, based on the context of the contract, are capable of being distinct performance obligations.

For firm fixed price professional and engineering service contracts, the Company recognizes revenue over time using the **cost-to-cost** **cost-to-complete** method to measure progress to complete the performance obligation, ("Estimate at Completion" or "EAC"). A performance obligation's EAC includes all direct costs such as labor, and fringe, materials, subcontract costs and overhead. **We recognize** Significant judgment is used to estimate total costs at completion on a contract by contract basis including, but not limited to, labor productivity, program schedule, technical risk analysis, complexity, scope of the work to be performed and other identified risks. Due to the continuous nature of the work, as well as when a change in circumstances warrants a modification, the EAC is reviewed and may result in cumulative changes to the contract profit. The Company recognizes changes in estimated contract sales or costs and the resulting changes in contract profit on a cumulative basis. If it is determined that a loss is expected to result in an individual performance obligation, the entire amount of the estimable future loss is charged against income basis in the period in which the loss change is identified. If at any time, the estimate of contract profitability indicates a probable anticipated loss on the contract, the Company recognizes the total loss as and when known. The following table presents the effect of aggregate net EAC adjustments on **our** the Company's professional and engineering services contracts:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023 ⁽¹⁾	2022 ⁽²⁾	2023 ⁽¹⁾	2022 ⁽²⁾
	(in thousands)			
Revenue	\$ 1,002	\$ (273)	\$ (498)	\$ (1,979)
Three Months Ended March 31,				
	2024	2023 ⁽¹⁾		
Revenue	\$ (261)	\$ (355)		
Basic and diluted net loss per share	\$ 0.00	\$ 0.00		

⁽¹⁾ For the three and nine months ended September 30, 2023, we had favorable EAC adjustments of \$1.0 million and \$1.1 million, respectively, for a new individual professional services contract.

⁽²⁾ For the three and nine months ended September 30, 2022 March 31, 2023, the amounts represent the effect of aggregate net EAC adjustments on two professional and engineering service contracts

During the three and nine months ended September 30, 2023 and 2022, there was no revenue recognized from performance obligations satisfied in previous periods.

For contracts structured as cost-plus-fixed-fee or on a time and materials basis, the Company generally recognizes revenue based on the right-to-invoice when practically expedient, as the Company is contractually able to invoice the customer based on the control transferred to the customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

Imagery and Software Analytical Service and Professional and Engineering Service Costs

Imagery and software analytical service costs primarily include internal labor to support the ground station network and space operations, third-party data and imagery, and cloud computing and hosting services. The Company recognizes stock-based compensation expense for those employees whose work supports the imagery and software analytical service costs **we provide** **it provides** to customers, under imagery and software analytical service costs, excluding depreciation and amortization. For those employees who provide these services to support customer-based programs, the stock-based compensation expense is classified under imagery and software analytical services costs.

Professional and engineering service costs primarily include the cost of internal labor for design and engineering in support of long-term development contracts for satellites and payload systems, as well as subcontract direct materials and external labor costs to build and test specific components, such as the communications system, payload demands, and sensor integration. In addition, **we** **the Company** **also** **recognize** **recognizes** internal labor costs and external subcontract labor costs for **our** **its** customer-centric software service solutions. **We recognize** The Company recognizes stock-based compensation expense for those employees who provide professional and engineering services support to customers, under professional and engineering service costs, excluding depreciation and amortization.

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Sponsor Shares

On September 9, 2021, BlackSky's predecessor company, Osprey Technology Acquisition Corp. ("Osprey"), completed its merger (the "Merger") with Osprey Technology Merger Sub, Inc., a wholly owned subsidiary of Osprey, and BlackSky Holdings, Inc. ("Legacy BlackSky"). Osprey pre-Merger **class** **Class** B common shares were exchanged for shares of the Company's **class** **Class** A common stock (the "Sponsor Shares") upon completion of the Merger. The Company accounted for the Sponsor Shares in accordance with the guidance contained in ASC 815-40, under which the Sponsor Shares did not meet the criteria for equity treatment and were recorded as derivative liabilities in the Company's unaudited condensed consolidated balance sheets as of **September 30, 2023** **March 31, 2024**. The Sponsor Shares are adjusted to fair value at each reporting period and the change in fair value is recognized in **(loss)** gain on derivatives in the Company's unaudited condensed consolidated statements of operations and comprehensive income **(loss)**.

Warrant Liability

In October 2019, Osprey, BlackSky's predecessor company and special purpose acquisition company, issued 15.8 million public warrants and 8.3 million private placement warrants in connection with its public offering. In March 2023, the Company issued 16.4 million private placement warrants in connection with a private placement of shares of Class A common stock and accompanying warrants (see Note 10 and Note 12). The Company accounts for its warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in ASC 480, "Distinguishing Liabilities from Equity" ("ASC 480") and ASC 815, "Derivatives and Hedging" ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments that would require classification as a liability under ASC 480, as well as whether the warrants qualify for equity classification or require liability classification after consideration of the guidance and criteria outlined in ASC 815, including whether the warrants are indexed to the Company's own common shares and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions that impact classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all of the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance. The Company accounted for the warrants issued in October 2019 and March 2023 in accordance with the guidance contained in ASC 815-40-55-2 as liabilities at their fair value.

As of September 30, 2023, the Company's unaudited condensed consolidated balance sheets included liability classified warrants, reported as derivative liabilities. The fair value of the public warrants was estimated as of September 30, 2023 using the public warrants' quoted market price. The October 2019 and March 2023 private placement warrants were valued using a Black-Scholes option pricing model for initial and subsequent measurements. The liabilities associated with the public warrants and the private placement warrants are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in gain on derivatives in the Company's unaudited condensed consolidated statements of operations and comprehensive income (loss), loss.

Stock-Based Compensation

Restricted Stock Awards and Restricted Stock Units

The Company has granted restricted stock awards ("RSAs") and grants restricted stock units ("RSUs") to certain employees, for which the grant date fair value is equal to the trading price fair value of the Class A common stock on the date of grant. In order to determine the fair value of its Class A common stock on the date of grant and prior to the Merger, Legacy BlackSky the Company historically performed a valuation analysis using a

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combination of market and income approaches. Subsequent to the Merger, the Company uses the New York Stock Exchange ("NYSE") trading price as the fair value of the Class A common stock for valuation purposes. For all awards for which vesting is only subject to a service condition, including those subject to graded vesting, the Company has elected to use the straight-line method to recognize the fair value as compensation cost over the requisite service period.

Certain of the Company's outstanding RSUs had performance vesting conditions that were triggered upon the consummation of the Merger. Therefore, since the performance conditions attributable to these RSUs had been met, the Company commenced recording the associated compensation expense, inclusive of a catch-up amount for the service period between their grant date and satisfaction of the performance condition, as of the closing of the Merger. The fair value of the RSUs that include a performance condition is recognized as compensation expense over the requisite service period using the accelerated attribution method, which accounts for RSUs with discrete vesting dates as if they were a separate award. Expense related to stock-based payments is classified in the unaudited condensed consolidated statements of operations and comprehensive income (loss) loss based upon the classification of each employees' cash compensation. As of March 31, 2024, 73 thousand RSUs with performance vesting conditions were outstanding and the associated remaining expense of \$0.1 million will be recognized through September 30, 2025.

Stock Options

The Company uses the Black-Scholes option pricing model to value all options, including options under the 2021 Employee Stock Purchase Plan ("ESPP"), and the straight-line method to recognize the fair value as compensation cost over the requisite service period. The fair value of each option granted was estimated as of the date of grant. The Company granted did not grant any options in during the nine three months ended September 30, 2023 March 31, 2024. The Company uses the following inputs when applying the Black-Scholes option pricing model:

Expected Dividend Yield. The Black-Scholes valuation model requires an expected dividend yield as an input. The dividend yield is based on historical experience and expected future changes. The Company has not historically paid and currently has no plans to pay dividends on its Class A common stock.

Expected Volatility. The Company does not have enough sufficient historical share price history; therefore, the expected volatility was estimated based upon the historical share price volatility of guideline comparable companies.

Risk-free Interest Rate. The yield on actively traded non-inflation indexed U.S. Treasury notes was used to extrapolate an average risk-free interest rate based on the expected term of the underlying grants.

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Expected Term. For options granted in 2021 through 2023, since there was not a history of option exercises as a public company, the Company considered the option vesting terms and contractual period, as well as the demographics of the holders, in estimating the expected term. For options granted prior to 2021, the expected term was the estimated duration to a liquidation event based on a weighted average consideration of the most likely exit prospects for that stage of development. **BlackSky Holdings, Inc.** ("Legacy BlackSky Blacksky") was privately funded and, accordingly, the lack of marketability was factored into the expected term of options granted. The Company will review its estimate in the future and adjust it, if necessary, due to changes in the Company's historical exercises.

The most significant assumption used to determine the fair value of the Legacy BlackSky equity-based awards was the estimated fair value of the **Legacy BlackSky Class A** common stock on the grant date. In order to determine the fair value of its Class A common stock on the date of grant and prior to the Merger, Legacy BlackSky historically **performed relied on** a valuation analysis **performed** using a combination of market and income approaches. Subsequent to the Merger, the Company uses the NYSE trading price as the fair value of the Company's Class A common stock for valuation purposes.

Legacy BlackSky historically adjusted the exercise price of certain outstanding stock options. For each award with an adjusted exercise price, Legacy BlackSky calculated the incremental fair value, which was the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. The incremental fair value was recognized as stock-based compensation expense immediately to the extent that the modified stock option already had vested, and for stock options that were not yet vested, the incremental fair value has been recognized as stock-based compensation expense over the remaining vesting period.

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Transaction Costs

Transaction costs consist of legal fees, accounting fees, placement agent fees, commissions, and other third-party costs related directly to equity issuances and debt restructuring. Transaction costs incurred for equity issuances are allocated to the components of the transaction based on their relative fair market value, including common equity and equity warrants classified as derivatives and, as such, based on the Company's allocation, are either expensed in the unaudited condensed consolidated statements of operations and comprehensive income (loss) or recorded as a reduction to additional paid-in capital in the unaudited condensed consolidated statements of changes in stockholders' equity and unaudited condensed consolidated balance sheets.

The Company also incurred lender fees and other incremental third-party costs associated with its debt Amendment, as described in Note 9 below. Lender fees were capitalized and included in long-term debt - net of current portion in the unaudited condensed consolidated balance sheets. Third-party costs associated with the debt modification were expensed in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

3. Accounting Standards Updates ("ASU")

Accounting Standards Recently Issued But Not Yet Adopted

Effective January 1, 2023 On November 27, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. Among other new disclosure requirements, ASU 2023-07 requires companies to disclose significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"). ASU 2023-07 will be effective for annual periods beginning on January 1, 2024 and interim periods beginning on January 1, 2025. ASU 2023-07 must be applied retrospectively to all prior periods presented in the financial statements. The Company adopted is assessing the effect of this update on its consolidated financial statements and related disclosures.

On December 14, 2023, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses 2023-09 Income Taxes (Topic 326) 740): Measurement of Credit Losses Improvements to Income Tax Disclosures. ASU 2023-09 requires companies to disclose, on Financial Instruments". The amendments an annual basis, specific categories in this update are primarily the effective tax rate reconciliation and provide additional information for entities holding financial assets reconciling items that meet a quantitative threshold. In addition, ASU 2023-09 requires companies to disclose additional information about income taxes paid. ASU 2023-09 will be effective for annual periods beginning January 1, 2025 and net investment leases measured under an incurred loss impairment methodology. The new methodology reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, which includes losses on trade accounts receivable. This ASU was will be applied on a modified retrospective basis. There were no material impacts prospective basis with the option to apply the standard retrospectively. The Company is assessing the effect of this update on its consolidated financial statements upon adoption, and related disclosures.

4. Revenue

Disaggregation of Revenue

The Company earns revenue through the sale of imagery and software analytical services and professional and engineering services. The Company's management primarily disaggregates revenue as follows: (i) imagery; (ii) data, software and analytics; (iii) professional services; and (iv) engineering services. This disaggregation allows the Company to evaluate market trends in certain imagery and software analytical services and professional and engineering services.

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The following table disaggregates revenue by type for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022: 2023**:

	Three Months Ended September 30,	Nine Months Ended September 30,
--	---	--

	2023	2022	2023	2022
(in thousands)				
Imagery	\$ 13,507	\$ 10,769	\$ 39,197	\$ 21,212
Data, software, and analytics	1,757	2,938	7,155	10,037
Professional services	5,565	1,284	11,900	6,864
Engineering services	431	1,944	732	7,820
Total revenue	\$ 21,260	\$ 16,935	\$ 58,984	\$ 45,933

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	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Imagery	\$ 15,895	\$ 12,912
Data, software, and analytics	1,938	2,848
Professional services	4,087	2,628
Engineering services	2,316	9
Total revenue	\$ 24,236	\$ 18,397

The approximate revenue based on geographic location of end customers is as follows for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Nine Months			
	Three Months Ended		Ended	
	September 30,	September 30,	2023	2022
(in thousands)				
Three Months Ended				
March 31,				
Three Months Ended				
March 31,				
Three Months Ended				
March 31,				
2024				
(in thousands)				
North America	North America	\$ 14,433	\$ 15,161	\$ 42,944
Middle East	Middle East	2,738	969	5,633
Asia Pacific	Asia Pacific	3,827	40	9,629
Other	Other	262	765	778
Total revenue	Total revenue	\$ 21,260	\$ 16,935	\$ 58,984
				\$ 45,933

Revenue from categories of end customers for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023 is as follows:

	Nine Months			
	Three Months Ended		Ended	
	September 30,	September 30,	2023	2022
(in thousands)				
Three Months Ended				
March 31,				
Three Months Ended				
March 31,				

		Three Months Ended				2024		2023	
		March 31,							
		2024						(in thousands)	
								(in thousands)	
U.S. federal government and agencies	U.S. federal government and agencies	\$ 14,041	\$14,858	\$41,780	\$38,083				
International governments	International governments	6,846	1,822	16,100	7,309				
Commercial and other	Commercial and other	373	255	1,104	541				
Total revenue	Total revenue	\$ 21,260	\$16,935	\$58,984	\$45,933				

As of September 30, 2023 and December 31, 2022, accounts receivable consisted of the following:

	September 30,		December 31,	
	2023	2022	(in thousands)	
U.S. federal government and agencies			\$ 1,996	\$ 2,540
International governments			369	261
Commercial and other			368	311
Allowance for doubtful accounts			(19)	—
Total accounts receivable			\$ 2,714	\$ 3,112

Backlog

Backlog represents the future sales the Company expects to recognize on firm orders it receives and is equivalent to the Company's remaining performance obligations at the end of each period. It comprises both funded backlog (firm orders for which funding is authorized and appropriated) and unfunded backlog. The Company's backlog excludes unexercised contract options. As of **September 30, 2023** **March 31, 2024**, the Company had **\$252.4** **\$244.8** million of backlog, which represents the transaction price of executed contracts less inception to date revenue recognized. The Company expects to recognize revenue relating to its backlog, of which a portion is recorded in deferred revenue in the unaudited condensed consolidated balance sheets, of **\$24.4** **\$44.5** million, **\$52.6** **\$37.9** million, and **\$175.4** **\$162.4** million in the **three** **nine** months **ending December 31, 2023** **ended December 31, 2024**, fiscal year **2024**, **2025**, and thereafter, respectively.

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5. Contract Assets and Liabilities

The components of contract assets and contract liabilities consisted of the following:

	September 30,		December 31,	
	30,	31,	2023	2022
(in thousands)				
March 31,		March 31,		December 31,
2024		2024		2023
				(in thousands)
Contract assets - current:	Contract assets - current:			
Unbilled revenue				
Unbilled revenue				
Unbilled revenue	\$ 9,944	\$ 5,706		

Contract liabilities				
- long-term:				
Contract liabilities				
- long-term:				
Contract liabilities	Contract liabilities			
- long-term:	- long-term:			
Other contract liabilities	Other contract liabilities	\$ 96	\$ 109	
- long-term	- long-term			
Other contract liabilities - long-term				
Other contract liabilities - long-term				
Total contract liabilities	Total contract liabilities	\$ 96	\$ 109	
- long-term	- long-term			

(1) Total contract assets - long term is included in other assets in the unaudited condensed consolidated balance sheets.

Contract liabilities include payments received and billings made in advance of the satisfaction of performance obligations under the contract and are realized when the associated revenue is recognized under the contract. Contract assets include (i) unbilled revenue, which is the amount of revenue recognized in excess of the amount billed to customers, where the rights to payment are not just subject to the passage of time; and (ii) costs incurred incremental to the contract and to fulfill contract obligations. Other contract assets and other contract liabilities primarily relate to contract commissions on customer contracts.

Changes in short-term and long-term contract assets and contract liabilities for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** were as follows:

	Contract Assets	Contract Liabilities
	(in thousands)	(in thousands)
Balance as of January 1, 2023	\$ 7,674	\$ 6,892
Contract Assets		
Balance as of January 1, 2024		
Billings or revenue recognized that was included in the beginning balance	Billings or revenue recognized that was included in the beginning balance	(2,955) (6,117)
Changes in contract assets or contract liabilities, net of reclassification to receivables	Changes in contract assets or contract liabilities, net of reclassification to receivables	8,617 5,757

Cumulative catch-up adjustment arising from changes in estimates to complete	Cumulative catch-up adjustment arising from changes in estimates to complete	(92)	49
Cumulative catch-up adjustment arising from contract modifications		(208)	149
Changes in costs to fulfill and amortization of commission costs			
Changes in costs to fulfill and amortization of commission costs			
Changes in costs to fulfill and amortization of commission costs	Changes in costs to fulfill and amortization of commission costs	(91)	—
Changes in contract commission costs	Changes in contract commission costs	—	(13)
Balance as of September 30, 2023	\$ 12,945	\$ 6,717	
Balance as of March 31, 2024			

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6. Equity Method Investments

LeoStella

The Company accounts for its investment in LeoStella as an equity method investment. The Company did not make any additional capital investments in LeoStella during the three and nine months ended September 30, 2023 or 2022.

LeoStella's revenue from related parties was \$3.3 million and \$3.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$17.9 million and \$20.2 million for the nine months ended September 30, 2023 and 2022, respectively. The Company had differences between the carrying value of its equity method investments and the underlying equity in the net assets of the investees of \$2.2 million and \$2.6 million as of September 30, 2023 and December 31, 2022, respectively. The difference is the result of the elimination of upstream intra-entity profits from the sale of satellites.

The following table presents summarized financial information for the Company's investments in LeoStella and X-Bow for the three and nine months ended September 30, 2023 and 2022.

Summarized statements of operations	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 9,190	\$ 3,697	\$ 32,936	\$ 34,956
Net loss	(2,950)	(3,784)	(6,750)	(2,718)

7. Discontinued Operations

On June 12, 2020, the Company completed the sale of 100% of its equity interests in Spaceflight to M&Y Space. Under a transition services agreement that ended in March 2022, the Company provided post-closing transition services to Spaceflight, including, but not limited to, the sublease of the Company's office facility in Seattle, Washington and common area maintenance fees related to the sublease.

Settlement Arrangement for the Sale of Spaceflight

On February 9, 2022, the Company received an indemnification claim notice regarding certain collection and tax payments related to the Share Purchase Agreement dated as of January 31, 2020 among BlackSky Holdings, Inc., Spaceflight, and M&Y Space. On October 21, 2022, the parties agreed to the framework for a global settlement of such indemnification claims, to include a settlement payment by the Company of \$1.0 million and a holdback amount of \$0.1 million subject to M&Y Space Co.'s ability to collect against certain receivables. As a result, the existing contingent liability was reduced by \$0.7 million, which was recorded as a gain from discontinued operations in the nine months ended September 30, 2022.

The following summarizes the components of the gain from discontinued operations, net of income taxes that the Company has reported in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Major classes of line items constituting loss from discontinued operations:				
Revenue - launch services	\$ —	\$ —	\$ —	\$ —
Total operating costs and expenses	—	—	—	—
Operating loss	—	—	—	—
Loss from discontinued operations, before income taxes	—	—	—	—
Gain from discontinued operations	—	707	—	707
Total gain from discontinued operations, net of income taxes	—	707	—	707

8. Property and Equipment - net

The following summarizes property and equipment - net as of:

	September	December		
	30,	31,		
	2023	2022		
	(in thousands)			
March 31,				
	2024		March 31,	December 31,
			2024	2023
	(in thousands)			
Satellites	Satellites	\$ 125,124	\$ 116,219	
Software	Software	14,372	8,503	Software
Software development	Software development	5,827	2,942	Software development in process
in process	in process			
Computer equipment	Computer equipment	1,665	1,996	Computer equipment
Office furniture and fixtures	Office furniture and fixtures	4,015	674	Office furniture and fixtures
Other equipment	Other equipment	731	631	Other equipment
Site equipment	Site equipment	2,747	2,558	Site equipment
Total	Total	154,481	133,523	Total
Less: accumulated depreciation	Less: accumulated depreciation	(79,926)	(61,939)	Less: accumulated depreciation
Property and equipment	Property and equipment	\$ 74,555	\$ 71,584	
— net	— net			

9.7. Debt and Other Financing

The carrying value of the Company's outstanding debt consisted of the following amounts:

	September 30, 2023	December 31, 2022	
	(in thousands)		
	March 31, 2024	March 31, 2024	December 31, 2023
	(in thousands)		(in thousands)
Current portion of long-term debt	Current portion of long-term debt	\$ —	\$ —
Non-current portion of long-term debt	Non-current portion of long-term debt	80,622	77,132
Total long-term debt	Total long-term debt	80,622	77,132
Unamortized debt issuance cost		(1,148)	(913)
Unamortized debt issuance costs			
Outstanding balance	Outstanding balance	\$ 79,474	\$ 76,219

Name of Loan	Effective Interest Rate	March 31,	December 31,
		2024	2023
		(in thousands)	
Loans from Related Parties	12.23% - 12.57%	\$ 84,578	\$ 84,578
Satellite Procurement Vendor Financing	12.74%	1,500	—
Total		\$ 86,078	\$ 84,578

Satellite Procurement Vendor Financing

The outstanding debt was solely comprised of Company entered into a vendor financing agreement for multiple launches providing for \$27.0 million, of loans from related parties with effective which a portion will be drawn down equally per launch and will be repaid quarterly on a pro-rata basis across a three-year period after each successful launch milestone. Payments will accrue interest rates of 11.32% to 11.56% and a at 12.6% per annum, beginning on each launch date. The Company may prepay at any time until the maturity date without premium or penalty.

Commercial Bank Line

On April 11, 2024, the Company, and certain subsidiaries of October 31, 2026, the Company, as co-borrowers, entered into a commercial bank line with Stifel Bank. The commercial bank line provides for a \$20.0 million revolving credit.

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On May 9, 2023, BlackSky facility, including a \$0.5 million sub-facility for the issuance of letters of credit and its subsidiaries entered into an Amendment to its Amended other ancillary banking services. The commercial bank line provides that \$10.0 million of the commitments were immediately available for borrowing, and Restated Loan and Security Agreement with Intelsat and Seahawk, dated October 31, 2019 and previously amended on September 9, 2021 the remaining \$10.0 million of commitments are available at any time after June 28, 2024. The Amendment amends commercial bank line matures on June 30, 2026.

The commercial bank line accrues interest at a rate equal to the secured loan facility to, among other things: (i) extend greater of (A) the maturity date of the loan from October 31, 2024 to October 31, 2026, (ii) roll the cash interest payment due on May 1, 2023 into the outstanding principal to be paid on the maturity date, (iii) increase the

interest prime rate or (B) 6%. Interest on the loan as is payable quarterly in arrears. The Company is required to pay an unused line fee of the Amendment date from 9% to 12%, 0.25% per annum, payable quarterly in arrears. The Company may borrow, prepay and re-borrow revolving loans, without premium or penalty. The principal amount of which (x) 9.6% will be paid in kind as principal outstanding loans, together with accrued and unpaid interest, is due on the loan maturity date, date. The Company is also obligated to pay a fee to the lender upon the occurrence of certain change of control events or the refinancing, repayment, or termination of the commercial bank line, along with other customary fees for a loan facility of this size and type.

The Company's obligations under the remainder paid as cash interest on a semi-annual basis, until May 1, 2025 and (y) after May 1, 2025, up to 4% can be paid in kind as principal due on the maturity date, with the remainder to be paid as cash interest on a semi-annual basis, and (iv) add certain financial covenants. This facility is commercial bank line are secured by substantially all of the Company's assets, including intellectual property. Pursuant to a subordination arrangement, the security interest granted to Stifel Bank is guaranteed by senior to the Company's subsidiaries, security interest the Company granted to Intelsat Jackson Holdings SA pursuant to that certain Amended and Restated Loan and Security Agreement, dated as of October 31, 2019, as amended.

The commercial bank line contains customary affirmative and negative covenants, including covenants limiting the Company's ability to, among other things, incur debt, grant liens, pay dividends and events distributions on its capital stock, make investments and acquisitions, and make capital expenditures, in each case subject to customary exceptions for a loan facility of default this size and type. The Amendment was accounted for as commercial bank line also contains financial covenants requiring compliance with a debt modification minimum revenue covenant, measured at the end of each fiscal quarter, and related transaction costs maintenance, at all times, of \$1.3 million were recorded during unrestricted cash and cash equivalents with Stifel Bank or in controlled accounts in an aggregate amount at least equal to the nine months ended September 30, 2023, outstanding obligations under the commercial bank line. If the Company fails to meet the minimum cash covenant, the commercial bank line provides the Company with the ability to cure the breach with the deposit of proceeds from the issuance of capital stock or subordinated debt.

Fair Value of Debt

The estimated fair value of the Company's outstanding long-term debt was \$78.7 million \$91.0 million and \$73.2 \$78.7 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, which is different than the historical costs cost of such the long-term debt as reflected in the Company's unaudited condensed consolidated balance sheets. The fair value of the long-term debt was estimated using Level 3 inputs, based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements and credit rating.

Compliance with Debt Covenants

As part of the Amendment, the Company is required to maintain a minimum cash and cash equivalents balance of not less than \$10.0 million, measured quarterly as of the last day of each fiscal quarter. In addition, the Company is required to maintain Adjusted EBITDA, measured quarterly as of the last day of each fiscal quarter, of not less than:

- \$5.0 million for the trailing four quarter period ending as of December 31, 2024 through September 30, 2025 and
- \$10.0 million for the trailing four quarter period ending as of December 31, 2025 and as of the end of each fiscal quarter thereafter.

The section entitled "Non-GAAP Financial Measures" has additional information on the Company's definition of Adjusted EBITDA. As of September 30, 2023, all debt instruments contain customary covenants and events of default. The Company was in compliance with all covenants as of September 30, 2023.

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10.8. Equity Warrants Classified as Derivative Liabilities

Warrant Issuances

In March 2023, the Company completed the closing of a private placement whereby the Company issued warrants to purchase up to 16.4 million shares of Class A common stock.

The purchase price of each share and associated warrant was \$1.79. Including the issuance of Company's Class A common stock (see Note 12), the aggregate gross proceeds to the Company from the private placement were \$29.4 million, before deducting the placement agent fees and other offering expenses payable by the Company. The Company uses the net proceeds from the private placement for general corporate purposes, including working capital.

The warrants have an exercise price of \$2.20 per share of Class A common stock, and are exercisable until September 8, 2028. The March 2023 private placement warrants provide that a holder of warrants will not have the right to exercise any portion of its warrants if such holder, together with its affiliates, would beneficially own in excess of 4.99% of the number of shares of common stock outstanding immediately after giving effect to such exercise; provided, however, that each holder may increase or decrease the beneficial ownership limitation by giving notice to the Company; but not to any percentage in excess of 9.99%.

The Company incurred transaction costs which consisted of legal fees, accounting fees, placement agent fees, and other third-party costs directly related to the March 2023 private placement. The transaction costs of \$0.9 million related to the 2023 private placement warrants were included in other income (expense), net in the unaudited condensed consolidated statements of operations and comprehensive income (loss) for the nine months ended September 30, 2023.

The Company also has approximately 24.1 million additional outstanding warrants, including 15.8 million public warrants and 8.3 million private placement warrants, issued by Osprey, the Company's predecessor company, in 2019 in connection with its initial public offering as a special purpose acquisition company. The 2019 warrants are each exercisable for one share of the Company's Class A common stock.

Warrant Valuation

Equity warrants that are classified as derivative liabilities must be measured at fair value upon issuance and re-valued at the end of each reporting period through expiration and are included in derivative liabilities in the Company's unaudited condensed consolidated balance sheets. Any change in fair value between the respective reporting dates is recognized as an unrealized gain or loss in the accompanying unaudited condensed consolidated statements of operations and comprehensive income (loss) loss (see Note

16) 13). The Company's derivative liabilities were made up of only equity warrants and the Sponsor Shares as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**.

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The following table is a summary of the number of shares of the Company's Class A common stock issuable upon exercise of warrants at **September 30, 2023** **March 31, 2024**:

										Gain in Value for the Nine Months Ended		Fair Value as of September 30, 2023					
										Number of Shares	Exercise Price	Redemption Price	Date	Expiration	Classification	September 30, 2023	September 30, 2023
										(in thousands)	(in thousands)						
Public Warrants	Public Warrants	15,813	\$ 11.50	\$ 18.00	9/9/2026	Liability	\$	848	\$ 1,249								
Private Placement Warrants - Issued October 2019	Private Placement Warrants - Issued October 2019	4,163	11.50	18.00	9/9/2026	Liability		208	666								
Private Placement Warrants - Issued October 2019	Private Placement Warrants - Issued October 2019	4,163	20.00	18.00	9/9/2026	Liability		83	375								
Private Placement Warrants - Issued March 2023	Private Placement Warrants - Issued March 2023	16,404	2.20	N/A	9/8/2028	Liability		6,069	11,647								

In addition, the Company has 1.8 million Class A common stock warrants outstanding which have an exercise price of \$0.11 and expiration dates from June 27, 2028 to October 31, 2029. These warrants are equity classified and are included in additional paid-in capital in the Company's unaudited condensed consolidated balance sheets.

11.9. Other Income (Expense)

		Three Months Ended		Nine Months Ended	
		September 30,	2023	September 30,	2022
		(in thousands)		(in thousands)	

		Three Months Ended March 31,	
		Three Months Ended March 31,	
		Three Months Ended March 31,	
		2024	2023
		(in thousands)	
Transaction costs associated with debt and equity financings		\$ —	\$ —
Other		2 (14) (70) (54)	\$ 2 \$(14) \$(1,808) \$(54)
		\$	\$

12. Stockholders' Equity

In March 2023, the Company completed a private placement of 16.4 million shares of the Company's Class A common stock and an equal number of corresponding warrants, for a purchase price of \$1.79 per share and associated warrant. The Company received \$29.4 million in gross proceeds from the private placement. The Company sold 1.8 million common shares in its ATM offering during the nine months ended September 30, 2023, at an average purchase price per share of \$1.59, resulting in gross proceeds of \$2.9 million. The transaction costs for these equity issuances consisted of legal fees, accounting fees, placement agent fees, and other third-party costs related directly to the equity issuances. During the nine months ended September 30, 2023, \$1.6 million of transaction costs that had been incurred were recorded as a reduction to additional paid-in capital in the unaudited condensed consolidated statements of changes in stockholders' equity and unaudited condensed consolidated balance sheets, and as a reduction to the proceeds from the transaction in the unaudited condensed consolidated statements of cash flows.

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13. 10. Net Income (Loss) Per Share of Class A Common Stock

The following table includes the calculation of basic and diluted net (loss) income loss per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in thousands except per share information)				
Income (loss) from continuing operations	\$ 675	\$ (13,800)	\$ (50,071)	\$ (60,074)
Income (loss) from discontinued operations	—	707	—	707
Net income (loss) available to common stockholders	\$ 675	\$ (13,093)	\$ (50,071)	\$ (59,367)
Basic and diluted net income (loss) per share - continuing operations	\$ 0.00	\$ (0.12)	\$ (0.38)	\$ (0.51)
Basic and diluted net income (loss) per share - discontinued operations	—	0.01	—	0.01
Basic and diluted net income (loss) per share	\$ 0.00	\$ (0.11)	\$ (0.38)	\$ (0.50)
Shares used in the computation of basic and diluted net income (loss) per share	138,881	118,582	133,465	117,403

Three Months Ended March 31,

2024 2023

(in thousands except per share information)

Net loss available to common stockholders	\$ (15,810)	\$ (17,315)
Basic and diluted net loss per share	\$ (0.11)	\$ (0.14)
Shares used in the computation of basic and diluted net loss per share	143,228	124,144

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The potentially dilutive securities listed below were not included in the calculation of diluted weighted average common shares outstanding, as their effect would have been anti-dilutive during the **nine** three months ended **September 30, 2023** **March 31, 2024** and three and nine months ended **September 30, 2022**, **2023**.

Three and Nine Months Ended September 30,					
2023		2022			
(in thousands)					
Three Months Ended March 31,					
Three Months Ended March 31,					
Three Months Ended March 31,					
2024		2024			
2024		2024			
(in thousands)					
(in thousands)					
(in thousands)					
Restricted Class A common stock					
Restricted Class A common stock					
Restricted Class A common stock	Restricted Class A common stock	31	79		
Class A common stock warrants	Class A common stock warrants	1,770	1,770		
Class A common stock warrants					
Class A common stock warrants					
Stock options					
Stock options	Stock options	9,146	8,083		
Restricted stock units	Restricted stock units	18,202	8,268		
Restricted stock units					
Restricted stock units					
Public Warrants (exercisable for Class A common stock) treated as liability					
Public Warrants (exercisable for Class A common stock) treated as liability					
Public Warrants (exercisable for Class A common stock) treated as liability	Public Warrants (exercisable for Class A common stock) treated as liability	15,813	15,813		
Private Placement Warrants (exercisable for Class A common stock) treated as liability	Private Placement Warrants (exercisable for Class A common stock) treated as liability	24,729	8,325		
Private Placement Warrants (exercisable for Class A common stock) treated as liability					
Private Placement Warrants (exercisable for Class A common stock) treated as liability					

Sponsor Shares	Sponsor Shares	2,372	2,372
Sponsor Shares			
Sponsor Shares			

14.11. Stock-Based Compensation

The stock-based compensation expense attributable to continuing operations is included in the unaudited condensed consolidated statements of operations and comprehensive income (loss) loss as indicated in the table below. Effective January 1, 2022, the Company reorganized its captions in the unaudited condensed consolidated statements of operations and comprehensive income (loss) to better align the Company's broad below:

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portfolio. As a result, for the three and nine months ended September 30, 2022, the amounts presented to reflect the impact of the reorganization have been recasted.

	Three Months Ended September 30,	Nine Months Ended September 30,		
	2023	2022	2023	2022
	(in thousands)			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	2024			
	(in thousands)			
Imagery & software	Imagery & software			
analytical	analytical			
service costs, excluding	service costs, excluding	\$ 40	\$ 88	\$ 185
depreciation	depreciation			\$ 447
and	and			
amortization	amortization			
Professional & engineering	Professional & engineering			
service costs, excluding	service costs, excluding	97	208	391
depreciation	depreciation			1,119
and	and			
amortization	amortization			
Selling, general and administrative	Selling, general and administrative	2,265	2,867	7,149
				14,823
Total stock- based compensation expense	Total stock- based compensation expense	\$ 2,402	\$ 3,163	\$ 7,725
				\$ 16,389

The Company recorded stock-based compensation related to capitalized internal labor for software development activities of **\$0.2 million** **\$0.1 million** and **\$0.3 million** **\$0.2 million** during the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively and **\$0.5 million** and **\$1.3 million** during the nine months ended **September 30, 2023** and **2022, 2023**, respectively. These amounts are included in property, plant, and equipment - net in the unaudited condensed consolidated balance sheets.

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12. Related Party Transactions

A summary of the Company's related party transactions during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2023** is presented below:

		Amount Due to Related Party as of				Amount Due to Related Party as of	
		Total Payments in the Three Months Ended March 31,		Total Payments in the Three Months Ended March		March	December
				31,	31,	31,	31,
Name	Nature of Relationship	Name	Description of the Nature of the Relationship	(in thousands)			
LeoStella							
Ursa Space Systems							
Ursa Space Systems							
Ursa Space Systems							
Seahawk	Seahawk Debt Issuer	In 2019, the Company raised and converted \$18.4 million from prior debt into new, outstanding debt and issued 13.5 million warrants to purchase Legacy BlackSky common stock.	\$ 21,727	\$ 20,787			
Intelsat	Intelsat	Debt Issuer	In 2019, the Company entered into a term loan facility for \$50.0 million and issued 20.2 million warrants to purchase Legacy BlackSky common stock.	58,895	56,345		

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Amount Due to (Due from) Related Party as of

Name	Nature of Relationship	Description of the Transactions	Total Payments in the Nine Months Ended			
			September 30,		September 30,	December 31,
			2023	2022		
LeoStella	Joint Venture with Thales	The Company owns 50% of LeoStella, its joint venture with Thales. The Company	\$ 14,731	\$ 22,067	\$(1,146)	\$ 3,728
	Alenia Space	contracts with LeoStella for the design, development and manufacture of satellites to operate its business.	—	—	—	—
X-Bow	Equity Method Investee	In 2017, the Company received stock in X-Bow. As of September 30, 2023, the Company had a less than 20% investment in X-Bow and had one Board seat. The Company has engaged X-Bow to develop a rocket for the Company.	—	—	—	—
Ursa Space Systems	Strategic Partner	The chairman of the Company's board of directors, Will Porteous, is also an investor and member of the board of directors of Ursa Space Systems. The Company has a non-cancelable operational commitment with Ursa Space Systems.	333	417	42	—
Thales Alenia Space	Shareholder and Parent of Wholly-owned Subsidiary, Seahawk (Debt Issuer)	Design, development and manufacture of telescopes.	4,459	8,170	—	693

On May 9, 2023, BlackSky and its subsidiaries entered into an Amendment to its Amended and Restated Loan and Security Agreement with Intelsat and Seahawk, dated October 31, 2019 and previously amended on September 9, 2021. The Company incurred \$0.4 million of offering costs to record revenue from related parties in relation to of \$2.0 million and \$0 for the Amendment. See Note 9 for information regarding the Amendment. three months ended March 31, 2024 and 2023, respectively. Accounts receivable from related parties was \$0 as of March 31, 2024 and December 31, 2023.

Interest on the term loan facility is accrued and is due semi-annually. No significant The Company did not make any interest payments were made in during the nine months ended September 30, 2023 March 31, 2024 or 2022 2023. As of September 30, 2023 March 31, 2024, the Company had interest due to related parties of \$4.1 \$4.3 million, of which \$0.8 \$0.9 million is to be paid as cash interest on a semi-annual basis and was included in other current liabilities and \$3.3 \$3.4 million is paid in kind as principal due on the maturity date and was included in other liabilities. As of December 31, 2022 December 31, 2023, the Company had interest due to related parties of \$1.2 \$1.7 million, that of which \$0.3 million was included in other current liabilities and \$1.4 million was included in other liabilities.

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16.13. Fair Value of Financial Instruments

The following tables present information about the Company's liabilities that are measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and indicate the fair value hierarchy level of the valuation techniques and inputs that the Company utilized to determine such fair value:

September 30, 2023	Quoted Prices in Active Markets	Significant Other Input	Significant Other Unobservable Inputs	(in thousands)
	Significant Other Observable Input	Significant Other Unobservable Inputs		
	(Level 1)	(Level 2)	(Level 3)	
March 31, 2024	March 31, 2024	Quoted Prices in Active Markets	Significant Other Observable Input	Significant Other Unobservable Inputs
	(Level 1)	(Level 1)	(Level 2)	(Level 3)
	(in thousands)	(in thousands)	(in thousands)	(in thousands)
Liabilities	Liabilities			
Public Warrants				
Public Warrants				
Public Warrants	\$ 1,249	\$ —	\$ —	
Private Placement				
Private Placement				
Warrants - Issued	Warrants - Issued	—	—	1,041
October 2019	October 2019			

Changes in the fair value of the Level 3 liabilities during the **nine** three months ended **September 30, 2022** **March 31, 2023** of **\$4.8 million** **\$15.4 million** included the Sponsor Shares, and the October 2019 **private placement warrants**, **Private Placement Warrants**, and the March 2023 **Private Placement Warrants**. The following is a summary of changes in the fair value of the Level 3 liabilities during the **nine** three months ended **September 30, 2023** **March 31, 2024**:

	Sponsor Shares	Private Placement Warrants -	
		Issued October 2019	Private Placement Warrants -
			Issued March 2023
		(in thousands)	
Balance as of January 1, 2023	\$ 1,684	\$ 1,332	\$ —
Liability recorded at fair value	—	—	17,716
Gain from changes in fair value	(238)	(291)	(6,069)
Balance as of September 30, 2023	\$ 1,446	\$ 1,041	\$ 11,647

	Sponsor Shares	Private Placement Warrants -	
		Issued October 2019	Private Placement Warrants -
			Issued March 2023
		(in thousands)	
Balance as of January 1, 2024	\$ 1,304	\$ 583	\$ 12,467
Loss (gain) from changes in fair value	12	—	(164)
Balance as of March 31, 2024	\$ 1,316	\$ 583	\$ 12,303

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17.14. Commitments and Contingencies

Legal Proceedings

From time to time, the Company may become involved in various claims and legal proceedings arising in the ordinary course of business, which, by their nature, are inherently unpredictable. The Company is not currently a party to any material claims or legal proceedings the outcome of which, if determined adversely to the Company, would individually or in the aggregate, have a material adverse effect on the Company's business, financial condition or results of operations. Regardless of outcome, litigation and other legal proceedings can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

On May 7, 2024, a putative class action lawsuit relating to the Merger of Legacy BlackSky on September 9, 2021 with a wholly owned subsidiary of Osprey was filed. The lawsuit is captioned *Drulias v. Osprey Sponsor II, LLC, et al.* ("Drulias") (Del. Ch. 2024). The Drulias complaint asserts breach of fiduciary duty and unjust enrichment claims against the former directors of Osprey (the "Osprey Board"); the former officers of Osprey; and Osprey Sponsor II, LLC (the "Sponsor"); and aiding and abetting breach of fiduciary duty claims against HEPCO Capital Management, LLC; JANA Partners LLC; and Brian O'Toole. The Drulias complaint seeks, among other things, damages and attorneys' fees and costs. The terms of the Merger required the Company to indemnify the directors of Osprey. The Company is still in the process of evaluating the merits of the complaint and potential outcomes.

On May 8, 2024, a putative class action lawsuit relating to the Merger was filed in the Delaware Court of Chancery. The lawsuit is captioned *Cheriyala v. Osprey Sponsor II, LLC* ("Cheriyala") (Del. Ch. 2024). The Cheriyala complaint asserts breach of fiduciary duty against the former directors of the Osprey Board, the former officers of Osprey, and the Sponsor; aiding and abetting breach of fiduciary duty claims against Blacksky Holdings, Inc., O'Toole and Brian Daum; and unjust enrichment claims against the Sponsor and Jonathan Cohen. The Cheriyala complaint seeks, among other things, damages and attorneys' fees and costs. The Company is still in the process of evaluating the merits of the Cheriyala complaint and potential outcomes.

Though the Company is not named in either suit, it expects to have certain indemnification requirements of directors, officers and former directors and officers.

Compliance with Debt Covenants

As of March 31, 2024, all debt instruments contain customary covenants and events of default. The Company was in compliance with all financial and non-financial covenants as of March 31, 2024.

Other Commitments

In August During 2023, the Company entered into a **non-refundable commitment** new operating lease for **multi-launch** office space with a commencement date in January 2024 and **integration services**.

In November 2023, the Company entered into a commercial agreement with financing terms for multiple launches providing for \$3.0 million to be paid upfront, and for \$27.0 million, of which a portion will be drawn down equally per launch and will be repaid quarterly on a pro-rata basis across a 3 year period after each successful launch milestone. Payments will accrue interest at 12.6% per annum, an expiration date in August 2036. The Company may prepay at any time until the maturity date without premium or penalty. As recognized an operating lease right-of-use asset and a long-term operating lease liability of November 8, 2023, the minimum commitment associated with the agreement is \$8.4 million.

Under certain circumstances, a default interest rate will apply on all outstanding and payable obligations \$3.7 million in its unaudited condensed consolidated balance sheets during the existence of an event of default under the Loan Agreement at 18.9% per annum above the applicable interest rate, three months ended March 31, 2024.

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15. Concentrations, Risks, and Uncertainties

For the three months ended September 30, 2023 and 2022, The Company has a concentration of contractual revenue from customers representing 10% or more of the consolidated revenue from continuing operations was \$16.0 million and \$10.7 million, respectively, and \$37.2 million and \$23.9 million, respectively, for the nine months ended September 30, 2023 and 2022. Accounts receivable related to these customers as of September 30, 2023 and December 31, 2022 was \$0.3 million and \$0, respectively.

Revenue from arrangements with the U.S. federal government and agencies was \$14.0 million and \$14.9 million for the three months ended September 30, 2023 and 2022, respectively, and \$41.8 million and \$38.1 million, respectively, for the nine months ended September 30, 2023 and 2022, as well as with commercial customers. Accounts receivable related to U.S. federal government and agencies was \$2.0 million \$5.0 million and \$2.5 million \$6.0 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company had the following customers whose revenue and accounts receivable balances individually represented 10% or more of the Company's total revenue and/or accounts receivable:

	Revenue		Accounts Receivable	
	Three Months Ended March 31,		As of March 31, 2024	As of December 31, 2023
	2024	2023		
(in thousands)				
U.S. federal government and agencies	61%	74%	85%	83%
Customer B	16%	14%	*	*
Customer C	10%	*	*	*

* Revenue and/or accounts receivable from these customers were less than 10% of total revenue and/or accounts receivable during the period.

The Company generally extends credit on account, without collateral. Outstanding accounts receivable balances are evaluated by management, and accounts are reserved when it is determined collection is not probable. As of September 30, 2023 March 31, 2024 and 2022, 2023, the Company evaluated the realizability of the aged accounts receivable, giving consideration to each customer's financial history and liquidity position, credit rating and the facts and circumstances of collectability on each outstanding account, and did not have a significant reserve for uncollectible accounts.

19.16. Subsequent Events

The Company evaluated subsequent events through November 8, 2023 May 8, 2024 and determined that there have been no events that have occurred that would require additional adjustments to its disclosures or adjustments to the consolidated financial statements, other than those previously disclosed in Note 1 Notes 7 and Note 17 14 above.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. As discussed in the section titled "Special Note Regarding Forward Looking Statements," the following discussion and analysis contains forward looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in the section titled "Risk Factors" under Part I, Item IA 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 and filed with the SEC on March 23, 2023. SEC. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to "BlackSky," "BlackSky," "the Company," "we," "Company," "we," "us" and "our" refer to the business and operations of BlackSky Technology Inc. and its consolidated subsidiaries and BlackSky Holdings, Inc. ("Legacy BlackSky" BlackSky) and its consolidated subsidiaries prior to the completion of its merger on September 9, 2021 with a wholly owned subsidiary of Osprey Technology Acquisition Corp (the "Merger" "Merger"), and of BlackSky Technology Inc. and its consolidated subsidiaries, following the closing of the Merger.

Company Overview

We own and operate one of the industry's leading high-performance low earth orbit ("LEO") small satellite constellations. Our constellation is optimized to cost-efficiently capture imagery at high revisit rates where and when our customers need it. The orbital configuration of our constellation is designed to collect data on the most critical and strategic locations in the world. Our constellation is able to image certain locations approximately every 60 90 minutes, from dawn to dusk, providing our customers with insights and situational awareness throughout the day. Our satellites are designed with agile pointing capabilities that enable our customers to task our constellation on demand to collect specific locations of interest. The constellation is optimized for agility and capacity and delivers high revisit imaging and analytic products without a dependency on an individual satellite. This approach enables us to strategically deploy capacity to meet customer needs and tailor the capability over time to meet market demand. Our tasking methodology employs proprietary artificial intelligence ("AI")-enabled software to efficiently collect images of the most important strategic and economic assets and areas of interest to our customers. We believe that our focus on critical strategies strategic and economic infrastructure and the AI-enabled tasking of our constellation differentiates us from many of our competitors, who

are primarily dedicated to mapping the entirety of the Earth on a routine basis. Our differentiated approach to space enables us to deliver highly targeted and valuable intelligence with a smaller constellation fleet that has the added benefit of greater operating and capital efficiencies.

Our **Blacksky BlackSky** Spectra software platform can, among other things, process millions of observations a day from our proprietary satellite constellation and from multiple external data sources including imaging, radar and radio frequency satellites, environmental sensors, asset tracking sensors, Internet-of-Things ("IoT") connected devices, internet-enabled narrative sources, and a variety of geotemporal data feeds. **Blacksky BlackSky** Spectra employs advanced, proprietary AI and machine learning ("ML") techniques to process, analyze, and transform these data feeds into alerts, information, and insights that our customers receive, all fully automated. Customers can access **Blacksky BlackSky** Spectra's data and analytics through easy-to-use web services or through platform application programming interfaces.

Our next generation satellites ("Gen-3"), expected to launch in 2024, are designed to improve imaging resolution even further and include short wave infrared imaging technology for a broad set of imaging conditions, including nighttime and low-light. We believe these advancements will expand the relevance and certainty of our analytics to continue to ensure our importance to our customers. We also believe the combination of our high-revisit, small satellite constellation, our **Blacksky BlackSky** Spectra platform, and low constellation cost is transforming the market for **geospatial** real-time, space-based imagery and space-based data and analytics.

Our operating strategy is to continue to enhance the capabilities of our satellite constellation, to increase the number of third-party data sources processed by our **Blacksky BlackSky** Spectra platform, and to expand our analytics offerings in order to increase the value we deliver to our customers. Our two strategic assets—our satellite constellation and our **Blacksky BlackSky** Spectra platform—are mutually reinforcing: as we capture more information about the world's most important strategic and economic assets and locations, our proprietary database expands and increases its **utility**, enabling us to better detect, understand, and predict changes that matter most to our customers.

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Our business has a natural and powerful "flywheel" effect: the more data we collect and analyze, the more valuable the insights we can deliver to our customers.

Our current customer base and end market mix are weighted towards U.S. and international defense and intelligence customers and markets. We believe there are significant opportunities to expand our imagery and software analytical services, as well as our professional and engineering service offerings, to a broad set of customers both domestically and internationally. In addition, our services and products can benefit customers in a variety of commercial markets including, but not limited to, energy and utilities, insurance, commodities, mining, manufacturing, logistics, supply chain management, agriculture, environmental monitoring, disaster and risk management, engineering and construction, and retail and consumer behavior.

We generate revenue by selling On-Demand and Assured product and service offerings that support a broad range of applications including national security, supply chain intelligence, crisis management, critical infrastructure monitoring, economic intelligence, and others. These offerings are comprised of a predefined, standard set of imagery and software analytics products accessible via our basic subscription plan through our BlackSky Spectra software platform, plus professional and engineering services provided to customers on a project-by-project basis. We offer a variety of pricing and utilization options for our imagery and software analytical service offerings, with the majority of our agreements structured as subscription contracts, followed by usage-based pricing and transactional licenses. These options provide customers flexibility to utilize our imagery and software analytical services in a manner that best suits their business needs. We offer a range of pricing tiers that enables the customer to manage collection priorities, when during critical events they can pay a premium to prioritize their monitoring and collection requirements. At other times, customers can select lower priority collections to allow for more economical utilization. We currently derive revenue from variable Variable and fixed price plans that allow our customers to choose what matters most to them—platform licensing-levels, priority for imagery tasking, and whether to apply analytics or monitoring capabilities overtop the imaging service.

Components of Operating Results

Revenue

Our revenue is generated by selling imagery and software analytics services through our Blacksky Spectra platform and by providing professional and engineering services to strategic customers on a project basis.

• **Imagery and Software Analytical Services Revenue**

- **Imagery:** We offer our customers high-revisit, on-demand high resolution electro optical satellite imaging services. Through our BlackSky Spectra software platform, customers can directly task our proprietary satellite constellation to collect and deliver imagery over specific locations, sites, and regions that are critical to their operations. We offer customers several service level options that include basic plans for **access to capacity subscriptions for** on-demand tasking or multi-year assured access programs, where customers can secure priority access and imaging capacity at a premium over a region of interest on a take or pay basis.
- **Data, Software, and Analytics:** Our analytics services are also offered on a subscription **or consumption** basis and provide customers with access to our site monitoring, event monitoring and global data services. We leverage our proprietary AI and ML algorithms to analyze data coming from both our proprietary sensor network and third-party space sources in real-time to provide data, insights, and analytics for our customers. We provide services related to object, change and anomaly detection, site monitoring, and enhanced analytics through which we can detect key pattern of life changes in critical locations. These critical locations can include strategic locations and infrastructure such as ports, airports, and construction sites; retail activity; commodities stockpiles; and other sites that contain critical commodities and supply chain inventory.

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We expect continued **imagery and software analytical services** revenue growth in **the** our offerings year ending December 31, 2023 and beyond, as compared to each prior over year as a result of increases in our sales orders **with** new customers and **incremental sales orders** driven by stronger customer **demand**. **demand with existing customers.**

- **Professional and Engineering Services Revenue**—We develop and deliver advanced satellites and payload systems for specific strategic customers that desire to leverage our capabilities in mission systems engineering and operations, ground station operations, software, analytics and systems development. These systems are sold to government customers under fixed price contracts and are often bundled with our imagery services offerings. In certain cases, we service subscriptions. We retain rights to intellectual property for developed technology of certain systems, and this paid effort offsets some of our product development effort.

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We also provide technology enabled professional service solutions, which are highly-interrelated, to support customer-specific feature requests and to support the integration, testing, and training of our imagery and software analytical services into the customer's organizational processes and workflows. We also provide software systems engineering development services to support the integration of high volume and mass quantities of data in their operating platforms.

We expect continued meaningful contribution from our professional and engineering services revenue. The expected increase in revenue, which we expect will be primarily from commencing contracts with existing U.S. and international defense and intelligence customers for whom we need have contracted to perform development work prior to the implementation of their subscription service contracts.

Costs and Expenses

Our costs and expenses are incurred from the following categories:

- Imagery and software analytical services costs primarily include internal aerospace and geospatial software development labor, third-party data and imagery, internal labor to support the ground stations and space operations, and cloud computing and hosting services. Costs are expensed as incurred except for incremental costs to obtain a contract, which are primarily sales commissions on contracts greater than one year which are capitalized and amortized to selling, general, and administrative expenses on a systematic basis consistent with the transfer of goods and services and directly identifiable costs to fulfill a contract. Expense related to stock-based payments is classified in the unaudited condensed consolidated statements of operations and comprehensive income (loss) based upon the classification of each employee's cash compensation. We recognize stock-based compensation expense for those employees whose work supports the imagery and software analytical service costs we provide to customers, under imagery and software analytical service costs, excluding depreciation and amortization.
- Professional and engineering service costs primarily include the cost of internal labor for design and engineering in support of long-term development contracts for customer satellites and payload systems as well as subcontract direct materials and external labor costs to build and test specific components, such as the communications system, payload demands, and sensor integration. In addition, we also recognize internal labor costs and external subcontract labor costs for our customer-centric software service solutions. We also recognize stock-based compensation expense for those employees who provide professional and engineering services support to customers, under professional and engineering service costs, excluding depreciation and amortization.

Operating Expenses

Our operating expenses are incurred from the following categories:

- Selling, general, and administrative expense consists of salaries and benefit costs, development costs, professional fees, and other expenses which includes other personnel-related costs, stock-based compensation expenses for those employees who generally support our business and operations, and occupancy costs. Our development costs include internal labor costs to design and plan critical real-time software and geospatial analytic solutions and solution enhancements, including mapping, analysis, site target monitoring, and news feeds.
- Research and development expense consists of employees' salaries, taxes, and benefits costs incurred for data science modeling and algorithm development related to our Blacksky Spectra software platform, and

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for the strategic development efforts to support our long-term strategy. In addition, we employ and classify third-party vendors who fulfill our strategic projects as research and development expense. We intend to continue to invest appropriate resources in research and development efforts, as we believe that investment is critical to maintaining our competitive position.

- Depreciation expense is related to property and equipment, which mainly consists of operational satellites. Amortization expense is related to intangible assets, which mainly consist of customer relationships.

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Results of Operations for the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022

Effective January 1, 2022, we reorganized our captions in the unaudited condensed consolidated statements of operations and comprehensive income (loss) to better align the Company's broad portfolio. As a result, for the three and nine months ended September 30, 2022, the amounts presented to reflect the impact of the reorganization have been

recasted. Period to period comparisons are not necessarily indicative of future results. The following table provides the components of results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022; 2023:

	Three Months Ended September 30,			\$	%	Nine Months Ended September 30,			\$	%
	2023	2022	Change	Change	Change	2023	2022	Change	Change	Change
(dollars in thousands)										
Revenue										
Imagery & software analytical services	\$ 15,264	\$ 13,707	\$ 1,557	11.4 %	\$ 46,352	\$ 31,249	\$ 15,103	48.3 %		
Professional & engineering services	5,996	3,228	2,768	85.7 %	12,632	14,684	(2,052)	(14.0) %		
Total revenue	21,260	16,935	4,325	25.5 %	58,984	45,933	13,051	28.4 %		
Costs and expenses										
Imagery & software analytical service costs, excluding depreciation and amortization	3,479	3,513	(34)	(1.0)%	10,634	10,537	97	0.9 %		
Professional & engineering service costs, excluding depreciation and amortization	3,288	4,274	(986)	(23.1)%	11,137	17,991	(6,854)	(38.1)%		
Selling, general and administrative	17,572	18,758	(1,186)	(6.3)%	55,289	59,041	(3,752)	(6.4) %		
Research and development	133	197	(64)	(32.5)%	525	449	76	16.9 %		
Depreciation and amortization	11,304	9,598	1,706	17.8 %	32,735	26,166	6,569	25.1 %		
Operating loss	(14,516)	(19,405)	4,889	25.2 %	(51,336)	(68,251)	16,915	24.8 %		
Gain on derivatives	17,012	7,135	9,877	138.4 %	7,445	10,629	(3,184)	(30.0) %		
Income (loss) on equity method investment	328	(776)	1,104	142.3 %	913	694	219	31.6 %		
Interest income	519	486	33	6.8 %	1,602	664	938	141.3 %		
Interest expense	(2,532)	(1,226)	(1,306)	(106.5)%	(6,627)	(3,756)	(2,871)	(76.4)%		
Other income (expense), net	2	(14)	16	114.3 %	(1,808)	(54)	(1,754)	NM		
Income (loss) before income taxes	813	(13,800)	14,613	105.9 %	(49,811)	(60,074)	10,263	17.1 %		
Income tax expense	(138)	—	(138)	(100.0)%	(260)	—	(260)	(100.0)%		
Income (loss) from continuing operations	675	(13,800)	14,475	104.9 %	(50,071)	(60,074)	10,003	16.7 %		
Discontinued operations:										
Gain from discontinued operations	—	707	(707)	(100.0)%	—	707	(707)	(100.0)%		
Income tax (expense) benefit	—	—	—	— %	—	—	—	— %		
Gain from discontinued operations, net of income taxes	—	707	(707)	(100.0)%	—	707	(707)	(100.0)%		
Net income (loss)	\$ 675	\$ (13,093)	\$ 13,768	105.2 %	\$ (50,071)	\$ (59,367)	\$ 9,296	15.7 %		

• NM - Fluctuation in terms of percentage change is not meaningful.

	Three Months Ended March 31,			\$	%
	2024	2023	Change	Change	Change
(dollars in thousands)					
Revenue					
Imagery & software analytical services	\$ 17,833	\$ 15,760	\$ 2,073	13.2 %	
Professional & engineering services	6,403	2,637	3,766	142.8 %	
Total revenue	24,236	18,397	5,839	31.7 %	
Costs and expenses					
Imagery & software analytical service costs, excluding depreciation and amortization	3,445	3,699	(254)	(6.9)%	
Professional & engineering service costs, excluding depreciation and amortization	3,588	2,779	809	29.1 %	
Selling, general and administrative	18,816	18,949	(133)	(0.7)%	
Research and development	456	216	240	111.1 %	
Depreciation and amortization	11,184	9,655	1,529	15.8 %	
Operating loss	(13,253)	(16,901)	3,648	21.6 %	
(Loss) gain on derivatives	(254)	1,531	(1,785)	(116.6)%	
Income on equity method investment	—	529	(529)	(100.0)%	
Interest income	400	435	(35)	(8.0)%	
Interest expense	(2,634)	(1,853)	(781)	(42.1)%	
Other income (expense), net	1	(943)	944	100.1 %	

Loss before income taxes	(15,740)	(17,202)	1,462	8.5 %
Income tax expense	(70)	(113)	43	38.1 %
Net loss	\$ (15,810)	\$ (17,315)	\$ 1,505	8.7 %

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Revenue

	Three Months Ended		Nine Months Ended				(dollars in thousands)		
	September 30,		September 30,		\$ %				
	2023	2022	Change	Change	2023	2022	Change	Change	
Three Months Ended									
March 31,									
Three Months Ended									
March 31,									
Three Months Ended									
March 31,									
2024									
(dollars in thousands)									
Imagery & software analytical revenue	Imagery & software analytical revenue	\$ 15,264	\$ 13,707	\$ 1,557	11.4 %	\$ 46,352	\$ 31,249	\$ 15,103	48.3 %
% of total revenue	% of total revenue	71.8	% 80.9	%		78.6	% 68.0	%	
Professional & engineering services revenue	Professional & engineering services revenue	5,996	3,228	2,768	85.7 %	12,632	14,684	(2,052) (14.0) %	
% of total revenue	% of total revenue	28.2	% 19.1	%		21.4	% 32.0	%	
Total revenue	Total revenue	\$ 21,260	\$ 16,935	\$ 4,325	25.5 %	\$ 58,984	\$ 45,933	\$ 13,051	28.4 %
Total revenue									
Total revenue									
							\$ 24,236	\$ 18,397	\$ 5,839

Imagery and Software Analytical Services Revenue

Imagery and software analytical services revenue increased for the three and nine months ended September 30, 2023, March 31, 2024 as compared to the same periods period in 2022, 2023, primarily driven by increased incremental imagery and analytics subscription orders and renewals from existing customers and several firm-fixed price subscription contracts with new domestic and international customers.

Professional and Engineering Services Revenue

Professional and engineering services revenue increased for the three months ended September 30, 2023, March 31, 2024 as compared to the three months ended September 30, 2022, due to new contracts we were awarded in the first half of 2023. Professional and engineering services revenue decreased for the nine months ended September 30, 2023,

as compared to the same period in 2022, March 31, 2023 primarily due to a lower quarterly percentage of completion achieved in two new significant engineering services contracts that began after the comparable prior period. In addition, revenue increased for certain firm-fixed price existing contracts as a result the measure of an increase progress increased over the comparable prior period. For the impacts of changes in estimates on our contracts, see Note 2—"Basis of Presentation and Summary of Significant Accounting Policies" of the program's maturity year-over-year, partially offset by an increase in professional services revenue generated from new contracts awarded in notes to the first half of 2023. consolidated financial statements contained within this Quarterly Report on Form 10-Q.

Costs and Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,											
	2023	2022	Change	2023	2022	Change									
	(dollars in thousands)														
Three Months Ended March 31, 2024															
Three Months Ended March 31, 2023															
Three Months Ended March 31, 2022															
Imagery & software analytical service costs, excluding depreciation and amortization	\$ 3,479	\$ 3,513	\$ (34) (1.0)%	\$ 10,634	\$ 10,537	\$ 97 0.9%	\$ 3,445	\$ 3,699	\$ (254) (6.9)%	\$ 2024					
Professional & engineering service costs, excluding depreciation and amortization	3,288	4,274	(986) (23.1)%	11,137	17,991	(6,854) (38.1)%	3,588	2,779	2,779 809	809 29.1%					
Total costs	Total costs	\$ 6,767	\$ 7,787	\$ (1,020)	(13.1)%	\$ 21,771	\$ 28,528	\$ (6,757)	(23.7)%	\$ 7,033	\$ 6,478	\$ 555	8.6%		

Imagery and Software Analytical Service Costs

Imagery & software analytical service costs, excluding depreciation and amortization, were relatively flat decreased slightly for the three and nine months ended September 30, 2023, March 31, 2024 as compared to the same periods period in 2022.

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2023.

Professional and Engineering Service Costs

Professional & engineering service costs, excluding depreciation and amortization, decreased increased for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same periods period in 2022, 2023, primarily due to fewer costs incurred on two engineering services contracts, driven by an increase satellite procurement work under a firm-fixed price contract that began in the programs' maturity year-over-year. This was partially offset by \$0.3 million and \$3.6 million fourth quarter of unfavorable changes in our estimate to complete 2023. In addition, labor costs increased the measure of progress on two engineering existing firm-fixed price professional services contracts during the three and nine months ended September 30, 2023, respectively, as compared to the prior year. contracts. The estimation of total costs to complete on long-term projects is subject to many variables and requires significant judgment and we may have

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future changes in estimates, which may have an impact on future professional and engineering service costs and associated revenues. revenue recognition.

Selling, General, and Administrative

		Three Months Ended September			Nine Months Ended September					
		30,		\$	%	30,		\$	%	
		2023	2022	Change	Change	2023	2022	Change	Change	
(dollars in thousands)										
Three Months Ended March 31,										
Three Months Ended March 31,										
Three Months Ended March 31,										
2024		2024		2024		(dollars in thousands)		(dollars in thousands)		
Salaries and benefit costs		Salaries and benefit costs		Salaries and benefit costs		Salaries and benefit costs		Salaries and benefit costs		
Stock-based compensation	Stock-based compensation	\$ 2,265	\$ 2,867	\$ (602)	(21.0) %	\$ 7,149	\$ 14,823	\$ (7,674)	(51.8) %	
Stock-based compensation expense	Stock-based compensation expense									
Salaries and benefit costs		10,368	8,933	1,435	16.1 %	31,247	25,539	5,708	22.4 %	
Development costs		190	371	(181)	(48.8) %	787	624	163	26.1 %	
Professional fees		800	1,317	(517)	(39.3) %	2,820	3,836	(1,016)	(26.5) %	
Stock-based compensation expense										
Stock-based compensation expense										
Information technology and other administrative expenses										
Information technology and other administrative expenses										
Information technology and other administrative expenses										
Information technology and other administrative expenses										
Selling and marketing	Selling and marketing	2,127	1,904	223	11.7 %	6,712	4,519	2,193	48.5 %	
Selling and marketing	Selling and marketing									
Selling and marketing										
Professional fees										
Professional fees										
Professional fees										
Insurance										
Insurance										
Insurance										
Rent expense	Rent expense	354	722	(368)	(51.0) %	1,424	1,954	(530)	(27.1) %	
Insurance		590	1,134	(544)	(48.0) %	2,260	3,617	(1,357)	(37.5) %	

Selling, general, and administrative expenses decreased during the three and nine months ended September 30, 2023, March 31, 2024 as compared to the same periods in 2022. For the three 2023 primarily due to lower corporate insurance premiums and nine months ended September 30, 2023 as compared to the same periods in 2022, stock-based compensation expense decreased \$0.6 million and \$7.7 million, respectively, related to the vesting of a significant number of restricted stock units ("RSUs") in 2022. Salaries our Seattle location that drove cost savings. These decreases were partially offset by increased salaries and payroll-related benefits increased due to continued expansion of the our sales team and investment investments in AI capabilities. Stock-based compensation expense increased by \$0.4 million due to the acceleration of expense for options that were voluntarily forfeited during the three months ended March 31, 2024.

The following is our forecast for total RSU expense as of **September 30, 2023** **March 31, 2024**, which, in addition to the amounts recognized in selling, general, and administrative expenses, includes the portion that will be capitalized or classified in imagery and software analytical service costs and professional and engineering service costs:

(in thousands)		(in thousands)
(in thousands)		(in thousands)
For the years ending		
December 31,		
For the remainder of	\$ 2,827	
2023		
For the years ending		
December 31,		
For the years ending		
December 31,		
For the years ending		
December 31,		
2024		
2024		
2024	2024	9,076
2025	2025	7,473
2026	2026	5,173
2027	2027	1,762
		\$ 26,311
2028		
	\$	

	Three Months Ended March 31,				\$	%
	2024	2023	Change	Change		
	(dollars in thousands)					
Research and development	\$ 456	\$ 216	\$ 240	111.1 %		

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Research and Development

	Three Months Ended				Nine Months Ended			
	September 30,		\$	%	September 30,		\$	%
	2023	2022	Change	Change	2023	2022	Change	Change
(dollars in thousands)								
Research and development	\$ 133	\$ 197	\$ (64)	(32.5)%	\$ 525	\$ 449	\$ 76	16.9 %

Research and development expense decreased/increased for the three months ended September 30, 2023 and increased for the nine months ended September 30, 2023/March 31, 2024 as compared to the same periods period in 2022/2023. The changes were increase was driven by the timing of contracts with contracting third-party vendors who fulfill our strategic projects as research and development expense.

Depreciation and Amortization

	Three Months Ended September				Nine Months Ended			
	30,		\$	%	September 30,		\$	%
	2023	2022	Change	Change	2023	2022	Change	Change
(dollars in thousands)								
Three Months Ended March 31,								
Three Months Ended March 31,								
Three Months Ended March 31,								
2024								
(dollars in thousands)								
Depreciation of satellites	\$ 9,598	\$ 8,811	\$ 787	8.9 %	\$ 28,413	\$ 24,579	\$ 3,834	15.6 %
Depreciation of all other property and equipment	1,566	647	919	142.0 %	3,901	1,166	2,735	234.6 %
Amortization	140	140	—	— %	421	421	—	— %
Depreciation and amortization	\$ 11,304	\$ 9,598	\$ 1,706	17.8 %	\$ 32,735	\$ 26,166	\$ 6,569	25.1 %
Depreciation of satellites	\$ 8,856	\$ 8,474	\$ 382	4.5 %				
Depreciation of all other property and equipment	2,188	1,041	1,147	110.2 %				
Amortization	140	140	—	— %				
Depreciation and amortization	\$ 11,184	\$ 9,655	\$ 1,529	15.8 %				

Depreciation expense from satellites increased for the three and nine months ended September 30, 2023/March 31, 2024 as compared to the same periods period in 2022/2023, driven by an increase new satellites placed into service in the number of satellites in service. March 2023.

Depreciation expense from all other property and equipment increased for the three and nine months ended September 30, 2023/March 31, 2024 as compared to the same periods period in 2022/2023, primarily driven by capitalization of software and additional site equipment that was placed into service, the buildout of new office space.

Amortization expense remained flat for the three and nine months ended September 30, 2023/March 31, 2024 as compared to the same periods period in 2022/2023.

Gain from discontinued operations, net of income taxes

	Three Months Ended				Nine Months Ended			
	September 30,		\$	%	September 30,		\$	%
	2023	2022	Change	Change	2023	2022	Change	Change
(dollars in thousands)								
Gain from discontinued operations, net of income taxes	\$ —	\$ 707	\$ (707)	(100.0)%	\$ —	\$ 707	\$ (707)	(100.0)%

On June 12, 2020, we completed the sale of 100% of our interests in Spaceflight, Inc. to M&Y Space Co., Ltd for a final purchase price of \$31.6 million. During the three and nine months ended September 30, 2022, the Company received an indemnification claim notice regarding certain collection and tax payments related to the Share Purchase Agreement among BlackSky Holdings, Inc., Spaceflight, Inc., and M&Y Space Co., Ltd. The parties

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agreed to the framework for a global settlement of such indemnification claims, to include a settlement payment by the Company of \$1.0 million and a holdback amount of \$0.1 million subject to M&Y Space Co.'s ability to collect against certain receivables. As a result, we reduced our existing contingent liability by \$0.7 million.

Non-Operating Expenses

	Three Months Ended				Nine Months Ended			
	September 30,		\$	%	September 30,		\$	%
	2023	2022	Change	Change	2023	2022	Change	Change
(dollars in thousands)								
Gain on derivatives	\$ 17,012	\$ 7,135	\$ 9,877	138.4 %	7,445	10,629	(3,184)	(30.0)%
Income (loss) on equity method investment	328	(776)	1,104	142.3 %	913	694	219	31.6 %
Interest income	519	486	33	6.8 %	1,602	664	938	141.3 %
Interest expense	(2,532)	(1,226)	(1,306)	(106.5)%	(6,627)	(3,756)	(2,871)	(76.4)%
Other income (expense), net	2	(14)	16	114.3 %	(1,808)	(54)	(1,754)	NM

• NM - Fluctuation in terms of percentage change is not meaningful.

	Three Months Ended March			
	31,		\$	%
	2024	2023	Change	Change
(dollars in thousands)				
(Loss) gain on derivatives	\$ (254)	\$ 1,531	\$ (1,785)	(116.6)%
Income on equity method investment	—	529	(529)	(100.0)%
Interest income	400	435	(35)	(8.0)%
Interest expense	(2,634)	(1,853)	(781)	(42.1)%
Other income (expense), net	1	(943)	944	100.1 %

Gain (Loss) gain on derivatives

Fluctuations in our equity warrants and other equity instruments that we classify as derivative liabilities in the unaudited condensed consolidated balance sheets and measure at fair value are significantly driven by our common stock price. Fluctuations to these instruments are inversely related to changes in our common stock price, the volatility of the markets, and the duration of the equity warrants. The gains or losses recognized in the period are non-cash fair value adjustments. These instruments generated gains a loss during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, a gain during the three months ended March 31, 2023.

Income (loss) on equity method investment

The fluctuations in earnings from our income on equity method investment is directly related to are solely impacted by the operating performance results of our joint venture LeoStella. We did not recognize any percentage of LeoStella's estimated net loss during the three months ended March 31, 2024 since our investment in LeoStella was \$0 as of December 31, 2023.

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Interest income

Interest income increased decreased during the three and nine months ended September 30, 2023 March 31, 2024 as a result of our less short-term investments purchased in held during the second quarter, of 2022 as well as an increase in compared to the effective interest rate received for our investments, three months ended March 31, 2023.

Interest expense

Interest expense increased during the three and nine months ended September 30, 2023 March 31, 2024, as compared to the three months ended March 31, 2023, as a result of a higher effective interest rate on our loans loan from related parties, parties, as amended during the second quarter of 2023.

Other income (expense), net

For the nine three months ended September 30, 2023 March 31, 2023, other income (expense), net, included \$0.9 million \$0.9 million of allocated transaction costs associated with new warrants that are accounted for as derivative liabilities and \$0.8 million of transaction costs associated with our debt modification during that did not reoccur in the second quarter of 2023, three months ended March 31, 2024.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, management utilizes certain non-GAAP performance measures, such as Adjusted EBITDA, for purposes of evaluating our ongoing operations and for internal planning and forecasting purposes. Our management and board of directors believe that this non-GAAP operating measure, when reviewed **collectively** with our GAAP financial information, provides useful supplemental information to investors in assessing our operating performance.

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Adjusted EBITDA

Adjusted EBITDA is defined as net income or loss attributable to us before interest income, interest expense, income tax expense or benefit, depreciation and amortization, as well as significant non-cash and/or non-recurring expenses as our management believes these items are not useful in evaluating our core operating performance. These items include, but are not limited to, stock-based compensation expense, unrealized (gain) loss on certain warrants/shares classified as derivative liabilities, severance, **(income) loss** **income** on equity method investment, **investment loss** on short-term investments, transaction costs associated with debt and equity financings, **forgiveness** of non-trade receivables, and **gain** from discontinued operations, net of income taxes, **investment loss** on short-term investments. We have presented Adjusted EBITDA because it is a key measure used by our management and board of directors to understand and evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating Adjusted EBITDA can produce a useful measure for period-to-period comparisons of our business. Accordingly, we believe that Adjusted EBITDA provides useful information in understanding and evaluating our operating results. In addition, we believe that Adjusted EBITDA provides additional information for investors to use in evaluating our ongoing operating results and trends. This non-GAAP measure provides investors with incremental information for the evaluation of our performance after isolation of certain items deemed unrelated to our core business operations.

Adjusted EBITDA is presented as a supplemental measure to our GAAP measures of performance. When evaluating Adjusted EBITDA, you should be aware that we may incur future expenses similar to those excluded when calculating this measure. In addition, our presentation of this measure should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Furthermore, our computation of Adjusted EBITDA may not be directly comparable to similarly titled measures computed by other companies, as the nature of the adjustments that other companies may include or exclude when calculating Adjusted EBITDA may differ from the adjustments reflected in our measure. Because of these limitations, Adjusted EBITDA should not be considered in isolation, nor should this measure be viewed as a substitute for the most directly comparable GAAP measure, which is net loss. We compensate for the limitations of non-GAAP measures by relying primarily on our GAAP results. You should review the reconciliation of our net loss to Adjusted EBITDA below and not rely on any single financial measure to evaluate our performance.

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The table below reconciles our net **income (loss) loss** to **adjusted** **Adjusted EBITDA** for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022**: **2023**:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022	
	(in thousands)			
Net income (loss)	\$ 675	\$ (13,093)	\$ (50,071)	\$ (59,367)
Interest income	(519)	(486)	(1,602)	(664)
Interest expense	2,532	1,226	6,627	3,756
Income tax expense	138	—	260	—
Depreciation and amortization	11,304	9,598	32,735	26,166
Stock-based compensation expense	2,402	3,163	7,725	16,389
Gain on derivatives	(17,012)	(7,135)	(7,445)	(10,629)
Gain from discontinued operations, net of income taxes	—	(707)	—	(707)
(Income) loss on equity method investment	(328)	776	(913)	(694)
Forgiveness of non-trade receivables	—	31	—	106
Transaction costs associated with debt and equity financings	—	—	1,738	—
Severance	363	56	562	761
Investment loss on short-term investments	—	—	55	—
Adjusted EBITDA	\$ (445)	\$ (6,571)	\$ (10,329)	\$ (24,883)

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Three Months Ended March 31,	
2024	2023

	(in thousands)	
Net loss	\$ (15,810)	\$ (17,315)
Interest income	(400)	(435)
Interest expense	2,634	1,853
Income tax expense	70	113
Depreciation and amortization	11,184	9,655
Stock-based compensation expense	3,363	3,012
Loss (gain) on derivatives	254	(1,531)
Severance	81	88
Income on equity method investment	—	(529)
Transaction costs associated with debt and equity financings	—	905
Investment loss on short-term investments	—	55
Adjusted EBITDA	\$ 1,376	\$ (4,129)

Liquidity and Capital Resources

As of **September 30, 2023** **March 31, 2024**, our existing sources of liquidity included cash and cash equivalents and short-term investments. Our cash and cash equivalents excluding restricted cash totaled **\$32.1** **\$15.0** million and **\$34.2** million **\$32.8** million as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, and our short-term investments totaled **\$17.5** **\$20.4** million and **\$38.0** **\$19.7** million as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. We have incurred losses and generated negative cash flows from operations since our inception in September 2014. As of **September 30, 2023** **March 31, 2024**, we had an accumulated deficit of **\$595.2** **\$614.8** million.

Our short-term liquidity as of **September 30, 2023** **March 31, 2024** was comprised of the following:

	(in thousands)	
Cash and cash equivalents	\$ 32,138	14,965
Restricted cash	1,835	413
Short-term investments ⁽¹⁾	17,543	20,428
	<hr/>	<hr/>
	\$ 51,516	35,806

⁽¹⁾ Short-term investments are included in cash flows from investing activities in the unaudited condensed consolidated statements of cash flows.

On April 11, 2024, we entered into a commercial bank line with Stifel Bank, as lender. The commercial bank line provides for a \$20.0 million revolving credit facility, including a \$0.5 million sub-facility for the issuance of letters of credit and other ancillary banking services. The commercial bank line provides that \$10.0 million of the commitments were immediately available for borrowing, and the remaining \$10.0 million of commitments are available at any time after June 28, 2024. The commercial bank line matures on June 30, 2026. We may use the proceeds of the loans for the funding of growth initiatives, including working capital needs, and general corporate purposes. We borrowed \$10.0 million in revolving loans at the closing of the commercial bank line.

Our short-term liquidity as of March 31, 2024 was \$35.8 million. Including the commercial bank line that we entered into in April 2024, under which we drew \$10.0 million of the total line amount of \$20.0 million at close, we had access to approximately \$45.8 million of short-term liquidity. We expect cash and cash equivalents and cash generated from operating activities to be sufficient to meet our working capital and capital expenditure needs for the foreseeable future. Our future long-term capital requirements will depend on many factors including our growth rate, customer demand for capacity, the timing and extent of spending to support solution development efforts, the

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expansion of sales and marketing activities, the ongoing investments in technology infrastructure, the introduction of new and enhanced solutions, and the continuing market acceptance of our solutions. From time to time, we may seek additional equity or debt financing to fund capital expenditures, strategic initiatives or investments and our ongoing operations.

The commercial bank line accrues interest at a rate equal to the greater of (A) the prime rate or (B) 6%. Interest on the loan is payable quarterly in arrears. We do not have are required to pay an unused line fee of 0.25% per annum, payable quarterly in arrears. We may borrow, prepay and re-borrow revolving loans, without premium or penalty. The principal amount of outstanding loans, together with accrued and unpaid interest, is due on the loan maturity date. We are also obligated to pay a fee to the lender upon the occurrence of certain change of control events or the refinancing, repayment, or termination of the commercial bank line, along with other customary fees for a loan facility of credit this size and type.

The commercial bank line contains customary affirmative and negative covenants, including covenants limiting our ability to, among other things, incur debt, grant liens, pay dividends and distributions on our capital stock, make investments and acquisitions, and make capital expenditures, in each case subject to customary exceptions for a loan facility of this size and type. The commercial bank line also contains financial covenants requiring compliance with a minimum revenue covenant, measured at the end of each fiscal quarter, and maintenance, at all times, of unrestricted cash and cash equivalents with Stifel Bank or access in controlled accounts in an aggregate amount at least equal to

immediate funds. However, the outstanding obligations under the commercial bank line. If we fail to meet the minimum cash covenant, the commercial bank line provides us with the ability to cure the breach with the deposit of proceeds from the issuance of capital stock or subordinated debt.

The commercial bank line includes customary events of default, including payment defaults, covenant breach defaults, cross defaults with certain other material indebtedness, bankruptcy and insolvency defaults, and a material adverse effect default, as well as an event of default for certain impairments of the availability of our at-the-market ("ATM") facility. The occurrence of an event of default could result in the acceleration of our obligations under the commercial bank line, the termination of Stifel Bank's commitments, a 5% increase in the applicable rate of interest and the exercise by Stifel Bank of other rights and remedies provided for under the commercial bank line.

We were in compliance with all covenants as of March 31, 2024 and expect to remain in compliance with all covenants, including additional covenants discussed above from the commercial bank line, in the next 12 months from the issuance of the financial statements.

An additional source of liquidity is our ability to offer and sell from time to time up to \$75.0 million of newly issued shares in open trading windows at market prices through a designated broker dealer pursuant to an at-the-market ("ATM") offering. ATM offering, of which we have sold \$6.4 million through March 31, 2024. If we decide, or are required, to seek additional financing from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations could be adversely affected.

On May 9, 2023, we The Company entered into the Second Amendment (the "Amendment") to our Amended a vendor financing agreement for multiple launches providing for \$27.0 million, of which a portion will be drawn down equally per launch and Restated Loan and Security Agreement with Intelsat Jackson Holdings SA and Seahawk SPV Investment LLC, dated October 31, 2019 and previously amended will be repaid quarterly on September 9, 2021.

a pro-rata basis across a three-year period after each successful launch milestone. Payments will accrue interest at 12.6% per annum, beginning on each launch date. The Amendment amends the secured loan facility to, among other things: (i) extend Company may prepay at any time until the maturity date without premium or penalty. See Note 7—"Debt and Other Financing" of the loan from October 31, 2024 notes to October 31, 2026, (ii) roll the cash interest payment consolidated financial statements for further information on our debt and financing arrangements.

Funding Requirements

We have had two consecutive quarters of positive Adjusted EBITDA; however, we cannot be sure our revenues will continue to exceed expenses in the near term due on May 1, 2023 into to the outstanding principal to be paid on the maturity date; (iii) increase the interest rate on the loan as of the Amendment date from 9% to 12%, of which (x) 9.6% will be paid in kind as principal due on the maturity date, with the remainder paid as cash interest on a semi-annual basis, until May 1, 2025 and (y) after May 1, 2025, up to 4% can be paid in kind as principal due on the maturity date, with the remainder to be paid as cash interest on a semi-annual basis, and (iv) add certain financial covenants. As part of our new financial covenants, ongoing investments we are required making in sales, marketing and products to maintain a minimum cash increase our market share. We expect to continue to incur capital expenditures as we procure and cash equivalents balance of not less than \$10.0 million, measured quarterly launch Gen-3 satellites, as of well as investing in our BlackSky Spectra software platform to significantly expand our product capabilities in the last day of each fiscal quarter.

In addition, we are required to maintain Adjusted EBITDA, measured quarterly as of the last day of each fiscal quarter, of not less than:

- \$5.0 million for the trailing four quarter period ending as of December 31, 2024 through September 30, 2025 and
- \$10.0 million for the trailing four quarter period ending as of December 31, 2025 and as of the end of each fiscal quarter thereafter.

future. Please refer to the section entitled "Non-GAAP Financial Measures" for additional information on our definition of Adjusted EBITDA.

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In November 2023, the Company entered into a commercial agreement with financing terms providing for \$3.0 million to be paid upfront, and for \$27.0 million to be repaid quarterly on a pro-rata basis across a 3 year period after each successful launch milestone, with payments to accrue interest at 12.6% per annum. We may prepay at any time until the maturity date without premium or penalty. Under certain circumstances, a default interest rate will apply on all outstanding and payable obligations during the existence of an event of default under the Loan Agreement at 18.9% per annum above the applicable interest rate.

In November 2023, we sold our equity-method investment in X-Bow and expect to receive proceeds of \$9.5 million in the fourth quarter of 2023 per our executed stock sale contract.

Funding Requirements

While our expenses may continue to exceed our revenues in the near term due to investments we are making in sales, marketing and products to increase our market share, we expect this difference to decline as we progress to becoming operating cash flow positive. We expect to continue to incur capital expenditures as we procure and launch satellites to increase image collection capacity, as well as investing in our Gen-3 satellites and our BlackSky Spectra software platform to significantly expand our product capabilities in the future.

Short-Term Liquidity Requirements

As of September 30, 2023 March 31, 2024, our current assets were \$70.7 \$69.4 million, consisting primarily of cash and cash equivalents, restricted cash, short-term investments, trade receivables, prepaid expenses and other current assets, and contract assets.

As of September 30, 2023 March 31, 2024, our current liabilities were \$18.7 \$17.3 million, consisting primarily of accounts payable and accrued liabilities, contract liabilities, and other non-recurring current liabilities. Accordingly, we have sufficient cash and working capital to fund our short-term liquidity requirements.

Long-Term Liquidity Requirements

We anticipate that our most significant long-term liquidity and capital needs will relate to continued funding of operations, satellite development capital expenditures, launch capital expenditures, and ongoing investments in our Blacksky Spectra software platform and internal infrastructure that will enable us to continue to scale the business efficiently and securely. We can manage the timing for a large part of our capital expenditures, including the design, build, and launch of our new satellites currently under development, to provide us with additional flexibility to optimize our long-term liquidity requirements. Macroeconomic conditions and credit markets could also impact the availability and, or, the cost of potential future debt or equity financing.

Cash Flow Analysis

The following table provides a summary of cash flow data for the nine three months ended September 30, 2023 March 31, 2024 and 2022:

	Nine Months Ended September 30,		\$ Change
	2023	2022	
	(in thousands)		
Net cash used in operating activities	\$ (15,798)	\$ (39,431)	\$ 23,633
Net cash used in investing activities ⁽¹⁾	(14,934)	(84,123)	69,189
Net cash provided by (used in) financing activities	27,689	(4,514)	32,203
Net decrease in cash, cash equivalents, and restricted cash	(3,043)	(128,068)	125,025
Cash, cash equivalents, and restricted cash – beginning of year	37,016	168,104	(131,088)
Cash, cash equivalents, and restricted cash – end of period ⁽²⁾	\$ 33,973	\$ 40,036	\$ (6,063)

⁽¹⁾ Includes the purchases 2023. Our short-term liquidity at March 31, 2024 was \$35.8 million. Short-term investments of \$29.2 million of short-term investments not categorized as cash, cash equivalents, or restricted cash

⁽²⁾ \$17.5 \$20.4 million of short-term investments are not classified as cash, cash equivalents, or restricted cash. Our

	Three Months Ended March 31,		\$ Change
	2024	2023	
	(in thousands)		
Net cash used in operating activities	\$ (3,810)	\$ (16,602)	\$ 12,792
Net cash (used in) provided by investing activities ⁽¹⁾	(15,108)	10,518	(25,626)
Net cash provided by financing activities	862	28,867	(28,005)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(18,056)	22,783	(40,839)
Cash, cash equivalents, and restricted cash – beginning of year	33,434	37,016	(3,582)
Cash, cash equivalents, and restricted cash – end of period	\$ 15,378	\$ 59,799	\$ (44,421)

⁽¹⁾ The three months ended March 31, 2023 includes purchases of \$11.8 million of short-term liquidity at September 30, 2023 was \$51.5 million investments not categorized as cash.

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Operating activities

For the nine three months ended September 30, 2023 March 31, 2024, net cash used in operating activities was \$15.8 \$3.8 million. The contributors to the significant decrease in cash used during the nine three months ended September 30, 2023 March 31, 2024 as compared to the nine three months ended September 30, 2022 March 31, 2023 were the decrease in cash used for working capital in addition to the decrease in the operating loss, adjusted for depreciation, amortization, stock-based compensation expense, (loss) gain on derivatives, and other non-cash items. items as well as a decrease in cash used for working capital. The operating loss decrease in the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 was due to increased contribution margin from renewals with existing customers and new customers. The decrease in cash used for working capital was primarily the result of an increase in liabilities delayed cash receipts from our largest customers as we restructured our banking relationships with new and a decrease in accounts receivable existing financial institutions during the nine three months ended September 30, 2023 as compared to the nine months ended September 30, 2022 March 31, 2023. The operating loss decrease in the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 was primarily due to increased imagery and analytics revenue and decreased professional & engineering service costs.

Investing activities

The change in net cash used in (used in) provided by investing activities was primarily due to a decrease decreased proceeds from the redemption and maturity of \$9.0 million of our short-term investments in corporate debt and governmental

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securities in addition to decreased purchases of these same type of investments of \$9.5 million during the purchases three months ended March 31, 2024. Comparatively, during the three months ended March 31, 2023, we recognized \$38.1 million related to the redemption and maturity of short-term investments, in government securities largely due to \$29.2 million restructuring our banking relationships with new and existing financial institutions; during the nine three months ended September 30, 2023. In addition, March 31, 2023, we purchased \$11.8 million of short-term investments to replace maturing investments.

We continue to have significant cash outflows for satellite procurement and launch related services. We also continue to services and incur labor costs for internally developed capitalized software as we add innovative new services and tools to our Blacksky Spectra software platform. These costs were partially offset by platform; however, the redemption and maturity of \$50.1 million of our short-term investments in corporate debt and governmental securities in total amount paid for capital expenditures decreased slightly during the nine three months ended September 30, 2023 March 31, 2024 as compared to the three months ended March 31, 2023.

Financing activities

The most significant impact in the change decrease in cash flows from financing activities in the nine three months ended September 30, 2023 March 31, 2024 as compared to the nine three months ended September 30, 2022 March 31, 2023 is due to the receipt of \$30.9 million decrease in proceeds from our equity issuances, net of equity issuance costs, of which \$17.7 million was allocated to the liability-classified warrants in accordance with our accounting policy costs. Our equity issuances in the nine three months ended September 30, 2023 March 31, 2024 of \$1.3 million included a private placement of 16.4 million shares at a purchase price of \$1.79 per share, which resulted in \$29.4 million in gross proceeds, as well as the sale of 1.8 million 953 thousand shares under our ATM offering program, which resulted in \$2.9 million \$1.4 million in gross proceeds.

In addition, withholding tax payments on During the vesting of RSUs decreased from \$4.6 million in the nine three months ended September 30, 2022 March 31, 2023, we received proceeds of \$29.4 million from our March 2023 private placement of equity and accompanying warrants, of which \$17.7 million was allocated to \$1.0 million in the nine months ended September 30, 2023. We also incurred \$0.9 million of transaction costs related to derivative liabilities and \$1.3 million of payments related to debt modification costs in the nine months ended September 30, 2023. private placement warrants.

Critical Accounting Estimates

The preparation of our unaudited condensed consolidated financial statements and related notes requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Management has based its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For a description of our significant accounting policies, see Note 2—"Basis of Presentation and Summary of Significant Accounting Policies." Policies of the notes to the unaudited condensed consolidated financial statements. An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the unaudited condensed consolidated financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our unaudited condensed consolidated financial statements.

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Revenue Recognition

The recognition and measurement of revenue requires the use of judgments and estimates. Specifically, judgment is used in interpreting complex arrangements with nonstandard terms and conditions and determining when all criteria for revenue recognition have been met, met, as further discussed below.

We primarily generate revenue from the sale of imagery, data, software, and analytics, as well as professional and engineering services.

Identifying the Contract with the Customer

We evidence approval of the contract with the customer identifying with dual signatures or approved purchase orders that detail the performance obligations contained rights of each party and define payment terms. We also consider the probability of collectability in a contract, determining transaction price, allocating transaction price, and determining when performance obligations our assessment, specifically the presence of any collectability issues as the significant majority of our customers are satisfied can require the application domestic or international governments.

[Table of significant judgment, as further discussed below.](#) [Contents](#)

Identifying the Performance Obligations in a Contract

We execute contracts for a single promise or multiple promises. Specifically, our firm fixed firm-fixed price contracts typically include multiple promises which may be accounted for as separate performance obligations. obligations if they are capable of being distinct within the context of the contract. Significant judgment is required in determining performance obligations, including if some of the customized services are highly-interrelated, and these decisions could change the amount of revenue and profit or loss recorded in each period.

Classification of Revenue

We classify revenue as imagery and software analytical services, and professional and engineering services in our unaudited condensed consolidated statements of operations and comprehensive income (loss) loss based on the predominant attributes of the performance obligations.

Determination of and Allocation of Transaction Price

Each customer purchase order contract sets forth the transaction price for the products and services purchased under the arrangement. The Company estimates We estimate any variable consideration, and whether the transaction price is constrained, upon execution of each contract. We may adjust the transaction price over time for any estimated constraints that become probable based on service level provisions within some of our customer purchase orders. For contracts with multiple performance obligations, we evaluate whether the stated selling prices for the products or services represent their standalone selling prices. When it is necessary to allocate the transaction price to multiple performance obligations, management typically uses the listed price for imagery and analytics subscriptions and the expected cost plus a reasonable profit margin to estimate the standalone selling price of each product or service. We also sell standard products or services with observable standalone revenue transactions. In these situations, the observable standalone revenue transactions are used to determine the standalone selling price. service, which is mostly professional services.

Determination of when Performance Obligations are Satisfied

Imagery and analytics revenue is recognized ratably over the subscription period based on the promise to continuously provide contractual satellite capacity for tasked imagery or software analytical services at the point in time discretion of the customer receives access to the imagery. Software analytical services revenue derived from data, software, and analytics is recognized from the rendering of analytical and monitoring services over time on a firm-fixed price basis, or at the point in time the customer receives access to an analytic product. Professional and engineering services revenue is generated from both time and materials basis contracts, and firm-fixed price service solutions contracts and firm-fixed price long-term engineering and construction contracts. Due to the long-term nature of some of our engineering and construction contracts, we generally recognize revenue over time using a cost-to-cost cost-to-complete measure of progress because it best depicts the transfer of control to the customer as we incur costs on the contracts. Under the percentage-of-completion cost-to-cost this measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs to complete the performance obligation(s). The estimation of total estimated costs at completion is subject to many variables and requires significant judgment. We recognize changes in contract estimates the estimation of total costs at completion on a cumulative catch-up basis in the period in which the changes are identified. Such changes in contract estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in a prior period. If at any time, the estimate of contract profitability indicates a probable anticipated loss on the contract, we recognize the total loss as and when known.

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Equity Valuations

Equity valuations impact various amounts and accounting conclusions reflected in our unaudited condensed consolidated financial statements, inclusive of including the recognition of equity-based compensation and warrant valuations. The following discussion provides additional details regarding the significant estimates, assumptions, and judgments that impacted the determination of the fair values of equity-based compensation awards, warrants, and the common stock that comprise our capital structure. The following discussion also explains why these estimates, assumptions, and judgments could be subject to uncertainties and future variability.

Equity-Based Compensation

We have equity and equity-based awards available for issuance outstanding under our 2021 Equity Incentive Plan ("2021 Plan"), 2014 stock incentive plan, Equity Incentive Plan ("2014 Plan"), and Amended and Restated 2011 stock incentive plan, Equity Incentive Plan ("2011 Plan"). Awards issued include stock options, restricted stock awards ("RSAs"), and RSUs. Awards under these Plans were approved by the board In addition, our eligible employees are

[Table of directors, and awards that have been canceled, forfeited, or expired are available for issuance](#) [Contents](#)

able to participate in connection with our 2021 Plan. Employee Stock Purchase Plan ("ESPP") pursuant to purchase right offerings that are established under the ESPP.

For purposes of recognizing equity-based compensation related to RSAs, RSUs, and stock options granted to employees and other service providers, management estimates the grant date fair values of such awards to measure the costs to be recognized for as services are received. For awards with time-based vesting conditions, we recognize compensation costs based upon the straight-line amortization of the grant date fair value of the awards over the requisite service period. When equity-based compensation awards include a performance condition, no compensation is recognized until the performance condition is deemed probable to occur; we then recognize compensation costs based on the accelerated attribution method, which accounts for awards with discrete vesting dates as if they were a separate award. awards.

Stock Option and Class A Common Stock Warrant Valuations

We use the Black-Scholes option-pricing model to value all options, including options under our ESPP, and Class A common stock warrants. Estimating the fair value of stock options using the Black-Scholes option-pricing model requires the application of significant assumptions, such as the fair value of our Class A common stock, the estimated term of the options, risk-free interest rates, the expected volatility of the price of our Class A common stock, and an expected dividend yield. Each of these assumptions is subjective, requires significant judgment, and is based upon management's best estimates. If any of these assumptions were to change significantly in the future, equity-based compensation related to future awards may differ significantly, as compared with awards previously granted.

We have largely moved towards granting RSUs to the bulk of our employees, for which the grant date fair value is equal to the trading price fair value of the our Class A common stock on the date of grant. For stock options, which are primarily granted to certain management employees, we use the following inputs under Black-Scholes as follows:

Expected Dividend Yield—The Black-Scholes valuation model requires an expected dividend yield as an input. The dividend yield is based on historical experience and expected future changes. We historically have not paid, and currently have no plans to pay dividends on our Class A common stock and, accordingly, have assumed no dividend yield upon valuation of our stock options.

Expected Volatility—As there was no observable volatility with respect to our Legacy BlackSky Class A common stock and due to the lack of sufficient history of BlackSky Class A common stock, the expected volatility of our Legacy BlackSky and BlackSky Class A common stock was estimated based upon the historical share price volatility of guideline comparable companies.

Risk-free Interest Rate—The yield on actively traded, non-inflation indexed U.S. Treasury notes was used to extrapolate an average risk-free interest rate based on the expected term of the underlying grants.

Expected Term—For options granted since 2021, as there is not a significant history of option exercises as a public company, we ~~considered~~ consider the option vesting terms and contractual period, as well as the demographics of the holders, in estimating the expected term. For options granted prior to 2021 when we were a private company, the expected term was the estimated duration to a liquidation event based on a weighted average consideration of the most likely exit prospects for that stage of development. We will continue to review our estimate in the future and adjust it, if necessary, due to changes in our historical exercises.

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Private Placement Warrants and Sponsor Shares

We have classified the ~~private placement warrants~~ Private Placement Warrants issued in October 2019 and March 2023 and ~~Sponsor Shares~~ the Osprey pre-merger Class B common shares that were exchanged for shares of our Class A common stock (the "Sponsor Shares") as long-term liabilities in our unaudited condensed consolidated balance sheets as of ~~September 30, 2023~~ March 31, 2024 and ~~December 31, 2022~~ December 31, 2023. The ~~private placement warrants~~ Private Placement Warrants issued in October 2019 and the Sponsor Shares were initially recorded at fair value on the date of the ~~Merger~~ merger and the ~~private placement warrants~~ Private Placement Warrants issued in March 2023 were recorded at fair value on the date of issuance. The Private Placement Warrants were recorded at fair value using a Black-Scholes option pricing model and the Sponsor Shares were recorded at fair value using a Monte Carlo simulation model. These liabilities are re-measured to fair value at each subsequent reporting date and recorded to ~~(loss)~~ gain on derivatives ~~on~~ in our unaudited condensed consolidated statements of operations and comprehensive income ~~(loss)~~. ~~loss~~.

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We will continue to adjust the liability for changes in fair value until the financial instruments are exercised, redeemed, cancelled or released.

The fair value models require inputs including, but not limited to, the fair value of our Class A common stock, the risk-free interest rate, expected term, expected dividend yield and expected volatility. The fair value of our Class A common stock is the closing stock price on the NYSE as of the measurement date. The risk-free interest rate assumption is determined by using U.S. Treasury rates for the same period as the expected terms of the financial instruments. The dividend yield assumption is based on the dividends expected to be paid over the expected life of the financial instruments. We have historically been a private company and lacked sufficient company-specific historical and implied volatility information. Therefore, the expected stock volatility includes both ~~BlackSky's~~ our Class A common stock and public warrant historical volatility as well as the historical volatility of a set of publicly traded ~~set of~~ peer companies. Changes in these assumptions can materially affect the estimate of the fair value of these instruments and ultimately the change in fair value.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of reasonably ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer (our "Certifying Officers"), the effectiveness of our disclosure controls and procedures as of ~~September 30, 2023~~ March 31, 2024, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of ~~September 30, 2023~~ March 31, 2024, our disclosure controls and procedures were effective at a reasonable assurance level.

In designing and evaluating the disclosure controls and procedures, management recognized that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company will be detected.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting, (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended ~~September 30, 2023~~ March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in claims and proceedings arising in the ordinary course of our business. The outcome of any such claims or proceedings, regardless of the merits, is inherently uncertain.

ITEM 1A. RISK FACTORS

For risk factors relating to our business, please refer to the section entitled "Risk Factors" in our [Annual Report on Form 10-K](#) for the year ended [December 31, 2022](#) [December 31, 2023](#) and filed by us with the [SEC on March 23, 2023](#). Any of those factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On December 15, 2022, we entered into an "at the market" (ATM) sales agreement with Jefferies LLC as our sales agent, under which we may offer and sell from time to time up to \$75 million of shares of our common stock in negotiated transactions or transactions that are deemed to be an ATM offering. During [June, August, and September 2023](#), [the three months ended March 31, 2024](#), we raised gross proceeds of [\\$2.9 million](#) [\\$1.4 million](#) through the sale of [1,843,471](#) [953,153](#) shares in our ATM offering. We sold such shares at an average purchase price per share of [\\$1.59](#) [\\$1.43](#). After deducting commissions and other offering expenses associated with the ATM offering of [\\$0.9 million](#), [\\$79 thousand](#), the net proceeds to us from the transactions were [\\$1.9 million](#) [\\$1.3 million](#). We currently intend to use the net proceeds from the sale of the shares for working capital and other general corporate purposes.

We are subject to restrictions on the payment of cash dividends in our loan and debt agreements. For additional information on our indebtedness and related restrictions therein, see Note 7—"Debt and Other Financing" of the notes to the consolidated financial statements and "Liquidity and Capital Resources" under Part I—Item 2— "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained within this Quarterly Report on Form 10-Q.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

[None](#). During the three months ended March 31, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (each as defined in Item 408 of Regulation S-K).

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ITEM 6. EXHIBITS

The documents listed below are incorporated by reference or are filed with this report, in each case as indicated therein.

Exhibit No.	Exhibit Description	Form	SEC File No.	Exhibit No.	Filing Date	Filed or Furnished Herewith
31.1	Certification of the Company's Chief Executive Officer, Brian O'Toole, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Company's Chief Financial Officer, Henry Dubois, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of the Company's Chief Executive Officer, Brian O'Toole, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of the Company's Chief Financial Officer, Henry Dubois, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

* This certification is deemed not filed for purposes of section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act, or the Exchange Act.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November May 8, 2023 2024

BlackSky Technology Inc.

By: /s/ Brian E. O'Toole
Brian E. O'Toole
Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Henry Dubois
Henry Dubois
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Tracy Ward
Tracy Ward
Senior Vice President and Controller
(Principal Accounting Officer)

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**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian O'Toole, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended **September 30, 2023** **March 31, 2024** of BlackSky Technology Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 8, 2023** **May 8, 2024**

/s/ Brian O'Toole

Brian O'Toole

President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Henry Dubois, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended **September 30, 2023** **March 31, 2024** of BlackSky Technology Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 8, 2023** May 8, 2024

/s/ Henry Dubois

Henry Dubois

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of BlackSky Technology Inc. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian O'Toole, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian O'Toole

Brian O'Toole

President, Chief Executive Officer

(Principal Executive Officer)

Date: **November 8, 2023** May 8, 2024

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of BlackSky Technology Inc. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Henry Dubois, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Henry Dubois

Henry Dubois

Chief Financial Officer

(Principal Financial Officer)

Date: **November 8, 2023** **May 8, 2024**

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