

Corporate

Current price **20.0p**

Sector **AIM**

Code **BIRD.L**

Listing **TMT**

Share Performance



% change	1m	3m	12m
BIRD.L	+2.6	+25.0	-48.0

Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **73.5**

Shares in issue (m) **367.6**

52 weeks (p)	High	Low
	38.0	15.4

Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

Premier Miton Group	17.44%
Stephen Streater	17.05%
Ian McDonough & family	7.49%
Schroders	4.56%
Canaccord Genuity Group	4.89%

Source: Company Data, Allenby Capital

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Blackbird plc (BIRD.L)

Strong first half and revenue growth

Blackbird plc has delivered a strong set of first-half results, with record revenue growth driven by the development fees on its first transformational 'Powered by Blackbird' licencing deal. This contract is now nearing delivery and the first end customer, a major US broadcaster, has been secured for the product. H1 FY22 revenue grew by 78% to £1,547k and the gross margin improved to 95%. Cash burn increased only marginally (by £300k), despite significant investment in the business. The group is evolving and maturing, with customers building in number and quality. Blackbird has significantly raised its profile over the past year, increasing the number of blue-chip customer wins. The £8.0m fundraise announced in December supports investment in new growth markets for the core IP, with significant hires made in H1. Blackbird enters H2 with good momentum, a significantly raised profile and a strong balance sheet.

- H1 highlights.** Revenue increased by 78% to £1,547k (H1 21: £867k), with the main driver £426k of development revenue from the licensing deal; excluding this, overall revenue increased 32% to £1,121k. Operating costs increased to £2,113k (H1 21: £1,444k) due to investment in R&D and staffing. The share price fall amid the global sell-off in technology stocks has given rise to a £350k LTIP credit, versus a £213k charge in H1 21. Although a non-cash charge, this has reduced the EBITDA pre-LTIP loss to £637k (H1 21: £661k).
- Key talent recruited.** Post the £8.0m fundraise, good progress has been made recruiting key talent to the business. Hires have included some key figures such as Sumit Rai as Chief Product Officer, Mo Volans (Marketing) and Morgan Henry (Engineering). Their industry knowledge and experience will provide a significant boost to Blackbird as it enters the sizeable creator economy market.
- Customers building in number and quality.** H1 high-profile deals include deployment to a second prestigious global sporting event through EVS; direct deals with FIFA, where Blackbird is being used extensively on its OTT service; and further expansions with Televisa Univision and a global financial news service. Post-H1, Blackbird has secured a multi-year deal with Next College Student Athletic, a deal with SBS Belgium and a three-year renewal with A&E Networks.

Blackbird is gaining significant traction, as evidenced by increased momentum in high-profile contract wins. The imminent roll-out of the licencing deal will provide a further proof point for Blackbird's cost-effective, professional-grade, cloud-native solution. Adjacent markets pose a significant opportunity, supported by the fundraise and AWS Partnership, which represents the first step in achieving Blackbird Public Cloud Status. We look forward to further positive updates in 2022 and beyond.

Year End: 31 December

(£'000)	2018	2019	2020	2021
REVENUE	870	1,078	1,567	2,066
GROSS MARGIN (%)	85.6	85.0	89.6	92.5
EBITDA	-1,993	-1,772	-1,416	-1,554
NET LOSS BEFORE TAX	-2,599	-2,161	-1,906	-2,167
FULLY DILUTED EPS (p)	-1.07	-0.71	-0.56	-0.63
CASH AT YEAR END	5,032	7,965	6,546	12,839
DEFERRED REVENUE & CONTRACTED ORDER BOOK	566	1,881	1,931	3,732

Source: Company; Allenby Capital. Allenby Capital acts as Nomad & Broker to Blackbird plc (BIRD.L).

Equity Research

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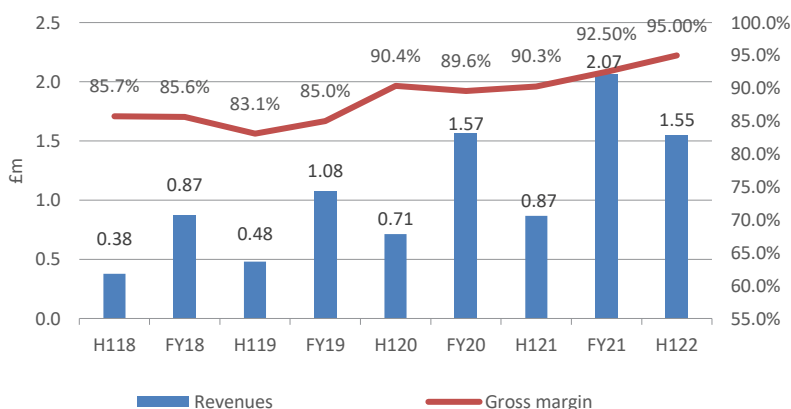
Record revenue in H1 22

Blackbird has delivered record revenue of £1,547k for H1 22, up 78% year on year (H1 21: £867k). The main driver was £426k of non-recurring development revenue for the period from the ‘Powered by Blackbird’ technology licensing deal. Blackbird will also financially share in the future commercial success of the product. The share of revenue is underpinned by annual minimum guarantees, with the first one of €180k due at the end of 2022.

Excluding the non-recurring revenue, the overall increase was still strong, at 32% to £1,121k. The focus on the Sports and News sectors continued to bear fruit, with revenue up 32% and 34% year on year at £436k and £327k, respectively.

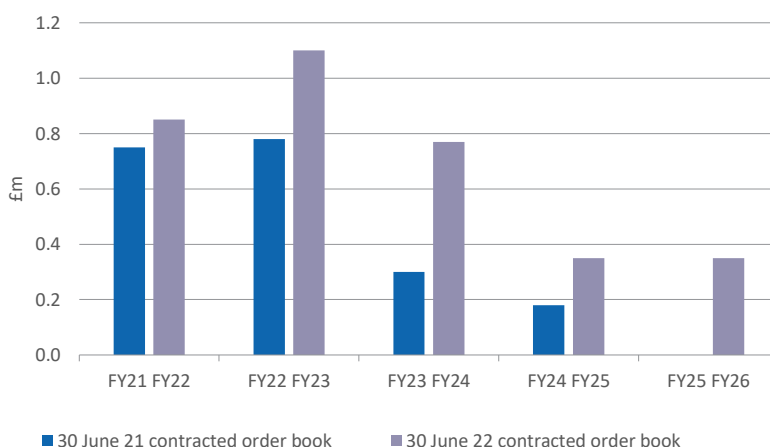
The gross margin improved to 95% in H1. Operating costs have increased to £2,113k (H1 21: £1,444k) due to investment in R&D and staffing. The share price fall amid the global sell-off in technology stocks has given rise to a £350k LTIP credit, versus a £213k charge in H121. Although a non-cash charge, this has reduced the EBITDA pre-LTIP loss to £637k (H1 21: £661k) and resulted in a net loss before tax of £604k (H1 21: net loss before tax £1,168k).

Exhibit 1: Revenue and Gross Margin progression 2018 to 2022



Source: Company Data, Allenby Capital

Exhibit 2: Contracted but unrecognised revenue by year of recognition at 30.06.21 and 30.06.22



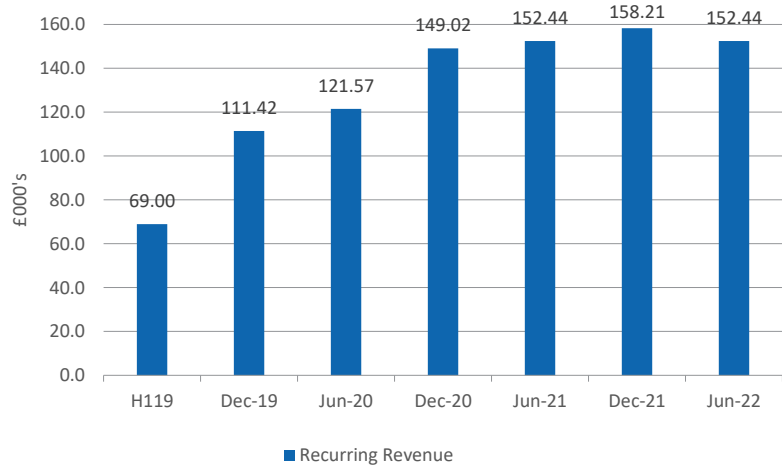
Source: Company Data, Allenby Capital

Outlook, order book and opportunity

Blackbird enters H2 with a strong order book, with 2022 secured revenue as at 31 August 2022 up 52% to £2,684k (H1 21: £1,763k) and contracted but unrecognised revenue at a record level of £4,046k (H1 21: £1.987k).

Multi-year licencing gives the business better visibility, with a high level of recurring and repeatable revenues. Recurring revenue progression has been strong, up 221% since June 2019 at £152k, demonstrating the maturity of the business and prior to the minimum guarantee on the technology licensing deal.

Exhibit 3: Recurring revenue progression June 2019 to June 2022

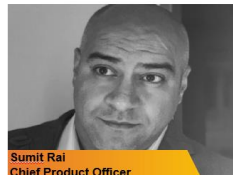


Source: Company Data, Allenby Capital

Fundraising proceeds put to good use

Cash burn increased only marginally (by £300k), despite significant investment in the business. Post the £8.0m fundraise in December, the group has a cash position of £11.6m, and management reiterated that they are well funded on the existing Enterprise business to break even.

Exhibit 4: Key expertise hired



Former CPO at VEGAS Pro, CPO at Kulu Valley, CTO at Pukka Films



Former SVP Marketing at VEGAS Pro, Strategy Consultant at Abbey Road Studios, Founder of FiveNinjas



Former Head of Emerging Tech at YouView TV, Engineering Leader at Kobalt, Improbable and Symbian

Source: Company Data, Allenby Capital

Good progress has been made in recruiting key talent to the business, in line with the strategy set out as part of the fundraise described above. New hires have included Sumit Rai as Chief Product Officer, Mo Volans as Senior Vice President Product Marketing, Morgan Henry as Vice President Engineering who bring with them a wealth of industry knowledge and experience.

We believe that these hires will provide a significant boost to Blackbird as it enters the sizeable creator economy market.

H1 results build on a transformational year

Blackbird has significantly raised its profile over the past year, increasing the number of blue-chip customer wins. Numerous deals have been announced in H1, including deployment to a second prestigious sporting event through EVS; direct deals with FIFA, where Blackbird is being used extensively on its OTT service; and expansions with Televisa Univision and a global financial news service. Post H1, Blackbird has secured a multi-year deal with Next College Student Athletic, a deal with SBS Belgium and a three-year renewal with A&E Networks.















Blackbird also achieved AWS Technology Partner status. We view this as a springboard to launching Blackbird in a Public Cloud, which will open up the company’s addressable market. It has also developed a good relationship with Microsoft Azure and was one of very few partners invited to exhibit with them at both the NAB and IBC shows in 2022.

The ‘Powered by Blackbird’ contract (minimum of €2m over the five-year term), announced in October 2021, has secured its first customer, a major US broadcaster. It is currently being tested, with the roll-out of the product expected later in FY22.

Exhibit 5: Blackbird customers

Infrastructure

OEM

Source: Company data

Conclusion

Blackbird is a well-capitalised, market-leading provider of fully featured professional-grade video editing and production software that is cloud-native by design and from inception. The combination of multiple high-profile smaller deals and a much larger licence transaction clearly demonstrate the compelling nature of the technology, in our view.

Blackbird is gaining traction and maturity, as evidenced by the increased momentum in contract wins, materially boosted by the recent licensing transaction, which provides a significant reference for potential customers and is nearing delivery.

Post the December fundraise, the high-profile new hires, who have been recruited from well-recognised businesses within the creator space, will provide a significant boost Blackbird as it enters the sizeable creator economy market.

Blackbird's profile continues to be raised through its OEM partnerships and involvement in major news and sporting events. The recently published '*Magic behind Blackbird*', a second white paper '*Decarbonizing Video production*' and the recent report on speed of production 'How Fast is Blackbird?' should also help to boost awareness of Blackbird. AWS Technology Partner status provides a steppingstone to launching Blackbird in a Public Cloud, which will open up the company's addressable market further.

Blackbird's high level of development revenue, which can be lumpy and unpredictable, means that, even though total revenue has risen, our confidence in setting forecasts has not improved. Therefore, we are not publishing forecasts at this time, but will consider revisiting this in future reporting periods.

Blackbird enters H2 22 with good momentum and a significantly raised profile, alongside a strong balance sheet and order book.

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