

Blackbird plc
(the “Company”)

Audited full year results for the year ended 31 December 2019

Blackbird (AIM: BIRD), the developer and seller of the market-leading cloud video editing platform, Blackbird, announces its audited full year results for the year ended 31 December 2019.

Ian McDonough, CEO of Blackbird, commented:

“The overriding theme for the Company in 2019 was upwards momentum. The Company made very good progress against its renewed strategy and the focus on sports and news led to the Company booking record revenues for the period. By the end of 2019, our deferred revenue and contracted order book had trebled when compared to 31 December 2018.

“During the year Blackbird clearly demonstrated and communicated that it can be a market-leading product for blue-chip global Enterprises. In 2020 I look forward to building on these direct-sale wins and accelerating growth by striking deals with Original Equipment Manufacturers (“OEMs”) where Blackbird will be sold as an integral part of a larger end-to-end media solution. This will mean that well-established OEM companies and their requisite sales teams will be selling Blackbird to a larger volume of global customers.

“The successful equity fundraise in November 2019 means the Company is well capitalised for multiple years and gives us the chance to build market share as more businesses that create video move to flexible and remote working.

“Finally, during these challenging times with COVID-19, I am delighted and excited that Blackbird has quickly enabled both existing and new customers to have their staff working safely and remotely editing video even at low or variable bandwidths - all while our own teams are distributed and working remotely themselves.”

Operational highlights (post period end)

- Expansion of A + E Networks deal, doubling volume edited through Blackbird
 - Showing, once again, Blackbird’s ability to ‘land and expand’ within large organisations
- Deals signed with Arsenal F.C. and Liverpool F.C. for content creation and enabling remote working for their editors
 - Reaffirming the Company’s strategic focus on the Sports market
- Partnership announced with Zixi, the award-winning architect of the Software-Defined Video Platform
 - Integral part of the Company’s OEM strategy
- Expansion of TownNews deal, bringing the total to 49 stations across the US
- 2020 secured revenue* at 31 March 2020 already matches 2019 revenue
- Contracted but unrecognised revenue of £2,045k* at 31 March 2020. £757k of this balance is to be recognised in 2020 (included in 2020 secured revenue), £598k in 2021, £345k in 2022 and £345k in 2023 and beyond
- The Company to showcase ultra-efficient video editing with Zixi, Amazon Web Services and Google at virtual customer events (replacing the cancelled NAB)
- Prototype of Blackbird built in Public Cloud to be launched at virtual customer events
 - Demonstrating Blackbird’s ability to offer even larger scalable cloud-based solutions
- SOC2 Type 1 security accreditation obtained
 - Building further trust with existing and new customers particularly in the US

*Unaudited and subject to exchange rate fluctuations

Operational highlights (during the year)

- Trebling of deferred revenue and contracted order book compared to 31 December 2018
- Significant multi-year deal signed in November with a global news organisation built on the customer’s AWS infrastructure
- Multi-year deal signed with A+E Networks in June to provide solutions across multiple workflows
- Long term tender won in September for video production with U.S. Department of State

- Eleven Sports chose Blackbird for rapid editing and publishing of sports content for the next two years
- Expansion and three-year extension of deal with IMG Media, a leading global producer and distributor of sports media
- Extension of contracts with leading media rights companies Deltatre, MSG Networks and Gfinity
- Blackbird selected by global fitness technology leader Peloton to edit its daily virtual spin classes across all four global studios
- Two-year contract signed with Australia's National Rugby League, for live video clipping and publishing
- Successful equity fundraise generating £5,238k to strengthen the Balance Sheet and help the Company execute its strategy
- Implementation of Blackbird Productions Partnership Program ("BP3") with 24 post-production houses signed up to date
- Achieved Microsoft Azure Co-Sell Partner status
- Improved Blackbird platform with JavaScript web-based editing/clipping and enhanced social media publishing
- Company name change to Blackbird plc
- Board strengthened with appointment of Andrew Bentley as Chairman, Dawn Airey as Non-Executive Director and Stephen White as Chief Operating and Financial Officer. Former Chairman, David Main remains as a Non-Executive Director

Financial highlights

- Record revenues of £1,078k for the 12 months to 31 December 2019, up 24% year-on-year (12 months to 31 December 2018: £870k)
- Trebling of North American revenues to £469k (12 months to 31 December 2018: £158k)
- Contracted but unrecognised revenue increased by 232% to £1,881k from £566k at 31 December 2018. £797k of the 2019 year-end balance is to be recognised in 2020, £462k in 2021, £304k in 2022 and £318k in 2023 and beyond.
- Operating costs of £2,689k (12 months to 31 December 2018: £2,739k)
- Net loss after tax £2,129k (12 months to 31 December 2018: £2,575k)
- At 31 December 2019 the Company had cash of £7,965k (2018: £5,032k) and no debt

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About Blackbird plc

Blackbird plc operates in the fast-growing SaaS and cloud video market. It has created Blackbird, the world's most advanced suite of cloud-native computing applications for video, all underpinned by its lightning-fast codec. Blackbird plc's patented technology allows for frame accurate navigation, playback, viewing and editing in the cloud. Blackbird underpins multiple applications, which are used by rights holders, broadcasters, sports and news video specialists, esports, live events and content owners, post-production houses, other mass market digital video channels and corporations.

Since it is cloud-native, Blackbird removes the need for costly, high end workstations and can be used from almost anywhere on almost any device. It also allows full visibility on multi-location digital content, improves time to market for live content such as video clips and highlights for social media distribution, and ultimately results in much more effective monetisation.

Blackbird® is a registered trademark of Blackbird plc.

Websites

www.blackbird.video

Social media

www.linkedin.com/company/blackbird-cloud

www.twitter.com/blackbirdcloud

www.facebook.com/blackbirdplc

Chief Executive Officer's Statement

Even during these uncertain times with the Coronavirus outbreak, I am very happy that as we look back on 2019 and forward to 2020 we have much to be proud about and even more to be excited about.

With a 24% increase in revenues we have for the first time broken through the million pounds level with a total for the year of £1,077,643 (2018: £870,310). In 2019 some of the world's most prestigious and high-profile entities including the US Government and A+E Networks chose Blackbird to improve or even replace workflows provided by long established and much larger competitors.

North America has been a focus of our strategy since I joined the Company and this year happily saw almost a trebling in business there. Revenues are up 197% to £468,714 and now make up almost half of total revenues in the year. This is up from just 18% of revenues last year.

The highlights of a transformational year in the US start with expansion of our TownNews business from 20 local news stations at the end of 2018 to the impressive 49 we have today. TownNews have deployed Blackbird in every single video customer they have and continue to be a very satisfied with the Blackbird workflow. We will continually seek to expand our services with them. As a result, our news business has leapt a massive 285% to £233,547.

We also closed a three-year deal with A+E Networks which at the time was our largest single deal. This deal was a step change for the business not only in scale and length but also in the associated improvements we made to our company and product in terms of security that have made us so much fitter and stronger to make inroads into this US media sector. A+E use us for many different workflows including live clipping to social, where we replaced SnappyTV for assembling Live PD - the most watched TV programme on US TV - and adding value to their enormous archive, where we are enhancing traditional on-premise workflows.

That was followed by us winning another long-term contract with the US State Department in a publicly contested tender, beating other established industry players. The Office of Global Affairs will use Blackbird to turn all of their fast-turnaround news, news conferences and events to social and OTT - and there has been an eventful news cycle for them.

We capped off the year by closing a very exciting long-term deal with a global provider of financial news based in New York. Working through this deal has again driven Blackbird to new standards of speed and functionality. Our ability to integrate seamlessly with AWS (Amazon Web Services) public cloud is increasingly a factor in larger deals.

A significant change I have brought to the business is moving from annual or project deals to multiyear or long-term deals. The fact that our customers have been happy to agree to this demonstrates a great deal of faith in Blackbird and our ability to stay ahead of our competition over a sustained period. It has also meant our contracted but unrecognised revenue is at its highest level ever - up by 232% to £1,881,133 since this time last year.

Outlook

While 2019 was a fantastic year for demonstrating the attraction of Blackbird to large scale global customers, the true scale opportunity for our world leading software will be our OEM opportunity - the 'Blackbird inside' model. In April 2020, we announced a partnership with Zixi, the award-winning architect of the Software-Defined Video Platform, and industry leader for live broadcast-quality video over any IP network. The global public clouds have positioned us in this area and we are also in discussions with some other large global infrastructure companies who are very interested to wholesale Blackbird for themselves for strategic reasons.

These strategic reasons are built around the following two tenets.

1. Firstly, Blackbird allows end users to work with their original high-quality content in situ, without the need to upload or download as happens with traditional on-premise systems. This means infrastructure companies can retain this high-quality content within their eco-system and generate further monetisation.

2. Secondly, we provide the leading climate friendly solution. The fact that high resolution content does not need to be uploaded, downloaded or transported in order to be edited means no heavy-duty bandwidth is required; and because end users can work remotely without bespoke hardware, they can reduce travel, so we help to make them energy efficient. Overall, we are an incredibly green technology – and this contributes to the customers' sustainability credentials. This is something that the team are working on in more detail now but will undoubtedly be a factor that grows in importance in the coming years for partners and customers alike.

Finally, in these challenging times with the COVID-19 outbreak, I am delighted that Blackbird has assisted both existing and new customers to have their staff working safely and remotely editing video even at low or variable bandwidths. In the last month, we have been able to aid A+E Networks in enabling their New York based editors to safely work from home. This has resulted in a doubling of capacity and increased revenue from A+E Networks in 2020. Additionally, we have also signed new deals with Arsenal helping their team work collaboratively and remotely from multiple locations and turning around high-quality content quickly and cost effectively and with Liverpool F.C. to access their centrally stored file-based archives from any browser or laptop and to continue to engage their global fanbase.

Ian McDonough
Chief Executive Officer

Chairman's Statement

2019 was an eventful year for the Company as sales momentum behind our growth strategy started to yield results. Even more exciting than the 24% year on year revenue growth was ending the year with contracted but unrecognised revenue up 232% compared to 31 December 2018. This demonstrates our growth momentum. Targeted sales and marketing efforts, focusing on the real competitive advantages of the Blackbird platform, delivered important contract wins from several major broadcasters. Most notably, one of the world's foremost financial news organisations transitioned to the Blackbird platform on a significant multi-year deal. Other notable deals included a major US broadcast network, and the US Department of State. Each of these important contract wins offers a major endorsement of the proprietary technology that powers the Blackbird platform and the credibility of Blackbird's client solutions.

Our strategy is working. We have been strengthening our focus on News and Sports clients, where our objective is to be a key component in our end customers technology stacks (via direct B2B sales) as well as establishing ourselves as a vital component in the technology stacks of solutions providers (Original Equipment Manufacturers or OEMs). OEMs provided real leverage to our sales strategy as they sell our solution as part of their total service. The net effect of this SaaS business model is a significant growth in our average deal size and contract length, growth in our average revenue per client and growth in our repeatable revenue per client.

The Board believes that our successful and oversubscribed net equity fundraising of £5,217,390 towards the end of last year will ensure the ongoing growth of the company by providing the resources to execute against our strategy and to continue to win meaningful contracts.

Our results for the year show the early outcomes of these activities. The Company recorded revenues growth of 24% to £1,077,643 (2018: £870,310). We also grew the size of our North American business, which now comprises 43% of our revenues. Our revenue mix continues to improve and 94% of revenues (2018: 54%) came from infrastructure (37%) and OEM sales (57%).

Our contracted but unrecognised revenue at the end of the year was £1,881,133 up 232% vs £566,104 in 2018. This clearly demonstrates the improved quality of our business and the strength and growth potential of our business as we entered 2020.

Finally, we finished the year with a loss for the year of £2,128,638 (2018: loss of £2,574,618), in a year where good progress was made against our strategy.

The Board believes that the Company is now well positioned to grow and succeed in the large, high-growth, cloud video market. We have put the core organisation, technology and capabilities in place and have started to build growth momentum.

Consolidated income statement and consolidated statement of financial position

In the year ended 31 December 2019, the Company recorded revenue of £1,077,643 (2018: £870,310), which represented an increase of 24% year on year. Deferred revenue increased year on year by 28% to £295,221 from £230,361 at 31 December 2018, while contracted but un invoiced revenue increased year on year by 472% to £1,585,912 from £335,743 as at 31 December 2018.

Operating costs during the year to 31 December 2019 were down 2% to £2,688,821 compared to £2,738,515 in the corresponding period in 2018. This decrease was the result of higher development costs capitalised to support the platform development partially offset by an increase in staff costs from strengthening the management team and higher legal costs to close new deals and change the company name.

The loss before interest, taxation, depreciation and amortisation was £1,771,822 (2018: £1,993,284). The net loss for the year of £2,128,639 compares to a loss of £2,574,618 in 2018.

Board changes

In April we welcomed Stephen White to the Board in the newly created Chief Operating and Financial Officer role. Stephen joined us from Comcast's NBC Universal where he spent five years in senior finance roles in their EMEA Networks division. Stephen took over from Jonathan Lees who has left the Company to pursue other opportunities and the Board would like to thank Jonathan for his invaluable service. At the AGM in May, I was delighted to be appointed Chairman, taking over from David Main. I would like to thank David, for his valuable contribution as Chairman over the past three years. David continues to serve on the Board and we continue to benefit from his vast experience.

In May 2019 the Company welcomed Dawn Airey as a new Non-Executive Director to the Board. Dawn has extensive experience in the media and entertainment industry having held senior board positions in several major broadcasters and content businesses. Dawn is also an experienced NED in both public and private companies. Towards the end of the year, the board said goodbye to Jim Irving, who stepped down from his role as Non-Executive Director to concentrate on his own business Fanview. The Board would like to welcome Dawn to the company and to thank Jim for his years of service.

Blackbird platform development

The core focus of our development efforts is the continuous improvement of the Blackbird platform to support our infrastructure and OEM strategy. This focus combines improving performance, adding new functionality, increasing the ease of adoption and upgrading the user interface. Integral to this has been the shift of our web applications to JavaScript. JavaScript allows access and use of Blackbird products on virtually any device without configuration. This transition is significant as configuration has been one of the big obstacles to wider adoption of our services. Rolling out JavaScript applications is essential for delivering a successful OEM strategy.

We are committed to maintaining the superiority of our video production codec including working on the next generation of our Blackbird codec. Furthermore, we are ensuring that Blackbird can be integrated with third party functionality such as Artificial Intelligence ("AI") and data-feeds working with market-leading specialists in their field.

Current trading and outlook

As noted earlier, we start the year in a strong financial position, with contracted but unrecognised revenue of £1,881,133 at 31 December 2019. £797,373 of this balance relates to revenue to be recognised in 2020, versus a comparative figure of £448,488 at 31 December 2018.

During these testing times with the COVID-19 outbreak, I am also pleased that our platform provides Enterprises with solutions to work remotely. The expansion of our deal with A+E Networks who will double the volume edited through the Blackbird platform will both enable a significant expansion of remote video production capability, and ensure the overall safety of its

editors who will now be able to work even more effectively, remotely. We have also secured new deals with Arsenal to assist their team to continue to produce high-quality output from their team working remotely in multiple locations and with Liverpool F.C. for remote video editing and publishing.

Finally, the Board and Management team are confident that with our excellent team in place, we have the platform and strategy to grow our business successfully.

Andrew Bentley

Chairman

Consolidated income statement and statements of comprehensive income for the year ended 31 December 2019

	2019 £	2018 £
CONTINUING OPERATIONS		
Revenue	1,077,643	870,310
Cost of Sales	(161,269)	(125,079)
GROSS PROFIT	916,374	745,231
Other income	625	-
Operating costs	(2,688,821)	(2,738,515)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND EMPLOYEE SHARE OPTION COSTS	(1,771,822)	(1,993,284)
Depreciation	(93,130)	(44,432)
Amortisation	(267,734)	(544,889)
Employee share option costs	(46,774)	(32,445)
	(407,638)	(621,766)
OPERATING LOSS	(2,179,460)	(2,615,050)
Net Finance income	18,397	15,898
LOSS BEFORE INCOME TAX	(2,161,063)	(2,599,152)
Income tax	32,424	24,534
LOSS FOR THE YEAR	(2,128,639)	(2,574,618)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(2,128,639)	(2,574,618)
Earnings per share expressed in pence per share		
Basic – continuing and total operations	(0.71p)	(1.07p)

Consolidated and company statements of financial position as at 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	972,245	748,062	972,245	748,062
Property, plant and equipment	391,044	32,816	391,044	32,816
Investments	-	-	-	641
	1,363,289	780,878	1,363,289	781,519
CURRENT ASSETS				
Trade and other receivables	503,037	301,742	503,037	306,062
Stock	661	-	661	-
Current tax assets	32,424	24,534	32,424	24,534
Cash and bank balances	7,965,491	5,032,087	7,965,491	5,026,622
	8,501,613	5,358,363	8,501,613	5,357,218
TOTAL ASSETS	9,864,902	6,139,241	9,864,902	6,138,737
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Issued share capital	2,681,913	2,363,890	2,681,913	2,363,890
Share premium	26,371,502	21,456,572	26,371,502	21,456,572
Capital contribution reserve	125,000	125,000	125,000	125,000
Retained earnings	(20,457,091)	(18,375,226)	(20,457,091)	(18,374,946)
TOTAL EQUITY	8,721,324	5,570,236	8,721,324	5,570,516
NON-CURRENT LIABILITIES				
Lease and other payables	323,134	-	323,134	-
	323,135		323,135	
CURRENT LIABILITIES				
Trade and other payables	820,443	569,005	820,443	568,221
TOTAL LIABILITIES	1,143,578	569,005	1,143,578	568,221
TOTAL EQUITY AND LIABILITIES	9,864,902	6,139,241	9,864,902	6,138,737

Consolidated statement of changes in equity for the year ended 31 December 2019

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2018	1,443,890	(15,832,255)	16,935,301	125,000	2,671,936
Changes in equity					
Issue of share capital	920,000	-	4,830,000	-	5,750,000
Share issue expenses	-	-	(308,729)	-	(308,729)
Share based payment	-	32,445	-	-	32,445
Total comprehensive loss for the year	-	(2,575,136)	-	-	(2,575,136)
Balance at 31 December 2018	2,363,890	(18,374,946)	21,456,572	125,000	5,570,516
Changes in equity					
Issue of share capital	318,023	-	5,234,945	-	5,552,968
Share issue expenses	-	-	(320,015)	-	(320,015)
Share based payment	-	46,774	-	-	46,774
Total comprehensive loss for the year	-	(2,128,919)	-	-	(2,128,919)
Balance at 31 December 2019	2,681,913	(20,457,091)	26,371,502	125,000	8,721,324

Consolidated and company statements of cash flows for the year ended 31 December 2019

	Notes	Group		Company	
		2019	2018	2019	2018
		£	£	£	£
Cash flows from operating activities					
Cash used in operations	A	(1,870,521)	(1,919,634)	(1,865,056)	(1,918,863)
Interest paid on lease liabilities		(13,449)	-	(13,449)	-
Tax received		24,534	25,268	24,534	25,268
Net cash from operating activities		(1,859,436)	(1,894,366)	(1,853,971)	(1,893,595)
Cash flows from investing activities					
Payments for intangible fixed assets		(434,167)	(254,856)	(434,167)	(254,856)
Payments for property, plant and equipment		(19,370)	(17,498)	(19,370)	(17,498)
Interest received		30,586	11,036	30,586	11,036
Net cash from investing activities		(422,951)	(261,318)	(422,951)	(261,318)
Cash flows from financing activities					
Share issues (net of expenses)		5,271,478	5,441,271	5,271,478	5,441,271
Payment of lease liabilities		(53,250)	-	(53,250)	-
Repayment of finance leases		(2,437)	(5,849)	(2,437)	(5,849)
Net cash from financing activities		5,215,791	5,435,422	5,215,791	5,435,422
Increase in cash and cash equivalents		2,933,404	3,279,738	2,938,869	3,280,509
Cash and cash equivalents at beginning of year		5,032,087	1,752,349	5,026,622	1,746,113
Cash and cash equivalents at end of year		7,965,491	5,032,087	7,965,491	5,026,622

A. **Reconciliation of loss before income tax to cash (used in)/generated from operations**

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Loss before income tax	(2,161,063)	(2,599,152)	(2,161,342)	(2,599,670)
Depreciation	93,130	44,432	93,129	44,432
Amortisation charges	267,734	544,889	267,734	544,889
Employee share option costs	46,774	32,445	46,774	32,445
Finance income	(18,397)	(15,898)	(18,397)	(15,898)
Earnings before interest, taxation, depreciation and amortisation	(1,771,822)	(1,993,284)	(1,772,102)	(1,993,802)
Movements in working capital:				
Decrease in trade and other receivables	(209,845)	(75,785)	(205,527)	(74,452)
Increase in trade and other payables	111,146	149,435	112,573	149,391
Cash (used in)/generated from operations	(1,870,521)	(1,919,634)	(1,865,056)	(1,918,863)