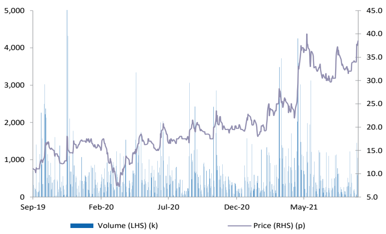
Corporate

Current price	38.5p
Sector	TMT
Code	BIRD.L
Listing	AIM

Share Performance



	1m	3m	12m
BIRD.L	+18%	+17%	+83%

Source: Thomson Reuters, Allenby Capital

Share Data		
Market Cap (£m)		129.8
Shares in issue (m)		338.2
52 weeks (p)	High	Low
	40	17.5
Financial year end		December

Source: Company Data, Allenby Capital

Key Shareholders	
Stephen Streater	18.53%
Premier Miton Group	18.15%
Ian McDonough & family	7.57%
Canaccord Genuity Group	5.82%
Schroders	4.95%

Source: Company Data, Allenby Capital

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Blackbird Plc (BIRD.L)

Major multi-year licencing deal

Blackbird has delivered a strong set of first half results, hot on the heels of a landmark deal post period, its first 'Powered by Blackbird' licencing contract. H121 revenue grew by 21% to a record £867k, despite the adverse dollar impact. The gross margin was maintained at 90.4% and cash burn only marginally increased (by £97k), despite investment in sales and R&D, leaving net cash at £5.7m. Management reiterated they are well funded to break even. Numerous new partnership deals have been announced in H1, such as EVS and Live U, with direct deals with Cheddar News, ODK Media and BT in the UK. Also post-H1, Blackbird has announced further expansion with TownNews and is now being deployed by 75 US news station, reinforcing the OEM growth strategy. Blackbird has also been adopted by its first major studio (ViacomCBS). In our view, the recent licence deal demonstrates the value of Blackbird's cloud-native video editing solution and we expect further significant contract wins.

- Strong sales growth momentum delivered record revenue of £867k, up 21% year on year. Blackbird achieved 33% like for like sales growth in North America to £554k and a further 10% from a deal renewal, a creditable performance given the adverse dollar impact and subdued postproduction sector. OEM sales grew 17% to £405k, following the signing of several major OEM deals, including the new partnership with EVS, with two International Sporting events and the further expansion of the TownNews deal.

- Blackbird announced post period end that it has entered a multi-year licensing deal with a global broadcast company. This is the first IP deal with a minimum expected revenue of €2.0m over five year. It opens up further opportunities beyond editing and increases the Total Addressable Market (TAM). There is upside potential given that the €2.0m is a minimum guaranteed figure.

- Growth is underpinned by its strong financial position and Blackbird enters H2 with good visibility over revenue from the contracted order book, which has significantly increased following the post period licensing deal. As at 6 September 2021, Blackbird has £3.8 million contracted but unrecognised revenue, up 89% versus the comparative figure as at 31 August 2020, with £1.55m of revenue secured for 2022, up 105%.

Blackbird is gaining significant traction as evidenced by the increased momentum in contract wins, materially boosted by the recent licensing transaction. This provides a significant reference for potential customers for its cost-effective, professional-grade, cloud-native video editing solution. The deal is transformational in terms of revenue, with opportunity of upside to the minimum guarantees. In our view, H1 results and recent newsflow, highlight the market opportunity for Blackbird and the clear investment rationale.

Year End: December				
(£'000)	2017	2018	2019	2020
REVENUE	758.8	870.3	1,077.6	1,567.1
GROSS MARGIN (%)	80.1	85.6	85.0	89.6
EBITDA	-1,844	-1,993	-1,772	-1,416
NET LOSS BEFORE TAX	-2,362	-2,599	-2,161	-1,906
FULLY DILUTED EPS (p)	-1.29	-1.07	-0.71	-0.56
CASH	1,752	5,032	7,965	6,546
DEFERRED REVENUE & CONTRACTED ORDER BOOK	385	566	1,881	1,931

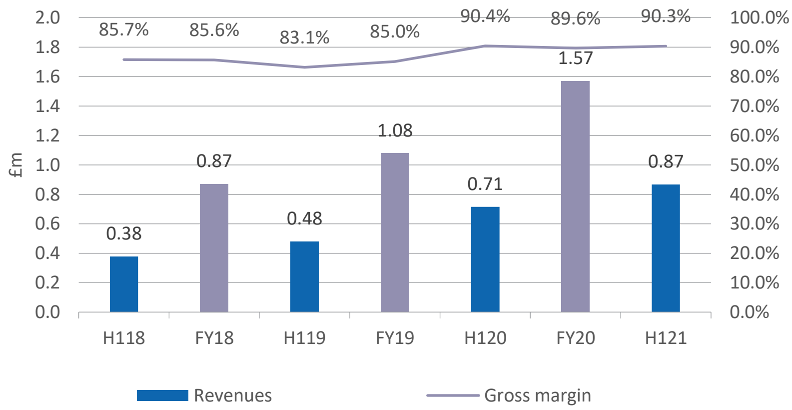
Source: Allenby Capital. Allenby Capital acts as Nomad & Broker to Blackbird Plc (BIRD.L).

Please refer to the last page of this communication for all required disclosures and risk warnings.

Record revenue in H121

Blackbird has delivered record revenue of £867k for H121, up 21% year on year (£714k). Contracted but unrecognised revenue grew 6% year on year to £1,974k (£1,860k). Operating costs (excluding LTIP provision) increased slightly to £1,444k (£1,359k) driven by investment in Sales, R&D and Product, to support revenue growth. The gross margin remained broadly flat at 90.3%.

Exhibit 1: Revenue and Gross Margin progression 2018 to 2021



Source: Company Data, Allenby Capital

OEM strategy maturing

Blackbird made good progress in H121, with OEM revenue up 17% to £405k, with the impact of the new partnerships and deal expansion to be seen in future periods.

- Partnership with EVS, a globally recognised leader in live video, including a deal incorporating the Blackbird platform for two major international sports events
- Expansion of TownNews deal to 69 local U.S. TV stations (75 post period end)
- New partnership with LiveU, leader in live video streaming and remote production including a joint solution for RTL Deutschland for the German regional elections
- A further anonymous deal through an existing large OEM partner together with an expansion of an existing deal in the period. Both deals fall into the Live Sports sector

Blackbird gained several high-profile customers in the period from direct sales.

- Deal signed with Cheddar News a ground-breaking news brand
- Contracted with BT for ultra-fast and sustainable cloud native video
- Deal closed with ODK Media for flexible and efficient cloud video production for their new OnDemand Latino service
- New multi-year deals signed with e-learning, Australian Typsy and UK Bo Clips

Blackbird's ability to offer efficient remote working solutions, as well as its core strengths hold it in good stead for future growth as companies increasingly look at hybrid solutions for their employees.

Revenue by segment

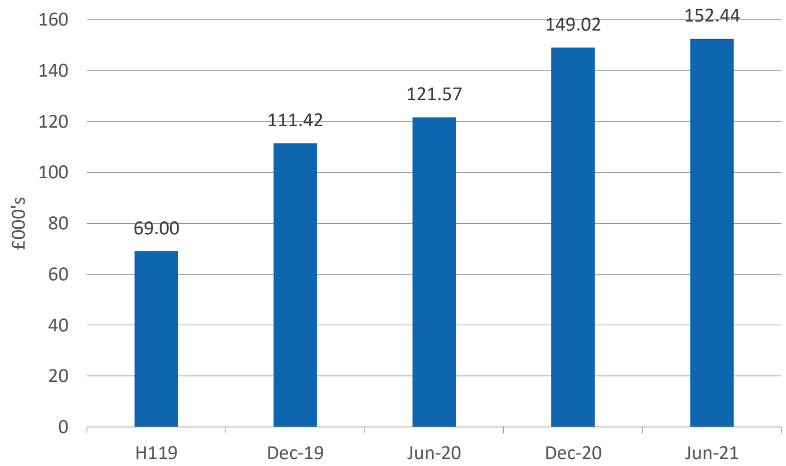
In North America, Blackbird's leading market, revenue grew to £554k for the period, up by 33% on a like-for-like basis, and by a further 10% from a change in a contractual regional entity on a deal renewal. The growth rate was tempered by the strengthening of the pound versus the dollar that had an adverse impact of £36k or 4% on total revenue.

The Sports and News sectors grew revenue by 37% and 26% year on year, to £330k and £244k respectively, despite the fall in volumes in the UK broadcast postproduction sector and the FX movement as mentioned above.

Recurring revenue key performance metric

The annual or multi-year licencing gives the business good visibility with a high level of recurring and repeatable revenue. Recurring revenue progression has been strong, up 221% since June 2019 at £152k and we anticipate that this will now be a key performance metric going forwards.

Exhibit 2: Recurring revenue progression June 2019 to June 2021



Source: Company Data, Allenby Capital

Reducing Losses

The EBITDA loss, (excluding the LTIP provision), was £661k versus: £714k in the previous period. This reduction was due to increased revenue, partially offset by the higher operating costs. Including the LTIP provision, due to the strong recent share price rise, the EBITDA loss increased to £874k versus £714k in the previous period. Therefore the Net Loss Before Tax also increased to £1,168k versus £942k.

Funded to break even

Costs have been well managed, despite the investment in sales and R&D. Therefore cash burn, excluding proceeds from share issues and transfers from short term investments, showed a £97k movement to £943k versus £846k in the previous period. This was also due to the timing of the R&D tax credit payment (£25k expected to be received in H2 2021), £24k lower interest income received and the remainder from working capital movements.

Blackbird enters H2 with net cash at £5.7m versus £7.2m in the previous period, with no debt. The business is therefore well funded and management has reiterated their view that the business has sufficient resources to fund the company through to break even.

Game changing first-ever IP deal

Post period-end, Blackbird announced a multi-year licensing deal with a global broadcast company. This is largest financial deal to date for Blackbird with a minimum expected value of €2m and its first 'Powered by Blackbird' licensing contract. It is also of huge strategic importance highlighting the value of its IP outside of the Blackbird product, allowing other companies implementing the technology to migrate their own models from hardware-intensive sales to high-value SaaS revenue. There could be considerable upside over and above minimum levels, should the product rollout be successful.

We understand the deal is with an existing major player in the market, making it a good reference and demonstration of value, and significantly increasing Blackbird's TAM. It also allows customers to migrate their own strategy from on-premise software and hardware, to pure Cloud which is SaaS, higher value and ESG-friendly.

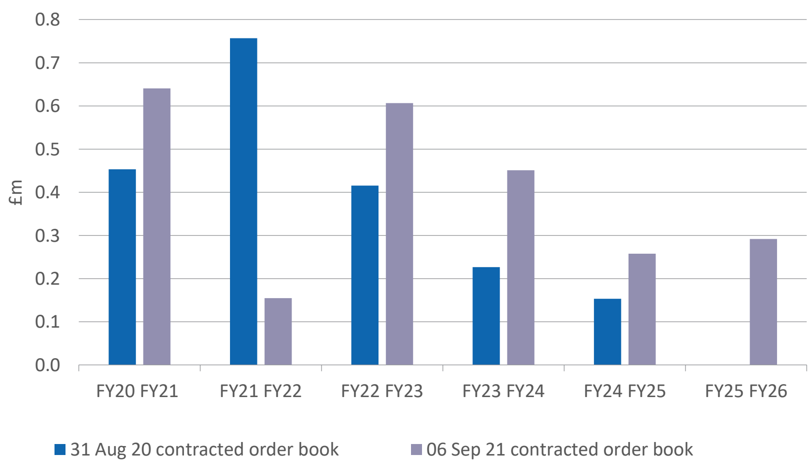
The deal contains two components with a development fee of €0.7m of which some €0.16m is estimated to be recognised in FY21 and a further €0.54m in FY22. The second part of the deal is a share of revenue. Blackbird will take a share of the licence fees and revenue will grow according to the commercial success of the resulting product. The revenue share has the following minimum guarantees: FY22 €0.18m, FY23 €0.22m, FY24 €0.26m, FY25 €0.30m and FY26 €0.34m.

Good visibility from contracted order book

As well as its strong financial position, Blackbird has entered H2 21 with good visibility over revenue from its contracted order book, stretching over the next five years, with £1,644k secured for the year which is up 31% against the comparative at 30 June 2020 (£1,256k). By the end of August 2021 secured revenue had grown to £1,763k (2020: £1,453k).

Contracted but unrecognised revenue was £1,987k as at 31 August 2021, of which £518k is scheduled to be recognised in FY21 and £893k in 2022, up 18% (FY21: £756k). The recent licensing deal has increased visibility and as at the 6th of September 2021 Blackbird has £3.8 million contracted but unrecognised revenue, up 89% versus the comparative figure as at 31 August 2020, with £1.55m of revenue secured for FY22, up 105%.

Exhibit 3: Contracted but unrecognised revenue by year of recognition at 06.09.21 and 31.08.20



Source: Company Data, Allenby Capital

Contract news flow ramped up post period

Blackbird has also enjoyed a strong start to H221, including the following highlights:

- Multi-year licensing deal with global broadcast company, the first of its kind
- First contract with a US major in signing up CBS Sports, part of ViacomCBS
- Multi-year deal with the largest US based Hispanic media company, Univision
- A second expansion this year with TownNews taking the total stations to 75
- Deal closed with Athletes Unlimited

Exhibit 4: 2021 Deal Highlights

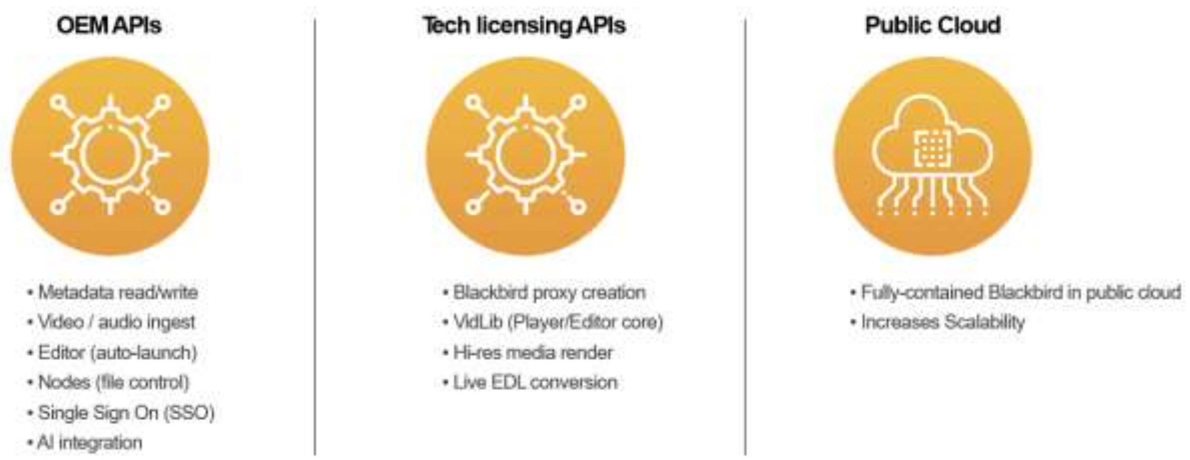
* Signed post period

Source: Company data

Public Cloud

While Blackbird continues to focus on its OEM partnerships, it is also working towards moving its back end infrastructure to the Public Cloud (Blackbird currently operates its own cloud). A partnership with Amazon Web Services (AWS), Google Cloud Platform (GCP) or Microsoft Azure would provide a larger scale opportunity.

Exhibit 5: Platform development & roadmap

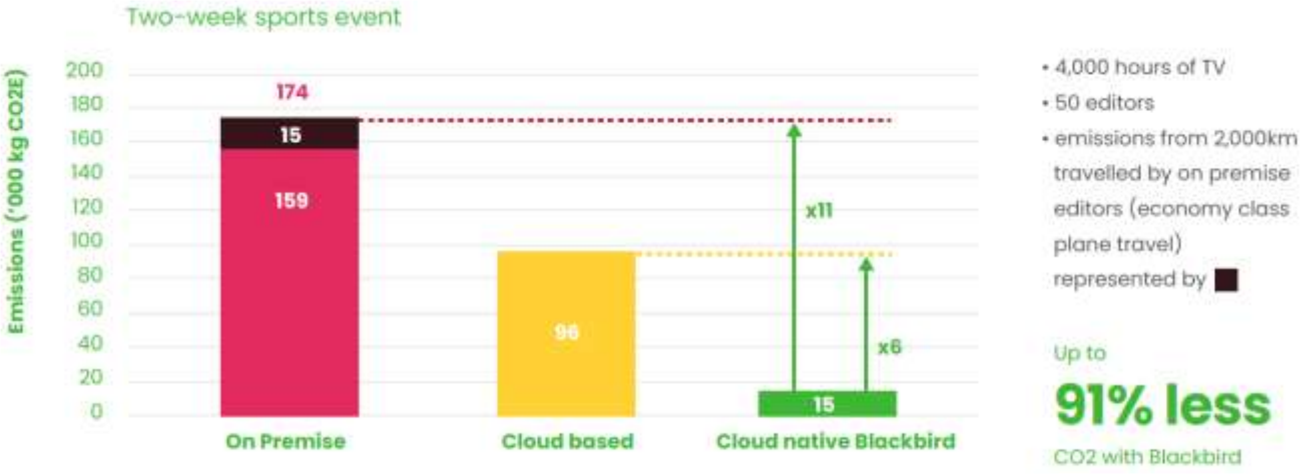


Source: Company data

Lower Carbon Footprint

In March 2021, Blackbird published a carbon emissions study of the video industry entitled *'Video Shouldn't Cost the Earth'*. The study highlights the benefit of cloud-native solutions versus cloud-based that require supporting hardware, and traditional on-premises video editing. The benefits of using Blackbird's cloud-native solution are emphasised with the example of a two-week sporting event, where using the Blackbird technology platform is estimated to generate up to 91% less carbon emissions than an on-premise video editing solution and up to 84% less carbon emissions than cloud-based.

Exhibit 6: Comparison of estimated carbon emissions generation from video editing for a two-week sporting event

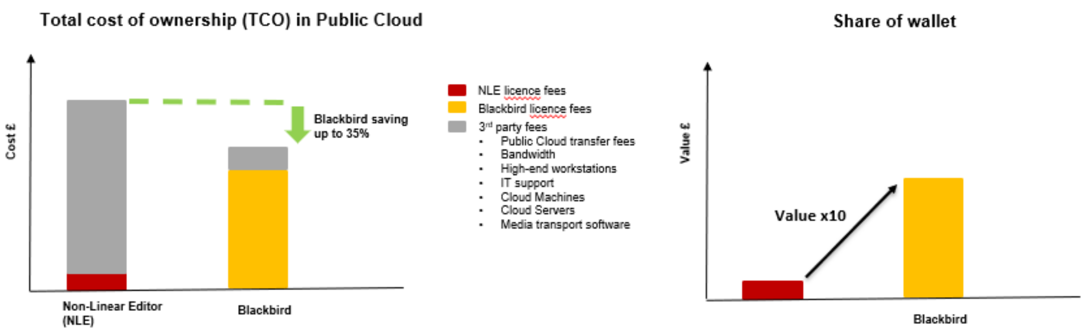


Source: *'Video Shouldn't Cost the Earth'*, published March 2021

Total cost of ownership analysis

A second white paper was published in H1 titled "Total Cost of Ownership in Public Cloud" (TCO), which highlighted that Blackbird is up to 35% lower cost than other cloud based solutions due to its patented cloud native architecture. The report details how Blackbird is materially cheaper, requiring lower bandwidth and less hardware, as well as needing less IT support. The Blackbird licence fee covers a much higher proportion of the total cost, due to it not only providing the editing software but also the infrastructure.

Exhibit 7: Blackbird's total cost of ownership analysis versus non-linear editor and Share of wallet



Source: Company data, Total Cost of Ownership in Public Cloud study

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. During 2021, the combination of multiple smaller deals, and now a much larger licence transaction combine to clearly demonstrate the compelling nature of the technology.

The Blackbird solution successfully addresses three key positive market trends:

- the increasing demand for high quality, quickly-available professionally edited video content,
- the trend for remote working that has been accelerated by the COVID-19 pandemic, the ubiquity of Cloud access, better broadband and limits on travel of editing staff,
- the Green agenda / ESG which is driving a push for low-carbon impact production process for media content.

Blackbird helps customers (and/or OEM partners) with all three, and now is empowering the licence customer to do the same by embedding Blackbird's core technology within its own technology stack.

Blackbird continues to demonstrate its operational resilience, reflected in its strong H121 financial performance, driven by strong growth in both its News and Sport focus categories, particularly in North America. OEM sales growth is accelerating evidenced by the recent flow of major OEM deals, including partnerships with EVS and LiveU.

The company has a low cash-burn rate, which should reduce as revenue continues to grow at a robust pace. Recent deals, particularly the licensing contract represent a step change in the pace of new business development. Cost increases are held to a relatively modest level, albeit with investment in key sales, R&D and product functions to support the expected growth. Blackbird has maintained a strong balance sheet, and its £5.7m net cash position at end June 2020 has been described by management as sufficient to fund the company through to break even.

Blackbird's profile continues to be raised through its OEM partnerships and involvement in major sporting events. The recently published *'Video Shouldn't Cost the Earth'* carbon emissions study that highlights Blackbird's sustainability credentials, and a second white paper *'Total Cost of Ownership'* that highlights Blackbird is up to 35% lower cost than other cloud based solutions, should also help to boost awareness of Blackbird.

Blackbird's near- and medium-term prospects appear promising, with the apparent acceleration of the video-industry's shift to remote working, and we believe the increasing focus of the media industry on sustainability should favour Blackbird's cost-effective cloud-native video editing solution, with its much lower carbon footprint than alternative cloud-based and on-premises solutions. Partnering with one or more of the three main public cloud platforms also appears to be a realistic opportunity that Blackbird is actively working towards, which could very quickly add significant scale to the business,

Finally, the recent technology licencing deal demonstrates Blackbird's IP value (it has ten patents with a further six pending) and opens up a new route to a substantial market which could extend beyond the editing sector.

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