

Corporate

 Current price **10.75p**

 Sector **AIM**

 Code **BIRD.L**

 Listing **TMT**

Share Performance



% change	1m	3m	12m
— BIRD.L	-2.3	-29.5	-38.1

% change	1m	3m	12m
— BIRD.L	-2.3	-29.5	-38.1

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **67.1**

 Shares in issue (m) **367.6**

 52 weeks (p) **High** **Low**
21.5 **10.25**

 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)

Delivering on Public Cloud SaaS Strategy

Blackbird plc has reported strong full-year results, with record revenue growth driven by its first 'Powered by Blackbird' (PBB) licencing deal with EVS, a €300m market-cap media group. EVS launched IPD-VIA Create in December 2022, its new web application developed in collaboration with Blackbird, which has already been deployed by a US broadcaster on a major global sporting event. This, and the continued roll-out by EVS, will translate into additional revenue for Blackbird through its revenue-share agreement. In addition to PBB, customers are building in number and quality with both FIFA and NCSA, amongst others, onboarded during the year. On the back of the £8m fundraise in December 2021, significant new hires have been made to support Blackbird's public cloud strategy, via the launch of the Blackbird SaaS platform, expected in early 2024. The new platform will allow the business to capitalise further on its technological lead, through the vast expansion of the addressable market. Blackbird enters FY23 with good momentum and a strong order book, supported by a healthy balance sheet with £10.1m in cash. The progress made on Blackbird SaaS is an exciting development, and we look forward to further news in coming months.

- FY highlights.** Revenue increased by 38% to £2,847k (FY 21: £2,066k), with the EVS deal contributing £611k in development fees and an annual minimum guarantee. Operating costs increased to £4,510k (FY 21: £3,107k) due to investment in R&D and staff, with £822k associated with the Blackbird SaaS platform. The global sell-off in technology stocks has given rise to a £350k LTIP credit, versus a £357k charge in FY 21. Although non-cash, this helped offset the net loss to £1,917k (FY 21: £2,135k loss).
- High-profile customer wins.** Highlights include deployment at the Winter games in February 2022, direct deals with FIFA, where Blackbird is being used extensively on its OTT service, plus further expansions with TelevisaUnivision and a global financial news service. Blackbird has secured a multi-year deal with Next College Student Athletic, a deal with SBS Belgium and achieved AWS Technology Partner status.
- Public Cloud SaaS strategy.** The £8.0m fundraise in December 2021 has enabled Blackbird to continue the evolution of their strategy to the public cloud, with some significant key hires made. The self-service 'Blackbird SaaS' platform development is well underway and expected to be launched early 2024, and this will widen the addressable market and accelerate sales growth.

Blackbird is gaining significant traction, as evidenced by high-profile contract wins and EVS using Blackbird's core technology in their product. Adjacent markets pose a significant opportunity. Blackbird's products are differentiated, and its existing high-end blue-chip customer base provides instant credibility in moving to the mass market for video content creation and publishing. We look forward with interest to seeing the development, launch and execution of this exciting new proposition.

Year End: 31 December

(£'000)	2019	2020	2021	2022
REVENUE	1,078	1,567	2,066	2,847
GROSS MARGIN (%)	85.0	89.6	92.5	95.0
EBITDA	-1,772	-1,416	-1,197	-1,806
NET LOSS BEFORE TAX	-2,161	-1,906	-2,167	-2,011
FULLY DILUTED EPS (p)	-0.71	-0.56	-0.63	-0.52
CASH AT YEAR END	7,965	6,546	12,839	10,099
DEFERRED REVENUE & CONTRACTED ORDER BOOK	1,881	1,931	3,732	3,426

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

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Record revenue in FY22

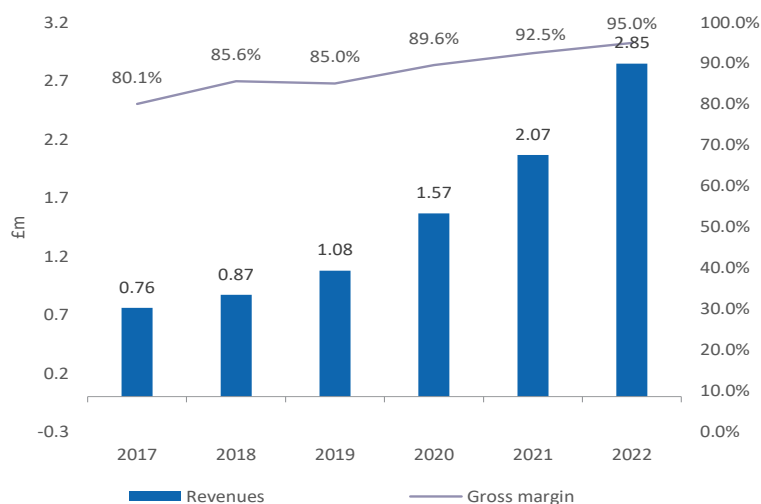
Revenue increased by 38% to £2,847k (FY21: £2,066k), with the EVS 'Powered by Blackbird' licensing deal contributing £454k and its first annual minimum sales guarantee of €180k.

Operating costs increased to £4,510k (FY21: £3,107k) due to significant investment in R&D and staff, with £822k associated with the development of the Blackbird SaaS platform. EBITDA pre LTIP provision and share options increased to a loss of £1,806k (FY21: loss of £1,197k), due to higher operating costs.

The share price fall amid the global sell-off in technology stocks has given rise to a £350k LTIP credit, versus a £357k charge in FY 21. Although a non-cash charge, this has helped offset the net loss for the year to £1,917k (FY21: £2,135k loss).

Cash burn, excluding proceeds from share issues, increased to £2,746k (FY21: £1,468k), with £793k of costs incurred on developing the 'Blackbird SaaS' platform and a £491k increase in trade debtors due to the timing of a few customer payments, that have been settled post the year-end. However, Blackbird ended FY22 with a strong balance sheet, with £10,099k of cash and short-term deposits (FY21: £12,389k) and no debt.

Exhibit 1: Revenue and Gross Margin progression 2018 to 2022



Source: Company Data, Allenby Capital

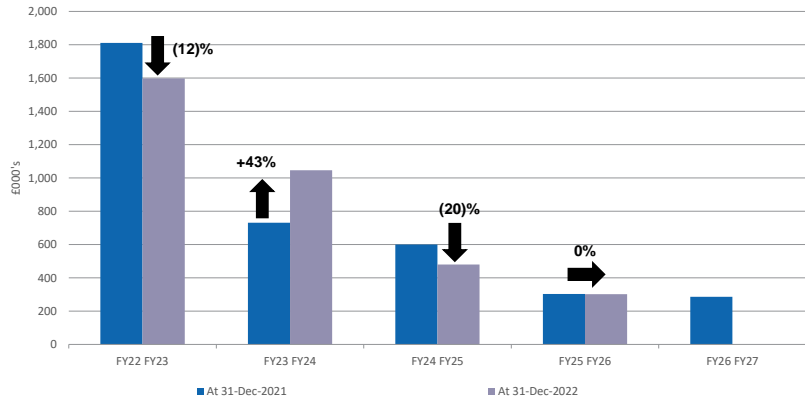
December 2021 £8m fundraise proceeds put to good use

In line with the strategy set out as part of the fundraise in December 2021, Blackbird has made good progress in evolving to the next stage in launching a product in the public cloud, which will allow them to scale. Key talent has been recruited to the business, including 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. Development of its self-service product for this market is well underway and, with the vast majority of funds from the last fundraise untouched, the Company has a good war chest to launch and market the new SaaS platform.

Outlook, order book and opportunity

Contracted but unrecognised revenue remains strong at £3,426k (FY21: £3,732k) albeit down on last year due to the £454k of EVS development fees that were included in the FY21 figure being recognised. As at 31 December 2022, revenue to be recognised in 2023 is £1,597k (FY21 comparative: £1,810k to be recognised in FY22). However, we see upside potential given the roll-out of the EVS platform.

Exhibit 2: Contracted but unrecognised revenue by year of recognition



Source: Company Data, Allenby Capital

We expect 2023 to be a pivotal year in terms of positioning the business to address a wider market and accelerate sales growth through the self-service model. The ‘Blackbird SaaS’ platform is expected to be launched towards the start of 2024.

Multi-year licensing gives the business better visibility, with a high level of recurring and repeatable revenues. However, 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. Likewise modelling any SaaS-based product launch, with a target market of hundreds of thousands of businesses and millions of people globally, is extremely difficult.

Therefore, we are not publishing forecasts at this time, but will consider revisiting this in future reporting periods. However, we note that any material degree of success in such a large and growing market with Blackbird SaaS would dwarf the current performance of the business, and would be likely to drive material shareholder value.

Strategy on track

Blackbird has a world-leading platform for cloud-native video editing, which allows users in multiple end locations to perform high-level video editing functions and publish the end result. 2022 has been a transformational year for Blackbird despite the sell-off impacting global technology stocks and general economic uncertainty.

Exhibit 3: Strategic direction



Source: Company

Blackbird secured its first (but major) success having made its technology available on a licensing basis. Through this licensing model, EVS, a major media group (€300m market-cap Belgian business, with 2022 revenue of some €148m), has launched a platform, IPD Via Create, with the 'Powered by Blackbird' technology embedded. This is a long-term strategic deal with considerable upside potential, including not only a development fee but also a revenue share of any seat sold plus a fee for every additional channel provisioned.

Blackbird has delivered fully against the statement of development work for EVS and is in negotiations around a second statement of work, which would be an extension to the functionality, allowing EVS to win further customers. There is an expectation that additional media-focused partners will adopt this style of working with Blackbird, but the EVS deal alone is a strong argument for the world-leading technology credentials of the Blackbird business.

Blackbird has also continued to successfully sell its platform directly, and through OEM partnerships into the Media & Entertainment sector, with a large number of blue-chip media customers. Direct customers gained in the year include FIFA, NCSA, All3Media and SBS. FIFA used Blackbird for every game during the 2022 global football tournament to create and publish match highlights to the FIFA+ platform.

Exhibit 4: Existing customers

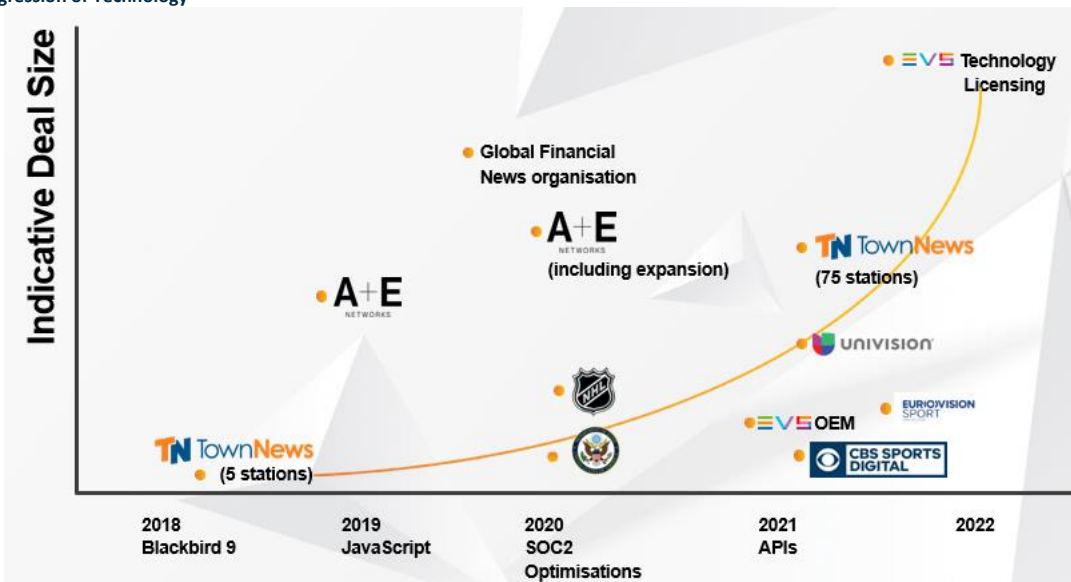
Existing Blackbird – example customers



Source: Company

Through its ‘Land and Expand’ strategy, Blackbird has extended its presence within its TelevisaUnivision and global financial news service accounts and in IMG through NCSA. Post year-end, it has secured a deal with Telefe in Argentina through its existing CBS account.

Exhibit 5: Progression of Technology



Source: Company

Evolving the product

Consistent with its stated aims of having a native, public cloud scalable architecture, the company is now looking to address a much wider and fast-growing market via a self-service cloud-based offering, Blackbird SaaS, targeting the small business and prosumer marketplaces. Following the fundraise for this product in December 2021, the core team has been hired to design, build and roll out the new platform, including Sumit Rai as Chief Product Officer from Vegas Pro, one of the world’s leading editing platforms.

The new product will rebuild the existing editor natively into a public cloud enabled infrastructure, to onboard users with zero friction targeted at the professional and prosumer markets. Future opportunities will include monetising distribution (taking a share of payments/advertising revenue for content created in the Blackbird editor and played out using the Blackbird player).

Blackbird’s technological lead and ability to scale efficiently are, arguably, limited by concentrating solely on the Media & Entertainment segment of the professional user market. The recent push to licensing (and the success with EVS) can help address the slow-to-change nature of this market segment, but the opportunity for the technology itself is much broader, as shown in the diagram below.

Exhibit 6: Expanding its reach



Source: Company

The SaaS-based product will allow Blackbird to expand its reach, basing a new platform on the group’s existing technology, and aiming to open up the addressable market and thereby scale revenue more quickly.

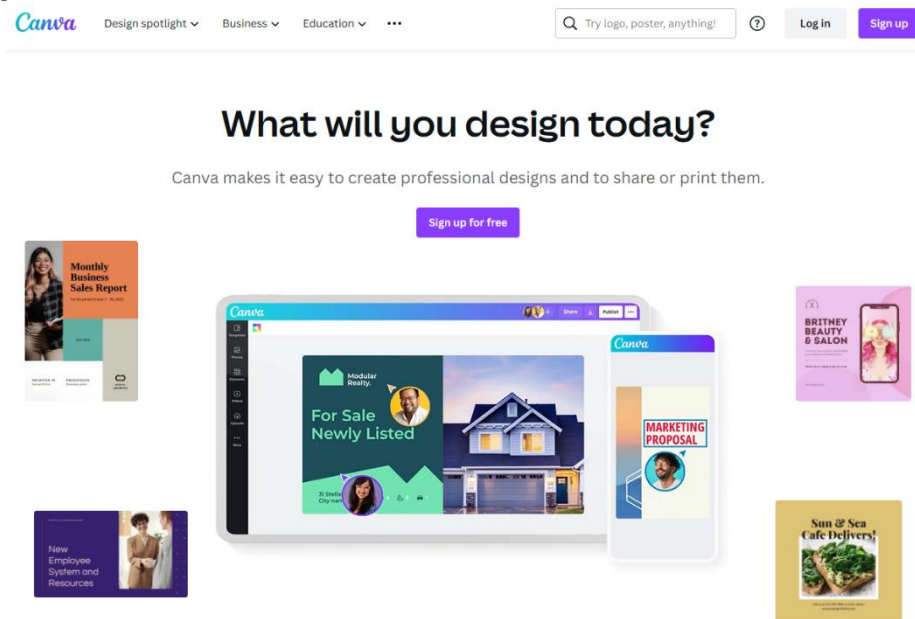
Other similar requirements (slide deck production and image design) have been met by upstart organisations (Figma and Canva) that have built highly successful businesses from scratch in a very short space of time. Blackbird is arguably very well placed to deliver a similar result in the video creation arena, given its technology lead, its real-world knowhow, and its existing high-end customer base.

Looking at the SaaS model – Canva and Figma show the way

As described above, both Canva and Figma have developed highly successful business models, by offering relatively simple products (for image design and slide deck creation respectively) but making these highly collaborative, easy (or free) to start using, and available to the mass market through sleek and modern user interfaces.

Canva allows users to collaborate on image design mostly around social media, and has revenue reportedly over \$1bn per annum – Figma is focussed on B2B design collaboration, with sales estimated at over \$400m pa. Both offer modern, attractive interfaces to products that “just work” and deliver customers exactly what they need.

Exhibit 7: Canva offering



Source: Company

Exhibit 8: Figma pricing example

	Figma for design + prototyping	FigJam for whiteboarding	
	Figma for design + prototyping		
	FigJam for whiteboarding		

	Starter	Figma Professional	Figma Organization
	Free	£11 per editor/month	£40 per editor/month
	Forever	Billed annually or £14 month-to-month	Annual billing only
	<ul style="list-style-type: none"> ✓ 3 Figma and 3 FigJam files ✓ Unlimited personal files ✓ Unlimited collaborators ✓ Plugins, widgets, and templates ✓ Mobile app 	<ul style="list-style-type: none"> ✓ Unlimited Figma files ✓ Unlimited version history ✓ Sharing permissions ✓ Shared and private projects ✓ Team libraries ✓ Audio conversations 	<p>Everything in Professional, plus...</p> <ul style="list-style-type: none"> ✓ Org-wide libraries ✓ Design system analytics ✓ Branching and merging ✓ Centralized file management ✓ Unified admin and billing
		Figma Enterprise	
		£63 per editor/month*	
		Annual billing only	
		<p>For advanced security and more flexible controls, the Enterprise plan helps you scale design processes company-wide.</p>	

Source: Company

Blackbird could do the same for video content creation and distribution

The new Blackbird product is a single platform that simplifies the process of content creation and delivery, enabling creators to collaborate, edit and distribute efficiently. The features within the platform will not put Blackbird in direct competition with other service providers, but will remove the need for them when working in the Blackbird platform.

As demonstrated by the success of Figma and Canva, the self service SaaS model offers a free point of entry with frictionless onboarding and transparent pricing. This should attract a much broader customer base than the existing Blackbird offering.

Exhibit 9: New platform



Source: Company

A key feature of the platform is that it is expandable to provide better in-platform functionality but also connectivity to other products and services and collaboration with other users. The platform will also incorporate useful AI & ML features either included in service plans or for an additional cost.

We believe Blackbird is a credible “winner” in collaborative video editing because:

- it has the right technology – video files are large, true collaboration is difficult (there are many claims which are only partial solutions), and management of such editing is extremely demanding
- it has strong partners and customers – the group “breathes” the media sector, it has good relationships with key players, and it would be capable of giving a new product a reassuring level of high-end customer endorsement; and
- the group has achieved a key hire in Sumit Rai, an experienced product specialist, who has successfully built and launched VEGAS Pro, an on-premise (non-Cloud) version of what Blackbird is aiming to produce

Blackbird versus the multiple legacy platforms

The table below describes the key elements of a collaborative video editing workflow – importing and managing video content, editing the media, reviewing and approval, playout or distribution to other platforms, and finally storage for future use. As you can see, there are a number of providers of each element, many of them extremely complex and arguably “over-specced”. A well-designed and sleek platform could perform each role in a seamless and joined-up way, giving the user “every feature they need, and nothing they don’t”.

Exhibit 10: Blackbird vs the multiple legacy platforms

	Services	Legacy editors	Blackbird
Import footage		Cloud services Email links Physical hardware storage	Upload & invite to cloud
Media Management		File storage Meta data tagging Fast search & filter	Cloud file management
Stock Footage & Audio		Stock media website Commissioned piece Audio editors	Built-in stock media
Editing		Main edit Motion & titles	Built-in motion graphics
Review & approval		Frame.io (repetitive workflow)	Built-in real timefeedback
Delivery & distribution		Compressor / encoder etc Photoshop (thumbnails / assets) Upload to various platforms	Built-in delivery
Storage & archive		NAS Cloud Drives / tape / hardware Gone	Built-in project archiving

Source: Company

By holding all the content in one over-arching platform, with editing functionality at its heart, the Blackbird system can offer users a simple yet effective solution to a problem being faced by many organisations.

Target customers – Prosumers and Pro Teams, the Creator economy



1) Prosumer – Creators who earn money from video content

The majority of the target audience is expected to be the ‘prosumer’ market. These are freelance content creators that monetise their content in a variety of ways. For example, a car enthusiast might create video content restoring cars that gets a large following on social media – the “Side Hustle YouTuber” as shown in the example below. The content is owned by the creator, not a media company and the creator will earn directly from a variety of mechanisms such as sponsorship and advertising. To be clear, this is a level up from an individual making hobbyist/“fun” videos to share with friends. A “prosumer” could, however, be a high profile ‘gamer’, someone who makes content about playing video games, possibly in their bedroom, who has hundreds of thousands, if not millions of viewers. The distinction is the number of followers across social media (YouTube, Instagram, Tik Tok etc) the creator has built. These are considered ‘influencers’ or ‘micro influencers’ that corporations actively target to promote products and brands. There are literally hundreds of examples across many different sectors and interests.

Other examples would include new (and very small) media or marketing agencies, who need to offer video as part of their service delivery, or students looking to gain entry to the world of marketing and advertising, who need to learn, often in collaboration with peers or teachers, how to edit and manage video content.

Exhibit 11: “Prosumer” examples

Example Prosumer Personas

 <p>The Side Hustle YouTuber</p> <p>Runs their Youtube channel to augment their main source of income, or amplify an existing business.</p>	 <p>The New Agency Owner</p> <p>Runs their own agency, tackling multiple job types. Creating content for clients full-time.</p>	 <p>The Aspiring Student</p> <p>Student studying film, media or video. Working on personal projects. Eager to enter the industry as a pro.</p>
<p>10k - 150k Youtube followers</p> <p>Working with clients or small team</p> <p>Not tied to specific products</p> <p>Sharing end results important</p>	<p>Growing list of clients</p> <p>Review & approve used daily</p> <p>Still flexible in product choice</p> <p>Cost & speed a priority</p>	<p>Starting to monetise content</p> <p>Working with large groups of peers</p> <p>Totally open to new products</p> <p>Working on multiple computers</p>

Source: Company

According to Wainhouse Research/Tim McQueen, there are estimated to be some 1.7million YouTube channels with more than 10,000 subscribers, and over 10million channels with in excess of 1,000 subscribers – this gives an idea of the potential scale of the market for a software platform that allows better, more collaborative and more-efficient video editing.

2) Pro Teams – employees of SMEs for whom video is suddenly important

The remaining portion of the target audience will be ‘pro teams’, the creative team members within organisations looking to gain traction using content and collaborate with colleagues. Examples would be individuals within corporations (mainly SMEs) who have responsibility for video such as Marketing Directors, Social Media Managers and Creative Leads/Designers.

These are expected to enter via the Pro and Enterprise tiers, enabled by targeting engaged brands with trials, discounts and incentives, with a drive to upsell to the Enterprise tier. The primary channel for acquiring ‘pro teams’ will be the use of SEO and paid search to target professional users, with referral marketing and an early access campaign.

Exhibit 12: “Pro Teams” examples

Example Pro Teams Personas

<p>The Marketing Director</p> <p>Needs to create video assets for both external and internal use on a daily basis.</p> <ul style="list-style-type: none"> Constant critical deadlines Working with multiple colleagues Looking to perfect tech stack Would like to work while travelling 	<p>The Social Media Manager</p> <p>Creating and reviewing short repurposed video clips for social media distribution.</p> <ul style="list-style-type: none"> Daily schedule of content Review & approval needed Wants to increase output speed Asset management a priority 	<p>The Creative Designer</p> <p>Looking to gain traction with team members by expressing creative ideas using video.</p> <ul style="list-style-type: none"> Integrating design with video Delivering ideas to team mates Wants to use video to communicate Must be easy to use
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Source: Company

We believe that the Pro Teams opportunity is vast – millions of small businesses around the world are now turning to video content in areas never before anticipated. The use of video within websites is burgeoning, and with better bandwidth and connectivity available, and the obvious ongoing rise of mobile data availability, video is now the medium of choice for large proportions of advertising and marketing budget. Even businesses with relatively little obvious need for video are now incorporating it into marketing emails, event invitations and general correspondence with customers and prospect. Most of these small businesses, and the “Pro Teams” within them, have relatively little experience of editing software, and could be highly amenable to adopting a new but efficient and effective platform from a technology specialist such as Blackbird.

Well-capitalised, market-leading

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 direct deals and a much larger licensing transaction clearly demonstrate the compelling nature of the technology, in our view. Blackbird is gaining traction and maturity, as evidenced by their blue-chip contract wins, materially boosted by the recent licensing transaction.

Accelerating push into new market areas

Consistent with its strategy, management is accelerating the group's push into new market areas (outside of its existing Media & Entertainment niche) through the launch of a new offering, the Blackbird SaaS platform. This will apply Blackbird's existing technology to commercially attractive sectors, such as the creator economy through the self-service model in the public cloud.

Undeniable scale of new target markets

Even very modest success relative to the undeniable scale of the new target markets would generate very significant revenue relative to Blackbird's current size, and the business has the advantage of a good level of existing revenue, which helps support the investment required.

We believe that the opportunity is clear. Blackbird's products are differentiated, and its existing high-end customer base provides an ideal group of blue-chip references to offer instant credibility in the mass market for video creation and editing.

The outlook for FY23 and beyond is positive, with good upside potential from the EVS licensing deal as it continues to be rolled out. We also look forward with interest to seeing the development, launch and execution of its exciting new proposition, Blackbird SaaS.

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