

Blackbird plc
(the “Company”)

Interim results

Blackbird plc (AIM: BIRD; OTCQX: BBRDF), the technology licensor, developer and seller of the market-leading cloud video editing platform, Blackbird®, announces its interim results for the six months ended 30 June 2023.

Ian McDonough, CEO of Blackbird plc, commented:

“I am delighted to report that there is continued momentum behind our strategic progression to scale the business and the Company is well placed to execute on this with a strong balance sheet. Since we raised funding in December 2021, we have significantly progressed our Creator SaaS strategy and we see this as an exciting route to expand our addressable market and accelerate growth for the Company.

“Although revenue for the period was down 36% on the prior period at £985k, the decrease can be predominantly explained by two non-recurring items earned in H1 2022, being the EVS development fees on our technology licensing deal and the revenues from the global winter games.

“The recent cyclical and structural changes in the Media and Entertainment industry (M&E) have been considerable and impacted the professional Media and Entertainment part of our business, most prominently our deal with A+E Networks, which, as previously announced, was terminated at the end of June 2023. In anticipation of market shifts, we successfully raised money in 2021 to build a product for the Creator space. Therefore, we have reduced headcount in our UK sales and marketing team in order to maximise return on resources by investing in software developers and product specialists.

“Through our core streamlined Blackbird team, now physically located closer to its target market, we are focusing on larger deals and OEM partnerships. Following the delivery of our technology licensing deal at the end of 2022, EVS announced strong interest, at NAB, in their product “IPD VIA Create” which is ‘Powered by Blackbird’. Through our deal structure, if this product is successful, Blackbird will benefit from significantly increased royalty payments.

“The development of the Creator SaaS platform, led by Chief Product Officer, Sumit Rai, has made significant progress and will launch in early 2024. The platform will align us closely with the fast-growing Creator Economy via a self-service SaaS platform. We have attracted world class talent to deliver on this strategy which is underpinned by our proven core patented technology. We are well funded to launch this platform.

“We are very excited about this product and are looking forward to updating investors later this month at our Special Event for investors on 13 September 2023.

Operational highlights (post period)

- Special Event for investors scheduled for 13 September 2023 to update on the progress of our Creator SaaS platform
- New deal signed with a football confederation for use on a high profile regional tournament
- Deal signed with Australian OTT provider for use at the US Open on the back of successful deployments at other tennis majors (see below)

Financial highlights (post period)

- £1,813k* secured revenue for 2023 as at 31 August 2023, down 32% vs prior year (2022 comparative: £2,684k)
- Contracted but unrecognised revenues of £1,997k* as at 31 August 2023 (2022 comparative: £4,047k). £568k relates to 2023 and £815k revenue relates to 2024 and the remainder to 2025 and beyond

* Subject to exchange rate fluctuations

Operational highlights (during the period)

- Creator SaaS strategic validation through quantitative and qualitative research undertaken by the Company
- Direct annual cost savings of £0.5m from reduction of UK based sales and marketing staff. Reinvestment of funds in software development team and product specialists
- Contract terminated by A+E Networks at end of June 2023
- Deal signed with Argentinian station Telefe, part of the Paramount Global group and introduced by the CBS sports team, for football highlights
- One year deal signed with a large Mexican broadcaster via our partner Simplemente
- Deals signed with Australian OTT provider and subsequently used at Roland Garros and then again at Wimbledon
- Further successful renewals with Sky News Arabia, BT and Arsenal
- Increased IP portfolio to 17 patents, with a further 12 pending
- Guest exhibitor on Microsoft's stand at the NAB show in April 2023

Financial highlights (during the period)

- Revenues of £985k for the 6 months to 30 June 2023, down 36% year on year (6 months to 30 June 2022: £1,547k). The majority of the decrease arose from H1 2022 containing non-recurring revenues, being: i) £426k from development services for our first 'Powered by Blackbird' licensing deal; and ii) on the global winter games
- Contracted but unrecognised revenues down 36% year on year to £2,120k as at 30 June 2023 (£3,331k as at 30 June 2022) due to the loss of A+E Networks contract and a year less in the order book on the Company's larger deals
- Increased operating costs, excluding LTIP charge, of £2,422k (6 months to 30 June 2021: £2,113k), driven predominantly by an increase in the team to work on our Creator SaaS product, £142k non-recurring restructuring costs partially offset by higher capitalised development costs
- EBITDA loss of £1,523k (6 months to 30 June 2022: £385k) due to lower revenues and higher operating costs, as described above, and a £353k LTIP credit to the income statement in H1 2022 (2023: £nil) on finalisation of the last LTIP scheme partially offset by a lower share option expense as a result of leavers in the restructuring
- Net loss before tax of £1,617k (6 months to 30 June 2021: £604k) due to lower EBITDA partially offset by higher net financial income
- Cash burn, excluding proceeds from share issues and transfers from short term investments, increased to £1,921k (6 months to 30 June 2022: £1,253k) due to lower revenues and higher staff costs to work on our Creator SaaS product
- Cash and short-term investments of £8,177k (30 June 2022: £11,586k) and no debt

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Blackbird plc

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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 digital distribution, and ultimately results in much more effective monetisation.

Blackbird plc is a licensor of its core video technology under its "Powered by Blackbird" licensing model, enabling video companies to accelerate their path to true cloud business models. Licensees benefit from power and carbon reductions, cost and time savings, lower hardware and bandwidth requirements and easy scalability.

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

Operational review

The Company started 2023 with momentum, specifically:

- 2022 saw record revenues for the 5th consecutive year, up 38% on the previous year;
- a strong balance sheet as a result of a successful fundraising in December 2021, resulting in a 2023 opening cash position of £10.1million;
- successfully execution of the EVS contract with the jointly created product, "IPD VIA Create", being rolled out to a US broadcaster and used at a global sporting event at the end of 2022;
- expansion of our addressable market to prosumers and professional teams with a significant refocussing of the team and key hires in Product, Engineering and Product Marketing to build our Creator SaaS platform; and
- being crowned 'IABM Broadcast / Media Company of the Year' for 2022.

During the period, we reduced headcount in the UK sales and marketing areas in order to focus our resources on product development and maximise the return on investment from our technology. This was also partly driven by the continuing cyclical and structural changes in the M&E industries. These led to major media corporations seeking cost savings which has impacted this part of our business, most prominently our deal with A+E Networks, which, as we announced on 12 May 2023, terminated at the end of June 2023. Through our streamlined team, now located closer to this market, we are focusing on larger deals and OEM partnerships.

The development of the Creator SaaS platform, led by our Chief Product Officer, Sumit Rai, is progressing well. Early access is scheduled for Q4 2023.

Commercial activity during the 6 months under review included:

In OEM:

- EVS announced strong interest in "IPD VIA Create", which is 'Powered by Blackbird', at NAB. As previously explained, our commercial relationship lasts for five years where the Company will financially benefit on the back of the success of the deployment of the product, with the financials underpinned by minimum guarantees; and
- Blackbird was present on Microsoft's stand at NAB, which highlights the pedigree and perception of the Company's brand and product.

In direct deals:

- deal signed with Argentinian station Telefe, part of the Paramount Global group and introduced by the CBS sports team, for football highlights;
- one year deal signed with a large Mexican broadcaster via our partner Simplemente;
- deal signed with Australian OTT platform for use on Roland Garros. They also used us again at Wimbledon and the US Open (post period); and
- successful renewals with Sky News Arabia, BT and Arsenal.

Financial review

Revenue decreased by 36% to £985k for the six-month period compared to the corresponding period last year (six months to 30 June 2022 £1,547k). The majority of the decrease can be explained by two non-recurring items earned in H1 2022 - firstly £426k from development services for our technology licensing deal with EVS, and secondly the licence fees earned from the global winter games. As described above, the cyclical and structural changes within the M&E industries have impacted growth in this area of the business.

Contracted but unrecognised revenue was £2,130k at 30 June 2023, a decrease of 36% compared to 30 June 2022 due to the A+E Networks termination and one year less in the order book on our larger deals.

Operating costs, excluding LTIP charges, for the period grew to £2,424k versus £2,113k in the corresponding period last year reflecting an increase in: i) £965k costs associated with our Creator SaaS platform (2021: £183k); and ii) non-recurring restructuring costs of £142k offset by higher development costs being capitalised during the period (£734 vs £176k in the prior period) with the increase being predominantly driven by the additional work on Creator SaaS compared to prior period. As previously announced, the restructuring of the business that occurred in the period will lead to annual savings of c.£500k.

Adjusted EBITDA loss, excluding share option costs and LTIP provision movement, of £1,513k (6 months to 30 June 2022: £637k) from lower revenues and higher operating costs.

EBITDA loss of £1,523k (6 months to 30 June 2022: £385k) due to the movement in Adjusted EBITDA loss, excluding share option costs and no LTIP movement in the period (6 months to 30 June 2022: LTIP credit of £353k on closure of the last LTIP period) and £88k lower share option expense in the period compared to prior year driven by the restructuring of the business.

The net loss for the period was £1,617k (2022: £603k). Lower EBITDA was partially offset by increased net financial income from higher interest rates compared to the prior period.

Cash burn in the period, excluding proceeds from share issues and transfers from short-term investments, was £1,921k versus £1,253k in the same period in 2022 driven by lower revenues and higher staff costs including for Creator SaaS, as explained above.

Outlook

There is continued momentum behind our strategic progression to scale the business and the Company's balance sheet is strong with £8,177k of cash and short-term investments and no debt at the end of June 2023.

The Company continues to focus on large scale deals for the Blackbird platform and 'Powered by Blackbird' with the aim of producing a positive net contribution from this division. Additionally, the demands of our existing and new customers will continue to drive innovations in our technology.

Significant progress continues on our Creator SaaS platform, led by a world class team. This builds on our core technology and will expand our addressable market. This product represents an exciting future for the Company and our strong balance sheet will enable us to launch it. Regular updates will be provided to shareholders, including a special event on 13 September 2023, ahead of an expected launch in early 2024.

UNAUDITED AND CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | Unaudited Half year to 30 June 2023 £ | Unaudited Half year to 30 June 2022 £ | Audited Year to 31 December 2022 £ |
|--|---|---|--|
| CONTINUING OPERATIONS | | | |
| Revenue | 985,115 | 1,546,544 | 2,847,202 |
| Cost of Sales | (76,268) | (70,886) | (143,149) |
| GROSS PROFIT | 908,847 | 1,475,658 | 2,704,053 |
| Operating costs excluding LTIP provision | (2,421,622) | (2,112,728) | (4,509,938) |
| ADJUSTED EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION, EMPLOYEE SHARE OPTION COSTS AND LTIP PROVISION (Adjusted EBITDA pre LTIP) | (1,512,775) | (637,070) | (1,805,885) |
| Decrease in LTIP provision | - | 350,431 | 350,431 |
| Employee share option costs ¹ | (10,028) | (98,356) | (168,981) |
| EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION (EBITDA) | (1,522,803) | (384,995) | (1,624,435) |
| Depreciation | (87,358) | (68,169) | (144,677) |
| Amortisation | (163,564) | (192,542) | (383,330) |
| | (250,922) | (260,711) | (528,007) |
| OPERATING LOSS | (1,773,725) | (645,706) | (2,152,442) |
| Net Finance income | 156,275 | 42,015 | 141,414 |
| LOSS BEFORE INCOME TAX | (1,617,450) | (603,691) | (2,011,028) |
| Income Tax | - | - | 94,178 |
| LOSS FOR THE PERIOD | (1,617,450) | (603,691) | (1,916,850) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | (1,617,450) | (603,691) | (1,916,850) |
| Earnings per share expressed in pence per share: Basic and diluted – continuing and total operations | (0.44p) | (0.16p) | (0.52p) |

¹ Employee share option costs were shown below Earnings before interest, taxation, depreciation & amortization in the Interim results for the period ending 30 June 2022

UNAUDITED AND CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

| | Unaudited 30 June 2023 £ | Unaudited 30 June 2022 £ | Audited 31 December 2022 £ |
|-------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Other intangible assets | 1,904,198 | 1,178,891 | 1,270,231 |
| Property, plant and equipment | 149,128 | 221,589 | 202,204 |
| | 2,053,326 | 1,400,480 | 1,472,435 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 415,339 | 639,497 | 863,211 |
| Current tax assets | 0 | 32,167 | 94,178 |
| Short-term investments | 2,653,780 | 6,684,825 | 4,366,342 |
| Cash and bank balances | 5,523,638 | 4,901,435 | 5,732,350 |
| | 8,592,757 | 12,257,924 | 11,056,081 |
| TOTAL ASSETS | 10,646,083 | 13,658,404 | 12,528,516 |
| EQUITY | | | |
| Issued share capital | 2,941,044 | 2,940,524 | 2,941,044 |
| Share premium | 34,038,746 | 34,034,228 | 34,038,746 |
| Capital contribution reserve | 125,000 | 125,000 | 125,000 |
| Retained earnings | (27,512,196) | (24,662,240) | (25,904,774) |
| | 9,592,594 | 12,437,512 | 11,200,016 |
| NON-CURRENT LIABILITIES | | | |
| Lease & License | - | 85,543 | 29,783 |
| | - | 85,543 | 29,783 |
| CURRENT LIABILITIES | | | |
| Lease | 77,100 | 91,572 | 106,162 |
| Trade and other payables | 976,389 | 1,043,777 | 1,192,555 |
| | 1,053,489 | 1,135,349 | 1,298,717 |
| TOTAL LIABILITIES | 1,053,489 | 1,220,892 | 1,328,500 |
| TOTAL EQUITY AND LIABILITIES | 10,646,083 | 13,658,404 | 12,528,516 |

**UNAUDITED AND CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

| | Called up share capital | Share premium | Capital contribution reserve | Retained earnings | Total equity |
|--|----------------------------|---------------|------------------------------------|-------------------|--------------|
| | £ | £ | £ | £ | £ |
| Balance at 1 January 2022 | 2,940,524 | 34,034,228 | 125,000 | (24,156,905) | 12,942,847 |
| Issue of share capital | - | - | - | - | - |
| Share based payment | - | - | - | 98,356 | 98,356 |
| Total comprehensive income | - | - | - | (603,691) | (603,691) |
| Balance at 30 June 2022 | 2,940,524 | 34,034,228 | 125,000 | (24,662,240) | 12,437,512 |
| Changes in equity | | | | | |
| Issue of share capital (net of expenses) | 520 | 4,518 | - | - | 5,038 |
| Share based payment | - | - | - | 70,625 | 70,625 |
| Total comprehensive income | - | - | - | (1,313,159) | (1,313,159) |
| Balance at 31 December 2022 | 2,941,044 | 34,038,746 | 125,000 | (25,904,774) | 11,200,016 |
| Changes in equity | | | | | |
| Issue of share capital | - | - | - | - | - |
| Share based payment | - | - | - | 10,028 | 10,028 |
| Total comprehensive income | - | - | - | (1,617,450) | (1,617,450) |
| Balance at 30 June 2023 | 2,941,044 | 34,038,746 | 125,000 | (27,512,196) | 9,592,594 |

**UNAUDITED AND CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

| | Unaudited Half year to 30 June 2023 £ | Unaudited Half year to 30 June 2022 £ | Audited Year to 31 December 2022 £ |
|---|---|---|--|
| EBITDA | (1,522,803) | (384,995) | (1,624,435) |
| Decrease in LTIP provision | - | (350,431) | (350,431) |
| Employee share option costs | 10,028 | 98,356 | 168,981 |
| (Increase) / Decrease in working capital | 290,204 | (360,824) | (388,841) |
| Cash used in operations | (1,222,571) | (997,894) | (2,194,726) |
| Interest paid on lease liabilities | (2,158) | (4,363) | (7,692) |
| Tax received | 94,178 | - | 32,166 |
| Net cash outflow from operating activities | (1,130,551) | (1,002,257) | (2,170,252) |
| Cash flows from investing activities | | | |
| Payments for intangible fixed assets | (809,906) | (183,947) | (470,200) |
| Payments for property, plant and equipment | (34,280) | (33,103) | (90,226) |
| Transfer from / (to) short-term investments | 1,712,562 | (2,515,639) | (197,156) |
| Interest received | 102,089 | 14,651 | 82,041 |
| Net cash inflow / (outflow) from investing activities | 970,465 | (2,718,038) | (675,541) |
| Cash flows from financing activities | | | |
| Share issue (net of expenses) | - | - | 5,038 |
| Payment of lease liabilities | (48,626) | (48,544) | (97,169) |
| Net cash (outflow)/ inflow from financing activities | (48,626) | (48,544) | (92,131) |
| Decrease in cash and cash equivalents | (208,712) | (3,768,839) | (2,937,924) |
| Cash and cash equivalents at beginning of period | 5,732,350 | 8,670,274 | 8,670,274 |
| Cash and cash equivalents at end of period | 5,523,638 | 4,901,435 | 5,732,350 |

**NOTES TO THE UNAUDITED AND CONDENSED CONSOLIDATED INTERIM ACCOUNTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

1. Basis of preparation and accounting policies

These interim statements have been prepared on a basis consistent with International Financial Reporting Standards (IFRS). They do not contain all of the information required for full financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2022. These interim financial statements do not constitute statutory accounts within the meaning of the Companies Act.

The interim financial information has not been audited. The interim financial information was approved by the Board of Directors on 4 September 2023. The information for the year ended 31 December 2022 is extracted from the statutory financial statements for that year which have been reported on by the Company's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under s498 (2) or 498(3) of the Companies Act 2006.

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its financial statements for the year ended 31 December 2022.

2. Divisional breakdown

| | Enterprise Unaudited Half year to 30 June 2023 | Corporate Unaudited Half year to 30 June 2023 | Creator SaaS Unaudited Half year to 30 June 2023 | Total Unaudited Half year to 30 June 2023 |
|--|---|---|---|--|
| | £ | £ | £ | £ |
| CONTINUING OPERATIONS | | | | |
| Revenue | 985,115 | - | - | 985,115 |
| Cost of Sales | (76,268) | - | - | (76,268) |
| GROSS PROFIT | 908,847 | - | - | 908,847 |
| Operating costs excluding LTIP provision | (1,351,015) | (566,219) | (504,388) | (2,421,622) |
| Adjusted EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION, EMPLOYEE SHARE OPTION COSTS AND LTIP PROVISION (Adjusted EBITDA before LTIP and share option costs) | (442,168) | (566,219) | (504,388) | (1,512,775) |
| LTIP Provision | - | - | - | - |
| Employee share option costs | - | (10,028) | - | (10,028) |
| EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION (EBITDA) | (442,168) | (576,247) | (504,388) | (1,522,803) |