

Corporate

 Current price **9.5p**

 Sector **AIM**

 Code **BIRD.L**

 Listing **TMT**

Share Performance



% change	1m	3m	12m
BIRD.L	-30.8	+44.0	-55.0

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **34.9**

 Shares in issue (m) **368.3**

52 weeks (p)	High	Low
	20.0	5.75

 Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

Stephen Streater 17.05%

Premier Miton Group 16.96%

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)

Approaches launch of Creator SaaS Product

Blackbird plc (BIRD.L) has reported solid interim results, with revenue for the period at £985k, down 36% largely due the previously flagged non-recurring items in the corresponding period, comprising the EVS development fee and revenue from the global winter games. Good progress has been made on its strategic progression, with the continued roll-out by EVS of 'Powered by Blackbird' (PBB), expected to translate into revenue for Blackbird through its royalty deal structure. Major cyclical and structural changes in the Media and Entertainment (M&E) industry have created a hiatus across the sector, with end customers rationalising supplier bases and cost cutting. This has impacted Blackbird's M&E, including the termination of the A+E Networks deal. Following their fundraise in December 2021, Blackbird has been building a creator SaaS product to align itself to the large and fast-growing Creator Economy sector and Blackbird Creator SaaS platform is expected in early 2024. This will allow Blackbird to capitalise on its technological lead, through the vast expansion of its addressable market. Blackbird enters the second half with good momentum and order book, supported by a healthy balance sheet including £8.1m in cash. The progress made on the Creator SaaS is an exciting development and we look forward to the expected showcase later this month.

- H1 highlights:** Revenue decreased by 36% to £985k (H1 FY22: £1,547k) due to previously flagged non-recurring items, with the EVS deal contributing £426k in development fees in the previous period and no further revenue from the global winter games. Operating costs increased to £2,424k (H1 FY22: £2,113k) due to investment in R&D and staff, predominantly associated with the Creator SaaS platform. The EBITDA loss increased to £1,523k (H1 FY22: £385k) due to lower revenue and increased costs. Despite the increase in cash burn to £1,921k (H1 FY22: £1,253k) to develop the Creator SaaS product, the balance sheet remains strong with £8,177k of cash and no debt (H1 FY22 £11,586k).
- M&E market:** The structural and cyclical changes in the media sector together with the management's continued focus on aligning with the Creator Economy has led to a rebalancing of internal resource, most notably a reduction in UK sales and marketing staff, expected to yield £500k of annual cost savings.
- Commercial activity:** There has been a termination from A+E networks and in terms of contract wins Argentinian station Telefe and a large Mexican broadcaster, amongst others, were onboarded in the period. Highlights also include further renewals with Sky News Arabia, BT and Arsenal and a deal with an Australian OTT provider for use at the French Open and Wimbledon.
- Public Cloud Creator SaaS strategy:** There has been an increased focus and new hires in the software development and product specialist teams. The 'Blackbird Creator SaaS' platform is expected to be launched early 2024, which will widen the addressable market and accelerate sales growth through the self-service model. The development led by Sumit Rai is progressing well, with a showcase planned later this month.

Blackbird's proven technology provides instant credibility ahead of entering the mass market for video creation and editing. 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	1,077.6	1,567.1	2,066.3	2,847.2
GROSS MARGIN (%)	85.0	89.6	92.5	95.0
EBITDA	-1,772	-1,416	-1,554	-1,624
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	8,177
DEFERRED REV & CON. ORDER BOOK	1,881	1,931	3,732	2,130

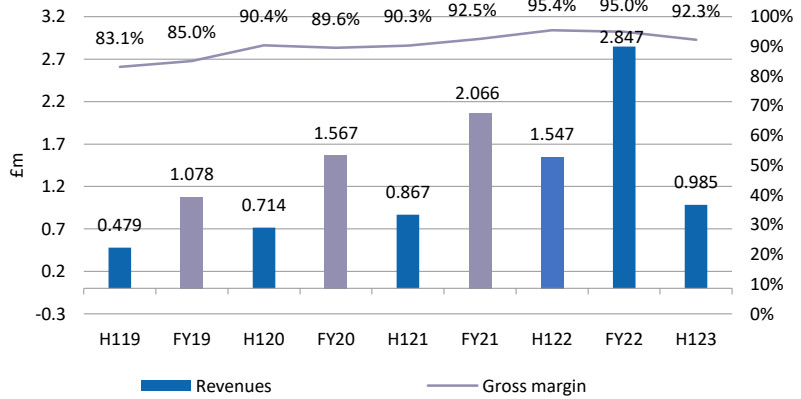
Source: Company; Allenby Capital. Allenby Capital acts as Nomad & Broker to Blackbird plc (BIRD.L).

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Financial highlights

Revenue decreased by 36% to £985k (H1 FY22: £1,547k), as the EVS ‘Powered by Blackbird’ licensing deal contributed £426k in development fees in the comparable period, coupled with one off licence fees for the global winter games.

Exhibit 1: Revenue and Gross Margin progression 2019 to 2023



Source: Company Data, Allenby Capital

Operating costs increased to £2,424k (H1 FY22: £2,113k) due to investment in R&D and staff, predominantly associated with the Blackbird SaaS platform (£965k) and non-recurring restructuring costs of £142k, offset by higher development costs being capitalised of £734k (H1 FY22: £176k). The EBITDA loss increased to £1,523k (H1 FY22: £385k) due to lower revenue and increased costs. The comparable period also benefitted from a £353k LTIP credit. The adjusted EBITDA loss was £1,523k (H1 FY22: £637k).

Despite the increase in cash burn to £1,921k (H1 FY22: £1,253k) to develop the Creator SaaS product, the balance sheet remains strong with £8,177k of cash and no debt (H1 FY22 £11,586k).

Contracted but unrecognised revenue was £2,130k at 30 June 2023, a decrease of 36% on the previous period due to the A+E Networks termination.

Exhibit 2: Contracted but unrecognised revenue by year of recognition at 30.06.22 and 30.06.23



Source: Company Data, Allenby Capital

Strategy on track

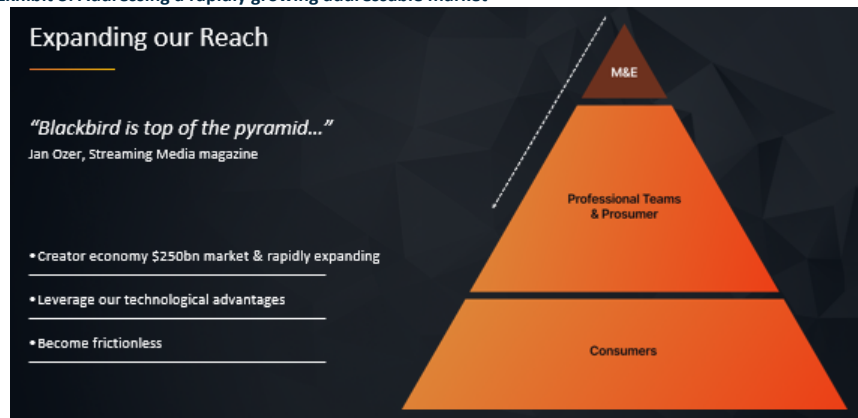
Blackbird has a world-leading platform for cloud-native video editing, that allows users in multiple end locations to perform professional browser-based editing and publishing. Blackbird has entered 2023 with good momentum and progress against its first ‘Powered by Blackbird’ (PBB) licensing deal, following the launch of IPD-VIA Create in late 2022 by EVS. This is a long-term strategic deal with considerable upside potential with a revenue share of any seat sold plus a fee for every additional channel provisioned.

Blackbird has also continued to successfully sell its platform directly, with customers gained in the year including Argentinian station Telefe, part of the Paramount Global group, and a large Mexican broadcaster. Highlights also include further renewals with Sky News Arabia, BT and Arsenal and a deal with an Australian OTT provider, for use at the French Open and Wimbledon.

Evolving the product portfolio

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 SaaS offering, initially targeting the small business and prosumer marketplaces. Following a fundraise for this product in December 2021, an experienced core team with a track record in scaling tech businesses has been hired to design, build and roll out the new platform. This includes Sumit Rai, Chief Product Officer, who joined from Vegas Pro, one of the world’s leading editing platforms.

Exhibit 3: Addressing a rapidly growing addressable market



Source: Company Data, Allenby Capital

Outlook, order book and opportunity

We expect the next year to be pivotal in terms of positioning the business to address a wider market and accelerate sales growth through the self-service model. The Creator SaaS platform is expected to be launched early 2024.

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 the Creator SaaS platform would dwarf the current performance of the business and would be likely to drive material shareholder value.

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

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