

Corporate

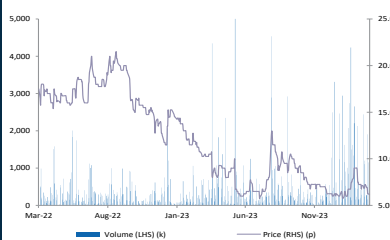
Current price **6.25p**

Sector **TMT**

Code **BIRD.L**

Listing **AIM**

Share Performance



% Change **1m 3m 12m**

BIRD.L -31.6 -1.5 -40.0

Source: Thomson Reuters, Allenby Capital

Share Data*

Market Cap (£m) **23.0**

Shares in issue (m) **368.4**

52 weeks (p) **High Low**

13 5.75

Financial year end **31 December**

Source: Company Data, Allenby Capital. * Pre-placing

Key Shareholders*

Stephen Streater **17.0%**

Premier Miton Group **15.7%**

Ian McDonough & family **7.7%**

Chelverton Asset Management **4.4%**

Schroder Inv. Management **3.3%**

Source: Company Data, Allenby Capital. * Pre-placing

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Blackbird plc (BIRD.L)

Approaches general release of Creator SaaS Product

FY23 results (December) from Blackbird plc (BIRD.L) were closely aligned with guidance given at September's Interims, with an adjusted EBITDA loss of £2.3m (FY22: £1.8m) and revenue for the period, down 32% to £1.9m. As previously flagged, this fall is due to non-recurring items in FY22, and structural changes in the Media and Entertainment (M&E) industry. Despite these challenges, Blackbird has an excellent pedigree and reputation in the Sports and News video editing market, with its platform used in most major sporting events in 2023, including the Women's World Cup, Rugby World Cup, Ryder Cup, Superbowl and all the tennis majors. A new contract has also been secured with an OEM partner for use at the global summer games in 2024. Very importantly, 2023 has been a year of significant progress on the direct to creator SaaS product, *elevate.io*, which is due to transition from early access to general release at the end of March 2024. Blackbird announced a successful placing on February 29th to raise £1.05m to help grow *elevate.io*. We look forward to further progress as the *elevate.io* gains commercial traction. This will align Blackbird with fast-growing Creator Economy sector capitalising on its technological lead with an 'early to market' offering that will significantly expand its addressable market.

— **Transformational 2023:** Blackbird has increased its focus on the prosumer/creator market, developing a standalone self-service SaaS web-based platform, built on its core technology to address a wider and fast-growing market. 2023 has been a year of transformation in this respect, with general release expected in March 2024. The creator tools and services market is forecast to grow to \$181bn by 2033, a CAGR of 27% according to the 2021 Benchmark report. Goldman Sachs has also recently forecast that the overall creator economy will double in size from \$250bn to \$500bn by 2027.

— **FY23 financial highlights:** Revenue decreased 32% to £1.9m (FY22: £2.8m) due to non-recurring items, comprising the EVS development fee, revenue from the global winter games and the termination of the A+E Networks deal, concluded at the end of June 23. Operating costs pre-capitalisation increased to £5.7m (FY22: £5.0m) predominantly associated with development work on *elevate.io*, with overall operating costs (pre LTIP) lower at £4.1m (£4.5m). The adjusted EBITDA loss increased to £2.3m (FY22: £1.8m) with lower revenue partially offset by lower operating costs.

— **Balance sheet strength:** Despite the increase in cash burn in FY23 to £3.8m (FY22: £2.7m), Blackbird finished the year with £6.5m of cash and short-term investments (FY22 £10.1m). Blackbird raised £1.1m (gross) at 6.0p per share, a 13% discount. The proceeds will be used to drive growth and adoption of *elevate.io*. and further bolster cash.

Blackbird has made huge progress on its direct to creator Blackbird SaaS platform, *elevate.io*. Its proven technology provides instant credibility ahead of entering the mass market for video creation and editing. We look forward to the general launch of this exciting new proposition, expected at the end of March 2024.

Year End: 31 December

| (£'000) | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------------|--------|--------|--------|--------|--------|
| REVENUE | 1,077 | 1,567 | 2,066 | 2,847 | 1,937 |
| GROSS MARGIN (%) | 85.0 | 89.6 | 92.5 | 95.0 | 93.5 |
| EBITDA | -1,772 | -1,416 | -1,554 | -1,624 | -2,343 |
| NET LOSS BEFORE TAX | -2,161 | -1,906 | -2,167 | -2,011 | -2,602 |
| FULLY DILUTED EPS (p) | -0.71 | -0.56 | -0.63 | -0.52 | -0.68 |
| CASH AT YEAR END | 7,965 | 6,546 | 12,839 | 10,099 | 6,468 |
| CONTRACTED BUT UNRECOGNISED REV. | 1,881 | 1,931 | 3,732 | 3,426 | 1,770 |

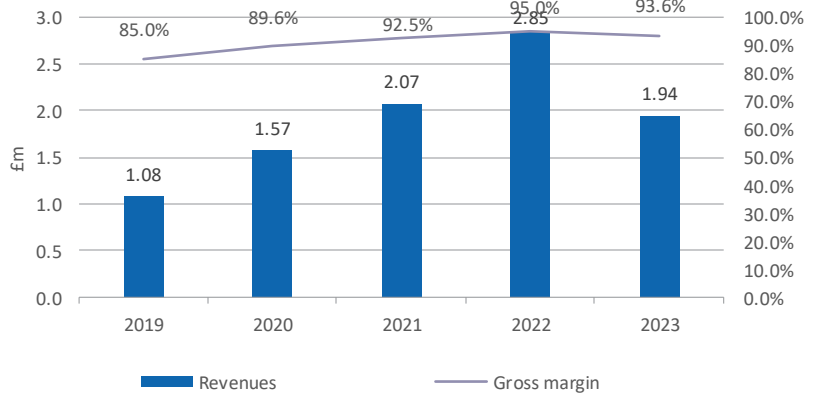
Source: Company; Allenby Capital. Allenby Capital acts as Nomad & Broker to Blackbird plc (BIRD.L).

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

FY23 financial summary

Revenue decreased by 32% to £1,937k (FY22: £2,847k), mainly due to no development fees on technology licensing in 2023, one-off fees on the winter games in 2022 and the loss of the A+E Network contract which concluded in June 23 and NHL deals.

Exhibit 1: Revenue and Gross Margin progression 2019 to 2023

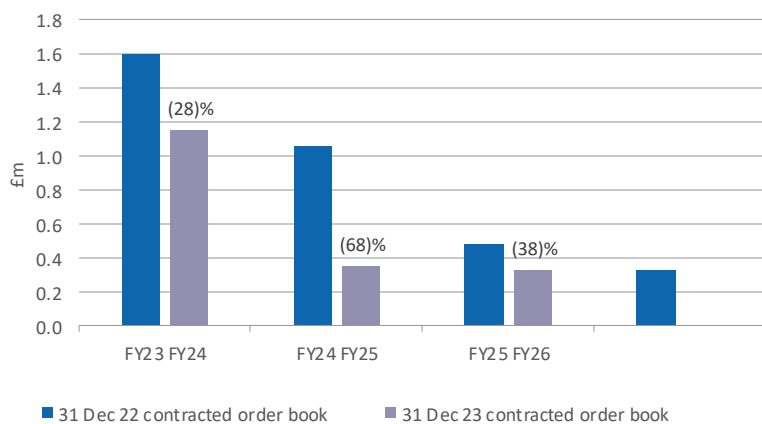


Source: Company Data, Allenby Capital

Operating costs pre capitalisation and LTIP increased to £5,744k (FY22: £4,975k) due to investment in R&D and staff, predominantly associated with the Blackbird SaaS platform. Development costs capitalised were £1,631k (FY22: £458k). The adjusted EBITDA loss increased to £2,301k (£1,806k) with lower revenues partially offset by lower operating costs. Restructuring resulted in annual cost savings of £0.6m due to a reduction of UK based sales and marketing roles. However, funds have been reinvested in the software development team and product specialists.

Despite the increase in cash burn in FY23 to £3,786k (FY22: £2,746k) prior to proceeds from share issues and transfers to short-term investments, the balance sheet remains strong at the year end with £6,468k of cash (FY22 £10,099k). The total order book was £1.8m at 31 Dec 2023, a decrease of 48% on the previous period due to the A+E Networks termination and one year less of major deals.

Exhibit 2: Recognition of the year end contracted but unrecognised revenue at 31.12.22 and 31.12.23



Source: Company Data, Allenby Capital

Year of transformation

2023 has been a significant year of investment and transformation for Blackbird. Consistent with its strategy, management is accelerating the push outside its existing Media & Entertainment niche, into the faster growing Creator economy. This has proved a particularly beneficial move given the cyclical and structural issues within M&E that have impacted the Blackbird FY23 financial performance. Blackbird has entered 2024 with good momentum and progress against its creator SaaS product elevate.io.

Sports and New helping to offset weaker M&E market

Despite challenges within the M&E market, Blackbird remains at the forefront of Sports and News, utilised in prominent sporting events throughout 2023. This included major tournaments such as the Women’s World Cup, the Rugby World Cup, the Ryder Cup, the Superbowl, and all tennis majors. Additionally, a significant deal was secured for the 2024 summer games. Within the News segment, Blackbird continues to collaborate with Blox Digital expanding its reach post the year end, bringing the total to 69 stations.

Exhibit 3: Blackbird trusted on prominent content



Source: Company Data, Allenby Capital

Elevate.io for “prosumers” and “pro teams”

Early to market with elevate.io

The new elevate.io SaaS platform commenced early access in Q4 of 2023 and will begin general release towards the end of Q1 2024. The new platform uses the same core technology as the high-end professional media-focused product. However, with a user-friendly and modern interface, offering high quality, collaborative content creation and distribution to mass markets of “prosumers” and “pro teams” within small businesses.

In many other markets, disruptive cloud-based platforms have experienced staggering growth and outpaced traditional players. Examples in adjacent areas include Figma, a collaborative presentation platform and Canva an online graphic design tool. There is, as yet, no equivalent for cloud-based video editing where elevate.io provides a unique solution and is early to market.

Fundraise for growth

Blackbird raised £1.1m (gross) through an issue of new shares at 6.0p per share, a 13% discount to the closing price on 28 February. The proceeds will be used to increase the investment for growth in elevate.io and further bolster the cash position.

A world-class core team is already in place, including Sumit Rai as Chief Product Officer from Vegas Pro - one of the world’s leading editing platforms. Blackbird has also recently appointed Anne de Kerckhove, bringing a wealth of experience in technology, B2B and B2C SaaS, and helping businesses scale, which will assist in the roll out of elevate.io.

Increasing the Total Addressable Market

Blackbird’s technological lead and ability to scale efficiently are, we believe, limited by concentrating on the Media & Entertainment segment of the professional user market. The opportunity for the technology is much broader, as shown below.

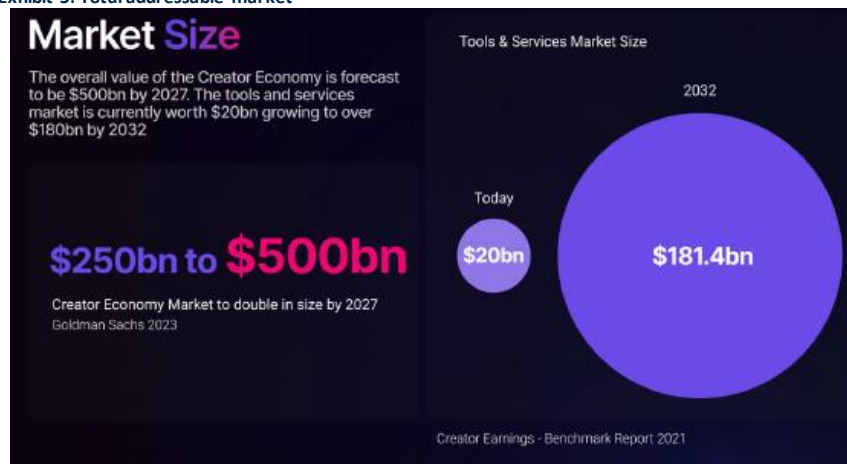
Exhibit 4: Addressing a rapidly growing addressable market



Source: Company Data, Allenby Capital

The M&E space is relatively small with long sales cycles, compared to the Creator Economy which according to Goldman Sachs recent research is a £250bn market and forecast to double in size in 2027. The digital content creation tools and services market is estimated within the Benchmark Report 2021 to be \$20bn in 2022 and forecast to grow to \$181bn by 2032, giving a 25.7% compound annual growth rate.

Exhibit 5: Total addressable market



Source: Company Data, Allenby Capital

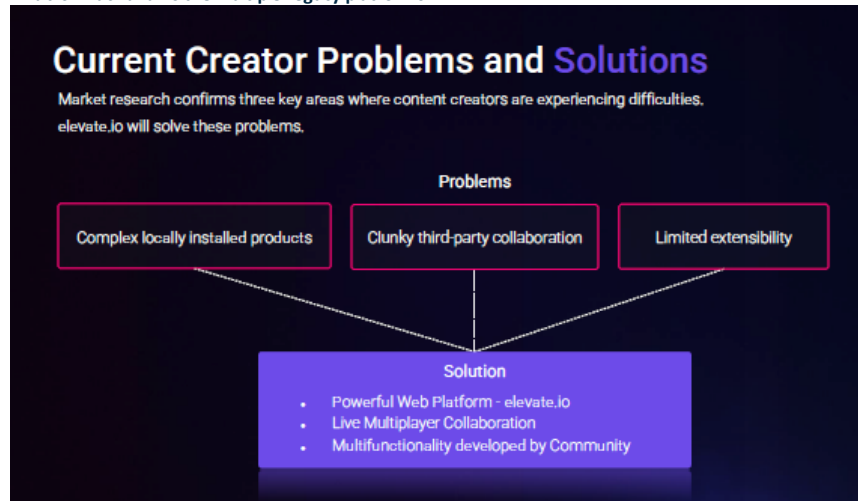
Therefore, Blackbird’s strategy to develop an easy to use, self-service, SaaS version, benefitting from Blackbird’s cloud native technology, previously only available to professionals via the existing Blackbird product, but available to the “Professional teams” and “Creator” customer bases will allow the company to tap into this large and fast-growing market.

Transforming video content creation and distribution

During the year, Blackbird conducted market research with more than 300 people that highlighted three key common problems that creators face in content creation.

- 1) Expensive hardware is usually required for high functionality
- 2) Collaboration is difficult through clunky third-party offerings
- 3) Extensibility limited in terms of third party plug ins e.g. AI, stock libraries, effects

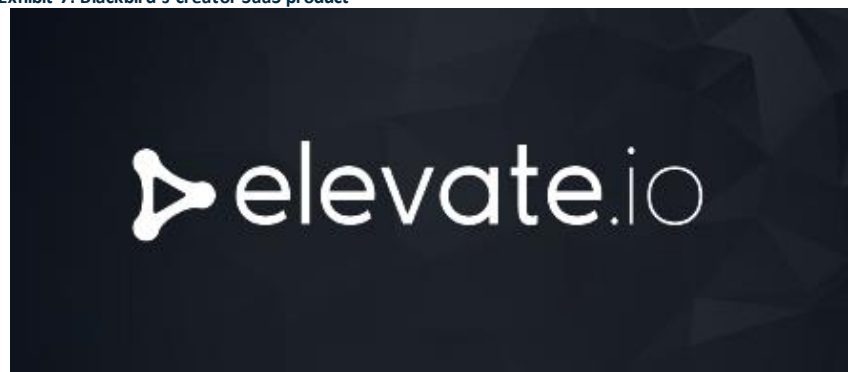
Exhibit 6: Blackbird vs the multiple legacy platforms



Source: Company Data, Allenby Capital

elevate.io is a single platform that simplifies the process of content creation and delivery, enabling creators to collaborate, edit and distribute efficiently. A key feature of the platform, due to its cloud native design, is that it is expandable to provide better in-platform functionality and connectivity to other products, services and collaboration with other users. Over time, it will also incorporate useful AI & ML features either included in service plans or for an additional cost. elevate.io seeks to address the key ‘pain points’ in the video editing market via its powerful web-based platform.

Exhibit 7: Blackbird’s creator SaaS product



Source: Company Data, Allenby Capital

Modelling success – metrics of a SaaS model

Modelling any SaaS business with the potential for viral and organic growth is notoriously difficult. In the table below, we have given some metrics that might accompany a successful product launch – with examples of customer acquisition cost and ARPU (based on a weighted average of the various potential price points for different tiers). Combined with assumptions on average customer contract length, this allows a customer Lifetime Value (LTV) to be calculated.

As long as LTV comfortably exceeds CAC (customer acquisition cost), then a SaaS product merits further investment and marketing – and given the digital nature of both the product sale and the sales/marketing efforts, it should be possible to keep track of the success of the launch from its inception. Clearly these values, and the likely levels of customer uptake for given marketing spends, are extremely difficult to predict, but the table below gives some reassurance that if the assumptions are accurate, then at least each acquired customers is generating value compared to its cost.

Exhibit 8: Metrics attaching to success

| Example metrics of a SaaS revenue model | | | |
|---|-----|---|---------|
| All figures £ except where shown | | | |
| Example assumptions | | | |
| Customer Acquisition Cost (CAC) | 205 | Average customer duration (months) | 36 |
| Average Revenue Per User (per month) | 36 | Total customer Lifetime Value (LTV) | 1325 |
| | | Ratio of LTV : CAC (x) | 6.5 |
| Per £100k marketing spend: | | | |
| Users acquired | 489 | Revenue (at assumed ARPU and duration as above) | 647,902 |

Source: Allenby Capital, Company

In addition to customers acquired through (paid) customer acquisition methods, others come to the product “organically” through word of mouth or some other non-attributable route, or “virally” (through a recommendation or referral link) from an existing customer relationship. These organic and viral routes materially add to the customer numbers in successful models, reducing the effective cost of customer acquisition, and helping drive the success of the platform as Canva, Figma and many others have shown.

As well as the subscription revenue, elevate.io will have the opportunity to generate revenue from other means; such as content distribution through use of its Player or through taking a cut of services sold through the planned marketplace.

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. Consistent with its strategy, management is accelerating the group's push into the fast-growing Creator Economy (outside of its existing Media & Entertainment niche) through the creation of elevate.io, with the official launch expected in Q1 2024.

We expect the next year to be transformational in terms of positioning the business to address a wider market and accelerate sales growth through the self-service model as the product gains commercial traction.

We are not publishing forecasts at this time but will consider revisiting this in future reporting periods. 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. The business has the advantage of a good level of existing revenue which helps support the investment required.

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.

In our view, 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 and pedigree in the mass market for video creation and editing. The group has achieved a key hire in Sumit Rai, an experienced product specialist, who successfully built and launched Kulu Valley, a cloud distribution platform and joined Blackbird after running VEGAS Pro.

We look forward to the general release at the end of this month. Blackbird enters 2024 in a position to capitalise on its capabilities and gain significant commercial traction.

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