blacklinesafety

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Blackline Safety Achieves Record Annual Revenue of $54.3 Million, Up 42% Year-Over-Year

Fourth quarter revenue hits $19.3 million, 67% growth over Q4 2020

Calgary, Canada — January 20, 2022 — Blackline Safety Corp. (TSX: BLN) ("Blackline Safety", "Blackline", the "Company", "we", "us", or "our"), a global leader in connected safety technology with a hardware-enabled software-as-a-service (HeSaaS) business model, today released record annual and fiscal fourth quarter results.

19 consecutive quarters of year-over-year growth

For the fiscal quarter ending October 31, 2021 Blackline achieved a record $19.3 million in total revenue, an increase of 67% compared to the same period last year. Product revenue grew 129% from the prior year's quarter with service revenue up 22% to $8.2 million from $6.7 million, driven by a 20% increase in recurring software services revenue.

Annual 2021 revenue was a record $54.3 million, with product revenue up 93% to $24.8 million and service revenue up 16% to $29.5 million from the prior year.

"Despite a business environment that continues to be challenging, we are seeing a return to our pre-pandemic growth trajectory driven by $11.1 million in product revenue as new device deployments hit record levels and 100%+ customer retention, fuelling our HeSaaS business model," said Cody Slater, CEO and Chair at Blackline Safety.

"These results show that our invest to grow strategy over the past 18 months is now paying dividends. We look forward to seeing the ongoing impact of our enhanced sales, marketing and product capabilities that will continue to strengthen the business and drive growth throughout fiscal 2022 and beyond."

Service revenue momentum continues, up 22% quarter-over-quarter

Product sales alongside strong retention and renewal activity and the Company's entry into the rental market resulted in service revenue increases in the fourth quarter. Total service revenue for the quarter was $8.2 million up 22% from $6.7 million over the prior year quarter. Recurring software services revenue increased 20% over the same period.

Service gross margin percentage[1] improved to 69% in the fourth quarter from 67% in the prior year quarter excluding the impact of the Canadian Emergency Wage Subsidy ("CEWS"). Product gross margin percentage[1], though impacted by ongoing global supply chain challenges, remained strong at 30% with growing sales of the Company's G7 EXO area gas monitor contributing proportionately higher product margin compared to our other connected safety devices. Blackline closed the fourth quarter with cash and short-term investments of $54.5 million and no debt. The Company's cash position enabled it to invest in manufacturing infrastructure and support the working capital required to achieve record product deliveries during the quarter, despite ongoing challenges in the global supply chain.

The Company strengthened its financial position at the end of the fiscal year, closing its bought deal short-form prospectus offering on October 19, 2021, raising gross proceeds of $40 million. Blackline continues to maintain flexibility to support its growth strategies and investments in sales and marketing with an expanded sales network and new digital lead generation capabilities. Our product commercialization will continue to accelerate including the launch of the first of its kind G6 connected personal safety device for the compliance market in July 2022, as well as the next generation of Blackline Live for cloud-based real-time reporting. We are also building toward a 2023 initial product launch of our offering in the light industry and construction market through our Wearable Technologies Limited ("WTL") subsidiary, with a total of $1.5 million expended during the fourth quarter.

"Our Company has continued to demonstrate resiliency through wave after wave of the pandemic, as we find new ways to grow amid tremendous uncertainty and adversity. During this period, we have seen our overall quarterly revenue grow by 127% globally and 176% in our growth markets outside of Canada," added Mr. Slater.

"Thanks to the committed Blackline team worldwide, we are well-positioned to reap the rewards of our strategy to invest in product development, as well as sales and marketing globally—all driven by our corporate purpose to keep workers safe and contribute to digital transformation of the industrial workforce."

Fourth quarter highlights

- Nineteenth consecutive quarter of year-over-year quarterly revenue growth
- Total revenue of $19.3 million, a 67% increase over the prior year's Q4, and 80% in our targeted growth markets outside Canada
- Service revenue of $8.2 million, a 22% increase over the prior year's Q4, comprised of:
    - Software services revenue of $6.8 million, a 20% increase from the prior year's Q4
    - Operating lease revenue of $0.8 million, a 20% decrease from the prior year's Q4
    - Rental revenue of $0.6 million, a 539% increase from the prior year's Q4
- Product revenue of $11.1 million, a 129% increase from the prior year's Q4
- Total revenue grew by 81% in the United States ("US"), 80% in Europe and 66% in Australia, New Zealand and Rest of World compared to the prior year's Q4
- Closed five multi-year agreements with global customers in the turnaround, water and wastewater, utility and defense industries for a combined total contract value of $12.7 million
- Total cash and short-term investments of $54.5 million at October 31, 2021, which was bolstered by the bought deal short-form prospectus offering completed in October 2021 for gross proceeds of $40 million

(1) This press release presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company's performance. Further details on these measures and ratios are included in the "Non-GAAP and Supplementary Financial Measures" section of this press release.

- Expanded globally by opening offices in Houston, Texas and Dubai to service the Company's growing customer segments in the US and the United Arab Emirates ("UAE")
- Expanded our manufacturing capacity in preparation for the launch of the Company's high volume G6 product line

Annual highlights

- Achieved total revenue of $54.3 million, a 42% increase over the prior year, and 59% in our targeted growth markets outside Canada
- Attained service revenue of $29.5 million, up 16% from the prior year, comprised of:
    - Software services revenue of $25.5 million, a 23% increase from the prior year
    - Operating lease revenue of $3.1 million, a 26% decrease from the prior year
    - Rental revenue of $0.9 million, an 87% increase from the prior year
- Realized product revenue of $24.8 million, up 93% from the prior year
- Grew total revenue by 42% in the United States, 88% in Europe and 90% in Australia, New Zealand and Rest of World over the prior year
- Grew future cash flows from customer finance leases by 163% to $18.9 million from $7.2 million year over year
- Graduated to the Toronto Stock Exchange and opened the market on June 11, 2021
- Secured access to a $15 million financing facility from National Bank of Canada supported by Blackline's HeSaaS business model
- Completed first corporate acquisition of WTL, with a focus to expand into the construction and light industrial safety market
- Established new European Union ("EU") based subsidiary and opened a distribution facility in France to provide efficient access to the EU enabling us to better service our European customers
- Published first Environmental, Social and Governance report, underlining our commitment to sustainability in our business and our communities
- Grew and realigned our leadership team to support the Company's strategic objectives with the new appointments of our Chief Technology Officer and Chief Marketing Officer and the addition of two board members

Post-quarter highlights

- Secured a contract with a new major US energy customer for a total contract value of $4.3 million
- Presented connected worker innovations as a featured exhibitor at ADIPEC Exhibition in Abu Dhabi
- Recognized on Deloitte's Enterprise Fast 15 as the 9th fastest growing enterprise company in Canada with 230% revenue growth over the last three years
- Named as a preferred vendor for Royal Dutch Shell in a three-year global framework agreement to supply connected worker solutions enterprise-wide
- Closed our previously announced agreement to secure a facility in Dubai, UAE

Financial highlights

The subsequent values in this news release are in thousands, except for percentages and per share data.

	Three-months ended October 31			Year ended October 31		
	2021	2020	Change	**2021**	2020	Change
	$	$	%	**$**	$	%
Revenue	**19,266**	11,550	67	**54,312**	38,377	42
Gross margin	**9,019**	6,510	39	**26,394**	20,188	31
Gross margin percentage(1)	**47%**	56%	(9)	**49%**	53%	(4)
Net loss	**(9,606)**	(1,804)	432	**(33,305)**	(8,021)	315
Loss per common share	**(0.18)**	(0.03)	500	**(0.67)**	(0.16)	319
EBITDA(1)	**(8,157)**	(701)	(1,064)	**(28,235)**	(4,084)	(591)
EBITDA per common share(1)	**(0.15)**	(0.01)	1,400	**(0.57)**	(0.09)	533
Adjusted EBITDA(1)	**(3,479)**	2,234	(256)	**(9,921)**	5,591	(277)
Adjusted EBITDA per common share(1)	**(0.06)**	0.04	(250)	**(0.20)**	0.12	(267)

(1) This press release presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company's performance. Further details on these measures and ratios are included in the "Non-GAAP and Supplementary Financial Measures" section of this press release.

Key Financial Information

Fourth quarter revenue was $19,266 an increase of 67% from $11,550 in the comparable quarter of the prior fiscal year, with the US up 81%, being the largest geographic growth region quarter-over-quarter.

Service revenue during the fourth quarter was $8,172, an increase of 22% compared to $6,712 in the same quarter last year. Retention rates of our existing customers across geographic regions and industry sectors remained robust. Service revenue increases within our existing customer base contributed $382 during the quarter. There were also adverse effects of $193 from customers who renewed fewer active devices after experiencing workforce reductions during the last twelve months. In addition, certain customers declined to renew their service plans resulting in a further $25 reduction.

Service revenue for the quarter was positively impacted by the strong industrial turnaround and maintenance season this fall in the US. Several large deployments resulted in rental revenue growth of 539% to $620 from $97 in the prior year quarter as the Company began its entry to that market with its complete suite of connected worker and area monitoring solutions.

Product revenue during the fourth quarter was $11,094, an increase of 129% compared to $4,838 in the prior year quarter, as we saw the beginning of a return to more normal procurement processes, particularly in the US and Europe and continued sales of our new G7 EXO area gas monitors during the quarter. The increase also reflects the Company's investment in its expanded sales network across North America, Europe and other geographies over the last twelve months. Product revenue in the fourth quarter was Blackline's highest ever, with several large contracts realized for two UK water authorities, a Texas-based turnaround service provider, a UK defence contractor, and a US-based natural gas and electric utility company.

Revenue for fiscal 2021 was $54,312 compared to $38,377 in the prior year, with increases of 88% in Europe and 42% in the United States.

Service revenue for the fiscal year was $29,536, an increase of 16% from $25,517 in the prior year. This growth was driven by the software services revenue segment, which increased by 23% to $25,518 from $20,805 in the prior year as a result of new activations of the devices sold to end-users over the past twelve months for customers utilizing the Company's monitoring, HeSaaS and data services.

Rental revenue also increased 87% for the year to $899 from $481 as Blackline's complete suite of connected solutions began to be adopted by several customers for short-term projects especially in the fall turnaround market in the US.

Sales of Blackline's connected safety hardware were $24,776 in the year compared to $12,860 in the prior fiscal year, resulting in a 93% increase which reflects the contribution of the expanded sales team and a reduction of COVID-19 restrictions, allowing more access to customers sites.

Overall gross margin percentage for the fourth quarter was 47%, a 9% decrease to that achieved in the comparable quarter of the prior year driven by a heavier product versus service mix. Service gross margin percentage was 69% in the fourth quarter due to higher overall service volumes, partially offset by higher carrier costs for the connectivity of the Company's devices. Product gross margin percentage decreased to 30% from 40% in the prior year quarter due to increased warranty and scrappage costs, and higher material, supply and freight costs resulting from global supply chain challenges. Excluding the impact of the CEWS, product gross margin percentage was 30% compared to 37% and service gross margin percentage was 69% compared to 67% in the fourth quarter compared to the prior year quarter.

Overall gross margin percentage during the year was 49%, a 4% decrease from the prior year due to the shift in product/service sales mix. This was partially offset by a 4% increase in product gross margin percentage. Product margin in fiscal 2021 improved due to the higher revenues absorbing a greater proportion of fixed material and labor costs as well as a full year of Blackline's new G7 EXO area gas monitor and its associated sales and cost mix compared to Blackline's other connected safety products. Service gross margin percentage remained consistent year-over-year. Excluding the impact of CEWS, product gross margin percentage was 23% compared to 17% and service gross margin percentage was 69% compared to 68% in the current fiscal year compared to the prior year.

Net loss and EBITDA were $9,606 and ($8,157), respectively in the fourth quarter, driven by a 124% increase in total expenses. The increase in the net loss for the quarter was predominately attributable to an increase in general and administrative, sales and marketing, and product research and development costs, primarily as a result of higher salaries expense from additional new hires with reduced CEWS funding of $750.

Net loss and EBITDA were $33,305 and ($28,235), respectively for the year, driven by a 110% increase in total expenses as we invested heavily in our product research and development, sales and marketing, and general corporate efforts during the year.

Adjusted EBITDA was ($3,479) for the fourth quarter compared to $2,234 in the prior year quarter. The decline in adjusted EBITDA in the quarter was primarily attributable to the investments made to grow the business, resulting in an increase in general and administrative and selling and marketing expenses including higher salaries from additional new hires and reduced CEWS funding of $437.

Adjusted EBITDA for the year was ($9,921) compared to $5,591 in the prior year, a decline of 277%. This decline is primarily due to Blackline's focus on expanding its global sales networks with a corresponding increase to its general operations teams to support the continued scaling of the Company during the year.

Blackline's annual audited consolidated financial statements and management's discussion and analysis on financial condition and results of operations for the year ended October 31, 2021 are available on SEDAR under the Company's profile at www.sedar.com. All results are reported in Canadian dollars.

Conference Call

A conference call and live webcast have been scheduled for 11:00 am ET on Thursday, January 20, 2022. Participants should dial 1-800-319-4610 or +1-604-638-5340 at least 10 minutes prior to the conference time. A live webcast will also be available at https://www.gowebcasting.com/11689. Participants should join the webcast at least 10 minutes prior to the conference time to register and install any necessary software. If you cannot make the call live, a replay will be available within 24 hours by dialing in to any of the phone numbers above and entering replaying access code 8253.

About Blackline Safety

Blackline Safety is a global connected safety leader that helps to ensure every worker gets their job done and returns home safely each day. Blackline provides wearable safety technology, personal and area gas monitoring, cloud-connected software and data analytics to meet demanding safety challenges and increase productivity of organizations with coverage in more than 100 countries. Blackline Safety wearables provide a lifeline to tens of thousands of men and women, having reported over 167 billion data-points and initiated over five million emergency responses. Armed with cellular and satellite connectivity, we ensure that help is never too far away. For more information, visit BlacklineSafety.com and connect with us on Facebook, Twitter, LinkedIn and Instagram.

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INVESTOR/ANALYST CONTACT
Cody Slater, CEO
cslater@blacklinesafety.com
Telephone: +1 403 451 0327

MEDIA CONTACT
Christine Gillies, CMO
cgillies@blacklinesafety.com
Telephone: +1 403 629 9434

Non-GAAP and Supplementary Financial Measures

This press release presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company's performance. These measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Management uses these non-GAAP and supplementary financial measures, as well as non-GAAP ratios to analyze and evaluate operating performance. Blackline also believes the non-GAAP and supplementary financial measures defined below are commonly used by the investment community for valuation purposes, and are useful complementary measures of profitability, and provide metrics useful in Blackline's industry.

Throughout this news release, the following terms are used, which do not have a standardized meaning under GAAP.

Non-GAAP Financial Measures

A non-GAAP financial measure: (a) depicts the historical or expected future financial performance, financial position or cash of the Company; (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most comparable financial measure presented in the primary consolidated financial statements; (c) is not presented in the primary financial statements of the Company; and (d) is not a ratio.

Non-GAAP financial measures presented and discussed in this news release is as follows:

"EBITDA" is useful to securities analysts, investors and other interested parties in evaluating operating performance by presenting the results of the Company on a basis which excludes the impact of certain non-operational items. EBITDA refers to earnings before interest expense, interest income, income taxes, depreciation and amortization.

"Adjusted EBITDA" is useful to securities analysts, investors and other interested parties in evaluating operating performance by presenting the results of the Company on a basis which excludes the impact of certain non-operational items, product development costs related to new and existing products, which enables the primary readers of the MD&A to evaluate the results of the Company such that it was operating without any expenditures in product development, and certain non-cash and non-recurring items, such as stock compensation expense, that the Company considers appropriate to adjust given the irregular nature and relevance to comparable companies. Adjusted EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, product development costs and non-recurring impact transactions, if any. The Company considers an item to be non-recurring when a similar revenue, expense, loss or gain is not reasonably likely to occur within the next two years or has not occurred during the prior two years.

Reconciliation of non-GAAP financial measures	**Three-months ended October 31,**			**Year ended October 31,**		
000s	**2021 $**	2020 $	Change %	**2021 $**	2020 $	Change %
Net loss	**(9,606)**	(1,804)	432	**(33,305)**	(8,021)	315
Depreciations and amortization	**1,428**	1,094	31	**5,055**	4,159	22
Finance income, net	**(31)**	(77)	(60)	**(173)**	(327)	(47)
Income tax	**52**	86	(40)	**188**	105	79
EBITDA	**(8,157)**	(701)	(1,064)	**(28,235)**	(4,084)	(591)
Product research and development costs, net of depreciation, amortization and stock-based compensation expense(1)	**4,274**	2,746	56	**15,111**	8,588	76
Stock-based compensation expense(2)	**404**	189	114	**2,539**	1,298	96
Other non-recurring impact transactions	**-**	-	-	**664**	(211)	(415)
Adjusted EBITDA	**(3,479)**	2,234	(256)	**(9,921)**	5,591	(277)

(1) Product research and development costs exclude depreciation and amortization, as well as stock-based compensation relating to product research and development is excluded and adjusted in the subsequent line as defined below.

(2) Stock-based compensation expense relates to the Company's stock compensation plan and stock option expense extracted from cost of sales, general and administrative expenses, sales and marketing expenses and product research and development costs on the consolidated statements of loss and comprehensive loss.

Non-GAAP Ratios

A non-GAAP ratio is a financial measure presented in the form of a ratio, fraction, percentage or similar representation and that has a non-GAAP financial measure as one or more of its components.

Non-GAAP ratios presented and discussed in this news release is follows:

"EBITDA per common share" is useful to securities analysts, investors and other interested parties in evaluating operating and financial performance. EBITDA per common share is calculated on the same basis as net loss per common share, utilizing the basic and diluted weighted average number of common shares outstanding during the periods presented.

"Adjusted EBITDA per common share" is useful to securities analysts, investors and other interested parties in evaluating operating and financial performance. Adjusted EBITDA per common share is calculated on the same basis as net income (loss) per common share, utilizing the basic and diluted weighted average number of common shares outstanding during the periods presented.

Supplementary Financial Measures

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio.

Supplementary financial measures presented and discussed in this news release is as follows:

- **"Gross margin percentage"** represents gross margin as a percentage of revenue
- **"Product gross margin percentage"** represents product gross margin as a percentage of product revenue
- **"Service gross margin percentage"** represents service gross margin as a percentage of service revenue

Note Regarding Forward-Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to, among other things, Blackline Safety's expectation to realize potential from its intended investment in organic growth opportunities in 2022, that Blackline intends to continue to maintain flexibility to maintain its growth strategies and investments in sales and marketing with an expanded sales network and new digital lead generation capabilities, expectations with respect to continuing to accelerate product commercialization, including the launch of the first of its kind G6 connected personal safety device for the compliance market in July 2022, as well as the next generation of Blackline Live, for cloud-based real-time reporting and Blackline's offering for the light industry and construction market through our Wearable Technologies Limited ("WTL"), subsidiary. Blackline provided such forward-looking statements in reliance on certain expectations and assumptions that it believes are reasonable at the time, including expectations and assumptions concerning business prospects and opportunities, customer demands, the availability and cost of financing, labor and services, that Blackline will pursue growth strategies and opportunities in the manner described herein, and that it will have sufficient resources and opportunities for the same, or that other strategies or opportunities may be pursued in the future, and the impact of increasing competition. Although Blackline believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Blackline can give no assurance that they will prove to be correct. Forward-looking information addresses future events and conditions, which by their very nature involve inherent risks and uncertainties, including the risks discussed in Blackline's Management's Discussion and Analysis and annual information form for the year ended October 31, 2021 and available on SEDAR at www.sedar.com. Blackline's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits Blackline will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide readers with a more complete perspective on Blackline's future operations and such information may not be appropriate for other purposes. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and Blackline disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.