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Blackline Safety Reports Fiscal Third Quarter of 2022 Results – Revenue up 46% Year-over-Year to $18.6 Million

- 22nd consecutive quarter of year-over-year revenue growth
- Product revenue of $8.9 million, up 69% year-over-year
- Service revenue of $9.7 million, up 30% year-over-year
- Robust outlook supported by pricing increase, forthcoming cost reductions and recent equity raise

Calgary, Canada — September 14, 2022 — Blackline Safety Corp**.** ("**Blackline**" or the "**Company**") (TSX: BLN)**,** a global leader in connected safety technology, today reported record fiscal third quarter financial results for the period ended July 31, 2022.

Management Commentary

"Our Q3 results reflect our continued success in driving strong revenue growth of 46% to $18.6 million amidst a still challenging operating environment that includes inflationary cost increases and longer cycle times as global supply chain challenges remain," said Cody Slater, CEO and Chair of Blackline Safety. "Revenue growth was primarily driven by another robust quarter of product growth at 69% and service growth accelerated to 30%, our highest quarterly growth of the last two years, as we delivered on numerous deployments during the quarter and our rental business continues to ramp. This service growth demonstrates the attractiveness of our hardware-enabled software-as-a-service business model as our growing customer base deploys more of our devices that utilize our high-margin services. This led to Blackline exiting the quarter with annual recurring revenue of $32.9 million(1)."

"We are also encouraged with our margin performance in Q3 as service margins maintained their strong levels at 70% and hardware margins improved sequentially from 13% to 17% as we continue to proactively seek ways to mitigate elevated component costs and shipping charges. It is important to note that these margins do not reflect any benefit from the approximate 15% pricing increase being implemented in Q4 on both hardware and services. We expect to realize a step-change improvement in our hardware margins in the near-term with the pricing increase, while our service margins should see a steady uplift over the coming quarters as we add new customers and renew existing customers on the new pricing model. Our differentiated product and service offerings along with our net dollar retention (1) of 103% in Q3 give us confidence that the pricing increase will not impact our competitive positioning."

(1) This news release presents certain non-GAAP and supplementary financial measures, including key performance indicators used by management and typically used by companies in the software-as-a-service industry, 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 "Key Performance Indicators," and "Non-GAAP and Supplementary Financial Measures" sections of this news release.

"In terms of our operating costs, we remain confident in our ability to achieve our goal of Q4 operating costs at or below Q2 levels of $21.5 million. Operating costs in Q3 remained elevated, as we incurred total one-time restructuring costs of $1.4 million, including severance and redundancy costs of $0.5 million, associated with our previously announced cost reduction initiatives. While a portion of our operating costs are correlated to revenue and may increase on an absolute basis, we expect Q3 operating costs to be the high-water mark for Blackline as a percentage of sales as we expect to generate improved operating leverage going forward."

"We remain on track to release our G6 product in October to capture the $240 million annual zero-maintenance gas detection market. Early feedback remains positive with high levels of interest, and we look forward to building on this momentum with the launch of the G6 at the NSC Safety Congress & Expo, North America's largest event for workplace safety, next week."

"Lastly, to help bolster our liquidity position amidst an uncertain macro environment, we successfully raised nearly $25 million in gross proceeds through a bought deal financing and concurrent private placement and signed a non-binding term sheet for a new $15 million senior secured operating facility in August. This influx of capital, along with our pricing increases and cost reductions, put us in a strong position to execute on our plans to couple continued robust top-line growth with improved line-of-sight to sustained profitability."

Fiscal Third Quarter 2022 and Recent Financial and Operational Highlights

- Total revenue of $18.6 million, a 46% increase over the prior year's Q3
- Service revenue of $9.7 million, a 30% increase over the prior year's Q3
- Product revenue of $8.9 million, a 69% increase from the prior year's Q3
- Continued strong growth of 75% in the U.S. market compared to the prior year's Q3
- Momentum remains in Canada with 68% growth compared to prior year's Q3
- 64% revenue growth in Rest of World market compared to the prior year's Q3
- Europe's revenue had a decline of 6% compared to the prior year's Q3 as the region underwent its realignment and leadership transition
- Annual recurring revenue(1) growth of 21% year-over-year to $32.9 million
- Implementing approximate 15% pricing increase in hardware and services in Q4
- Generated total gross proceeds of $24.9 million in a bought deal financing and concurrent private placement, closed on August 31, 2022
- Signed non-binding term sheet with ATB Financial for new $15 million senior secured operating facility with a $5 million accordion feature
- Signed three North American energy deals with combined lifetime value of over $10 million, including an almost $7 million deal with a Texas-based oil and gas company
- Selected by Severn Trent, the UK's second biggest water company, for a $2 million connected safety program with potential total value up to $4.2 million

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Financial highlights

	Three-months ended July 31			Nine-months ended July 31		
CAD millions, except for percentage and per share data	2022 $	2021 $	Change %	2022 $	2021 $	Change %
Revenue	18.6	12.7	46	50.9	35.0	45
Gross Margin	8.3	5.9	41	21.7	17.4	25
Gross Margin Percentage	45%	46%	(1)	43%	50%	(7)
Net Loss	(16.3)	(10.3)	59	(43.7)	(23.7)	84
Loss per common share	(0.27)	(0.19)	42	(0.72)	(0.44)	64
EBITDA[(1)]	(14.6)	(8.9)	(63)	(38.8)	(20.0)	(94)
EBITDA per common share[(1)]	(0.24)	(0.16)	(50)	(0.64)	(0.37)	(73)
Adjusted EBITDA[(1)]	(5.7)	(4.5)	(26)	(18.4)	(6.4)	(190)
Adjusted EBITDA per common share[(1)]	(0.09)	(0.08)	(13)	(0.30)	(0.12)	(150)

(1) This news 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

Fiscal third quarter revenue was $18.6 million, an increase of 46% from $12.7 million in the prior year quarter, with Canada up 68%, Rest of World up 64% and U.S. revenues up 75% being the largest geographic growth regions quarter-over-quarter. The increases in each region were assisted by the recovery of the energy sector.

Service revenue during the fiscal third quarter was $9.7 million, an increase of 30% compared to $7.4 million in the prior year quarter. Software services revenue increased 26% to $8.3 million, operating lease revenue decreased 27% to $0.6 million and rental revenue increased 730% to $0.8 million. Retention rates of our existing customers across geographic regions and industry sectors remained robust with net dollar retention of 103% for the quarter. Rental revenue growth continues to be strong as a result of the demand for the Company's complete suite of connected solutions in the industrial turnaround and maintenance market.

Product revenue during the fiscal third quarter was $8.9 million, an increase of 69% compared to $5.3 million in the prior year quarter, which reflects the prior investment in the Company's expanded sales network and global sales team with continued strong demand generation and sales development activities.

Overall gross margin percentage for the fiscal third quarter was 45%, a 1% decrease compared to the prior year quarter driven by a heavier product versus service mix. The decrease in total gross margin percentage is due to the sales mix with product revenue comprising 48% of total revenue in the third quarter of 2022 compared to 42% in the third quarter of 2021. Service gross margin percentage remained consistent at 70% compared to the prior year quarter as service revenue continued to grow, offsetting an increased cost base.

Product gross margin percentage increased to 17% from 13% in the prior year quarter and the fiscal second quarter of 2022 as the Company has been able to mitigate some of the global supply chain challenges that it is has experienced since the third quarter of 2021. Higher sales volumes also contributed to lower unabsorbed overhead costs during the current period. The increase was offset by write-offs of $0.7 million which reduced Product gross margin by 8%.

Net loss and EBITDA were $16.3 million and ($14.6) million, respectively, in the fiscal third quarter, compared to net loss and EBITDA of $10.3 million and ($8.9) million in the prior year quarter. The increased net loss in the periods is due primarily to increases in general and administrative expenses, sales and marketing expenses and product research and development costs, offset by an increase in gross margin. The decrease in EBITDA is primarily due to increases in total expenses and other non-recurring transactions in the third quarter, offset by increased gross margin compared to the prior year comparable period.

Adjusted EBITDA was ($5.7) million for the fiscal third quarter compared to ($4.5) million in the prior year quarter. The decrease in Adjusted EBITDA is a result of increases in general and administrative expenses and sales and marketing expenses, offset by increased gross margin compared to the prior year comparable periods.

At quarter end, Blackline had total cash on hand of $10.5 million and no debt. The decrease in cash and short-term investments is mainly due to increased operating expenses and the Company's investment in the G6 product line launching during the fourth quarter of the year. Blackline has invested $1.6 million in this fiscal year to grow the rental fleet as we have expanded our share of the industrial turnaround market. Subsequent to the end of the period, the company closed a bought deal financing and concurrent private placement, raising gross proceeds of $24.9 million.

Blackline's Interim Condensed Consolidated Financial Statements and Management's Discussion and Analysis on Financial Condition and Results of Operations for the three and nine-months ended July 31, 2022 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 Wednesday, September 14, 2022. Participants should dial 1-800-319-4610 or +1-416-915-3239 at least 10 minutes prior to the conference time. A live webcast will also be available at https://www.gowebcasting.com/12014. 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 dialing 1-800-319-6413 and entering access code 9294.

About Blackline Safety

Blackline Safety is a technology leader driving innovation in the industrial workforce through IoT (Internet of Things). With connected safety devices and predictive analytics, Blackline enables companies to drive towards zero safety incidents and improved operational performance. Blackline provides wearable devices, personal and area gas monitoring, cloud-connected software and data analytics to meet demanding safety challenges and enhance overall productivity for organizations with coverage in more than 100 countries. Armed with cellular and satellite connectivity, Blackline provides a lifeline to tens of thousands of people, having reported over 187 billion data-points and initiated over five million emergency responses. For more information, visit BlacklineSafety.com and connect with us on Facebook, Twitter, LinkedIn and Instagram.

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Non-GAAP and Supplementary Financial Measures

This press release presents certain non-GAAP and supplementary financial measures, including key performance indicators used by management typically used by our competitors in the software-as-a-service industry, 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 and key performance indicators 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.

Key Performance Indicators

The Company recognizes service revenues ratably over the term of the service period under the provisions of agreements with customers. The terms of agreements, combined with high customer retention rates, provides the Company with a significant degree of visibility into near-term revenues. Management uses a number of metrics, including the ones identified below, to measure the Company's performance and customer trends, which are used to prepare financial plans and shape future strategy. Key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

- **"Net dollar retention"** compares the aggregate service revenue contractually committed for a full period under all customer agreements of our total customer base as of the beginning of each period to the total service revenue of the same group at the end of the period. It includes the effect of our service revenue that expand, renew, contract or attrit, but excludes the total service revenue from new activations during the period.

- **"Annual recurring revenue"** is the total annualized value of recurring service amounts (ultimately recognized as software services revenue) of all service contracts at a point in time. Annualized service amounts are determined solely by reference to the underlying contracts, normalizing for the varying revenue recognition treatments under IFRS 15 *Revenue from Contracts with Customers*. It excludes one-time fees, such as for non-recurring professional services, and assumes that customers will renew the contractual commitments on a periodic basis as those commitments come up for renewal, unless such renewal is known to be unlikely.

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 are 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 research and development costs related to new and existing products, which enables the primary readers of the news release to evaluate the results of the Company such that it was operating without any expenditures in product research and 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 July 31			Nine-months ended July 31		
CAD millions	2022 $	2021 $	Change %	2022 $	2021 $	Change %
Net Loss	(16.3)	(10.3)	59	(43.7)	(23.7)	84
Depreciation and amortization	1.7	1.4	30	4.9	3.7	32
Finance income, net	-	-	-	(0.1)	(0.1)	12
Income taxes	-	-	-	0.1	0.1	8
EBITDA	(14.6)	(8.9)	(63)	(38.8)	(20.0)	(94)
Product research and development costs, net of depreciation, amortization and stock-based compensation expense(1)	7.1	4.0	76	18.0	10.8	67
Stock-based compensation expense(2)	0.4	0.4	18	0.8	2.1	(63)
Other non-recurring impact transactions	1.4	-	NM	1.6	0.7	(137)
Adjusted EBITDA	(5.7)	(4.5)	(26)	(18.4)	(6.4)	(190)

(1) Product research and development costs exclude depreciation and amortization, with stock-based compensation relating to product research and development 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.
(3) Other non-recurring transactions includes restructuring costs and acquisition expenses.
NM – Not meaningful

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 news 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 of deployments being completed in the second half of the year, that the appointment of our Chief Growth Officer will help drive improved operating performance across our regions, including Europe; the evaluation of additional focused measures to optimize operating performance and accelerate timeline to profitability; the forthcoming G6 launch to disrupt the zero maintenance gas detection industrial market, the timeline of launch, and confidence in the potential for the product and service to take share in their respective market. 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.