MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED OCTOBER 31, 2023

blacklinesafety

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Notice

This Management's Discussion and Analysis ("MD&A") should be read together with Blackline Safety Corp.'s ("Blackline Safety", "Blackline", the "Corporation", the "Company", "we", or "our") audited consolidated financial statements and accompanying notes, prepared in accordance with IFRS Accounting Standards, for the years ended October 31, 2023 and 2022. Additional information relating to the Company, including its audited consolidated financial statements for the year ended October 31, 2023, and its most recently completed Annual Information Form, is available on our website at www.blacklinesafety.com/investors/ and can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca under Blackline Safety Corp.

This MD&A is presented as of January 17, 2024. All financial information contained herein is expressed in Canadian dollars, the Company's presentation currency, unless otherwise indicated. All figures in the MD&A are reported in thousands, except for per share, stock option, common share, and percentages.

This MD&A 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 standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP financial measures, ratios and supplementary financial measures include EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization), Adjusted EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, foreign exchange loss (gain), and non-recurring impact transactions, if any), EBITDA per common share, Adjusted EBITDA per common share, gross margin percentage and other supplementary financial measures. See "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further information.

This MD&A contains company names, product names, trade names, trademarks and service marks of Blackline and other organizations, all of which are the property of their respective owners. Solely for convenience, Blackline's trademarks and trade names referred to in this MD&A may appear without the ® or ™ symbols, or other applicable symbols, but such references are not intended to indicate, in any way, that Blackline will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

Overview

Founded in 2004 and headquartered in Calgary, Canada, Blackline Safety is a hardware-enabled software as a service ("HeSaaS") technology company that is focused on bringing connected worker solutions to the global marketplace. Blackline develops, manufactures and markets a complete suite of safety devices and cloud-connected services to protect workers at their jobs and support businesses undergoing digital transformation.

Blackline's technology empowers businesses with real-time safety insights to manage emergency responses and evacuations, proactively manage gas detection compliance and increase operational efficiency. When seconds count, Blackline's connected technology enables a live monitoring team to deliver help directly to an employee in the shortest amount of time — to the worker's exact location.

Leveraging Blackline's ecosystem of connected safety devices and cloud software, businesses are empowered to increase operational performance through business analytics software and data science services known as Blackline Vision, adding value from the data generated by G6 and G7 safety wearables, G7 EXO area monitors and software. Productivity gains are achieved through employee movement pattern analysis, heat-mapping environmental gas leaks, viewing resource utilization, automating safety compliance reporting, wireless configuration management and interactive reporting.

Blackline's lineup of G7 safety wearables connect to the Blackline cloud using either cellular (G7c) or satellite (G7x) connectivity. Live-alerts are generated by monitoring personnel by pinpointing the employee's location on an interactive map using GPS or Blackline's proprietary location beacons. Blackline's monitoring teams efficiently manage incidents from alert to resolution using cloud-hosted software that provides employee messaging tools, the option for two-way voice calling and quick access to emergency contact escalation.

Blackline's G7c device features 4G direct-to-cloud connectivity with wireless coverage in over 100 countries and on over 350 mobile networks. For regions where cellular networks are not available, Blackline's two-part system with a G7x wearable and G7 Bridge satellite base station monitors workers in remote locations in North America, South America, Australia and New Zealand.

G7 wearables feature the industry's first expandable interface that enables customization to support each customer scenario and requirement. All products feature plug-and-play cartridges that are configured for lone worker and gas detection scenarios as required by the end customer. We offer one of four field-replaceable cartridges—a Standard Cartridge, a Single-gas Diffusion Cartridge, a Multi-gas Diffusion Cartridge or a Multi-gas Pumped Cartridge.

The Standard Cartridge is designed for evacuation management and lone worker monitoring scenarios. Single and Multi-gas cartridges support one to five gas configurations with a choice of 21 gas sensors, including combustibles, hydrogen sulfide, carbon dioxide, carbon monoxide, oxygen, volatile organic compounds, sulfur dioxide, ammonia and hydrogen.

Conventional gas detectors are either disposed of at the end of their service life, requiring new equipment to be deployed, or they are taken out of service and individual gas sensors are replaced. Removal and replacement of gas sensors is a time-consuming, technical process — businesses often require a third party to ease this burden. To address this problem, G7 offers field-replaceable cartridges that are pre-calibrated, ensuring that equipment stays in the field, maximizing up-time. Old cartridges can be sent to Blackline for remanufacturing, thereby ameliorating the overall cost of ownership and environmental footprint.

Businesses in energy, utilities, heavy industry and disaster response sectors use portable area monitoring equipment to monitor potential atmospheric hazards around tank farms and along fence lines, during facility maintenance or while containing spills. Until now, conventional area monitors suffer from short battery life, limited configurability and inadequate connectivity. Blackline’s G7 EXO area monitor provides global businesses with new portable and semi-permanent gas detection monitoring options featuring drop and go deployment capabilities and the flexibility of four channel pump modules, as well as various power and mounting options and output port usage options. The G7 EXO also offers unlimited connectivity by directly connecting to the cloud via 4G or satellite so there are no range limits between monitors or maximum number of devices allowed on the network.

In September 2022, Blackline unveiled the G6 to the market, a single-gas cloud-connected gas monitor. The mass-market 4G-enabled, cloud connected single-gas monitor is even more accessible than the G7 series of connected safety monitors, requiring virtually no training for users to deploy. The long-lasting connectivity and market leading efficiency enables fast incident response time along with Blackline’s leading safety and compliance. The total cost of ownership is reduced for G6 customers due to the G6’s lifespan of up to 4 years, doubling that of disposable gas detectors. Connectivity allows for lower information technology infrastructure costs, reduced downtime and over-the-air updates. The G6 monitor is the first connected product designed specifically for industrial workers and is expected to drive further growth outside of North America and Europe for Blackline with its lower price point and thereby lowering customers’ operating cost base. In September 2023, Blackline introduced new enhancements to the G6 service line known as “Protect” and “Protect Plus”. These features enable the G6 to function with the same real-time connectivity as the G7 product line and includes an emergency SOS button as well as an expanded suite of data and analytics.

A significant portion of customers select Blackline's in-house, 24/7/365 Safety Operations Centre (“SOC”), although they have the option to self-monitor the safety of their personnel using their Blackline Live monitoring account. Unlike a traditional call centre that often provides unrelated services such as telemarketing, technical support and answering services, Blackline's dedicated SOC focuses solely on safety monitoring. It delivers an immediate response, managing all safety alerts from receipt through to resolution according to each customer's customized emergency response protocol. Blackline's SOC provides customers with the option of centralizing the responsibility of monitoring lone workers within a highly specialized and trained emergency response centre. In regions not covered by Blackline's in-house SOC that provides 24/7 live monitoring, customers are able to access monitoring of their employees via an approved Blackline Alarm Receiving Centre partner. Blackline's SOC, together with its partner Alarm Receiving Centres in Europe, now monitors 54,870 devices.

Blackline has developed and innovated a proprietary cloud-hosted safety monitoring infrastructure that runs on Amazon Web Services. Blackline has deployed tens of thousands of safety wearables and area monitors that connect to the Blackline Safety Cloud, continuously streaming status, environmental, location, gas readings and alerts. This information is stored online and enables Blackline's data-driven services including analytics, emergency response management, notifications to users and more. To date, the Blackline Safety Cloud has stored over 226 billion data points, almost 3.3 billion locations and over 7.4 billion location-enabled gas readings.

Blackline's revenues are comprised of product and service revenues, which are the two operating segments of the Company. Product revenues are generated from sales of Blackline's connected safety monitoring hardware devices and accessories to a variety of industries and geographic locations. Blackline has a broad customer base both in terms of industry and geographic reach and this diversified market helps to mitigate against dependence on and fluctuations in any one market space. For the year ended October 31, 2023, product revenue was $46,924, accounting for 47% of total revenue (October 31, 2022: $35,223 and 48%).

Service revenues relate to software and support services that are provided to customers who purchase the Company's connected safety devices. Service revenues also include recurring revenues from existing customers who renew their services for their Blackline device as well as device rental and data consulting services. For the year ended October 31, 2023, service revenue was $53,082, accounting for 53% of total revenue (October 31, 2022: $37,708 and 52%).

The Company also offers its products and services through a lease program with variable lease term commitments. These agreements are typically four years in length and are considered to be a finance lease commitment with the hardware revenue component recognized up-front as product revenue with service and interest revenue recognized over the life of the contract. The Company entered into a renewable one-year lease securitization program with a Canadian chartered bank in April 2023 to sell tranches of lease receivables to provide increased financial flexibility and improved liquidity.

Cost of sales for the Company includes the costs of manufacturing its safety monitoring products as well as the costs of servicing those products. The cost of sales for products comprises raw materials, direct costs, direct labor, an allocation of overhead, freight charges, warranty, depreciation and scrappage. The cost of sales for services associated with those products is comprised of direct costs, direct labor for the SOC, partner alarm receiving centres, maintenance of the Blackline Live portal, communication costs for devices equipped with cellular and/or satellite technology, and an allocation of overhead. For the year ended October 31, 2023, Blackline's product cost of sales were $33,951 and service cost of sales were $13,274 (October 31, 2022: $29,110 and $11,582, respectively).

Highlights

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands, except per share and percentage amounts)	2023	2022	% Change	2023	2022	% Change
Product revenue	15,042	11,131	35	46,924	35,223	33
Service revenue	14,993	10,899	38	53,082	37,708	41
Total Revenue	30,035	22,030	36	100,006	72,931	37
Gross margin	16,452	10,517	56	52,781	32,239	64
Gross margin percentage(1)	55 %	48 %		53 %	44 %	
Total Expenses	19,776	20,317	(3)	77,232	85,758	(10)
Total Expenses as a percentage of revenue(1)	66 %	92 %		77 %	118 %	
Net loss	(4,455)	(9,940)	(55)	(25,547)	(53,646)	(52)
Loss per common share - Basic and diluted	(0.06)	(0.14)	(57)	(0.35)	(0.86)	(59)
EBITDA(1)	(1,480)	(8,073)	82	(16,992)	(46,903)	64
EBITDA per common share(1) - Basic and diluted	(0.02)	(0.12)	83	(0.24)	(0.75)	69
Adjusted EBITDA(1 & 2)	(1,829)	(7,653)	76	(16,320)	(42,623)	62
Adjusted EBITDA per common share(1 & 2) - Basic and diluted	(0.03)	(0.11)	73	(0.23)	(0.68)	66

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

(2) In the fourth fiscal quarter of 2022, Management updated the non-GAAP composition to remove the adjustment of product research and development costs and included the adjustment for foreign exchange losses or gains. Comparative periods have been restated to reflect this change.

(CAD thousands)	October 31, 2023	October 31, 2022	% Change
Cash and cash equivalents and short-term investments	15,988	31,140	(49)
Working capital(1)	32,142	40,307	(20)
Total assets	109,120	108,049	1
Non-current liabilities	31,560	20,025	58
Shareholders' equity	33,198	52,362	(37)

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

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Key Performance Indicators

Management uses a number of key performance indicators, including those identified below, to measure the performance of the business, identify and assess trends affecting the Company and to make strategic decisions. These key performance indicators do not have any standardized definitions prescribed by IFRS and cannot be reconciled to a directly comparable IFRS measure. These key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

Annual Recurring Revenue

Annual Recurring Revenue ("ARR") 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 rentals and 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. We believe that ARR provides visibility into future cash flows and is a fair measure of the performance and growth of our service contracts. The increase in ARR is due to the service plans that have been added on new device sales as well as the expansion of existing contracts with our customers and indicates the continued strength in the growth of our business.

	As at October 31,		
(CAD thousands)	2023	2022	% Change
Annual Recurring Revenue[1]	51,117	36,597	40

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Net Dollar Retention

Net Dollar Retention ("NDR") 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 expands, renews, contracts or is cancelled, but excludes the total service revenue from new activations during the period. The growth in NDR is due to the net expansion of our existing contracts with our customers and offset by the customers who declined to renew their service plans which provides a fair measure of the strength of our recurring revenue streams and growth within our existing customer base.

	As at October 31,		
	2023	2022	Change
Net Dollar Retention[1]	129%	105%	2,300 bps[2]

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

(2) Basis points ("BPS") is defined as one hundredth of 1 percentage point.

Results of Operations

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
Product revenue	15,042	11,131	35	46,924	35,223	33
Service revenue	14,993	10,899	38	53,082	37,708	41
Total Revenues	30,035	22,030	36	100,006	72,931	37
Product revenue as a percentage of revenue[1]	50%	51%		47%	48%	
Service revenue as a percentage of revenue[1]	50%	49%		53%	52%	
Total	100%	100%		100%	100%	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Total revenue for the three-month period ended October 31, 2023 was $30,035 which is an increase of $8,005 from $22,030 in the comparable period of the prior year. The 36% increase was driven by higher sales of our connected safety products as well as strong growth in recurring service revenues from new hardware sales over the past twelve months and by customer renewals of service on existing devices.

Total revenue for the year ended October 31, 2023 was $100,006 which is an increase of $27,075 from $72,931 compared to the prior year. The 37% increase was due to higher sales of our connected safety products and the continued growth in the Company's service revenues from its connected safety monitoring, analysis and compliance solutions as well as the growth in rental revenues due to the establishment of our global rental team in providing short-term solutions in various industries.

Product Revenue

Total revenue for the three-month period ended October 31, 2023 was $15,042, compared to $11,131 in the prior year comparative quarter. The increase reflects the Company's expanded sales network and past investments in our global sales team through their targeted demand generation and sales development activities. The Company's enhanced pricing strategy also contributed to the increase.

For the year ended October 31, 2023, product revenue was $46,924, an increase of $11,701 compared to $35,223 in the prior year. The 33% increase was a result of the contribution of the expanded sales teams particularly in the United States and European markets and the Company's enhanced pricing strategy.

Service Revenue

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Software services revenue	13,209	9,845	34	47,611	35,116	36
Rental revenue	1,784	1,054	69	5,471	2,592	111
Total service revenue	14,993	10,899	38	53,082	37,708	41
Software services revenue as a percentage of service revenue(1)	88%	90%		90%	93%	
Rental revenue as a percentage of service revenue(1)	12%	10%		10%	7%	
Total	100%	100%		100%	100%	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

The Company's total service revenue for the three-month period ended October 31, 2023 increased $4,094 or 38% to $14,993 from $10,899 in the same period in the prior year.

Software services revenue for the fourth quarter was $13,209, an increase of 34% from $9,845 in the prior year. The increase is a result of the new activations of the devices sold to end-users over the past twelve months for customers utilizing the Company's monitoring, software and data services. Total increases in software services of $3,364 included newly activated device service revenues of $1,097 in the fourth quarter as well as net service revenue increases within our existing customer base of $2,482 in the same period. This was partially offset by certain customers who declined to renew their service plans resulting in an impact of $216 in the same period.

Rental revenue increased by 69% to $1,784 from $1,054 in the three-months ended October 31, 2023, compared to the prior year quarter as a result of the Company's establishment of its rental fleet to bring its complete suite of connected solutions to the market for short-term projects and the efforts of the dedicated rental sales team. Rental revenue continues to increase as we continue to meet strong demand for our connected solutions in the industrial construction, turnaround and maintenance market, particularly in the seasonally strong fourth quarter.

Total service revenue for the year ended October 31, 2023 increased $15,374 or 41% to $53,082 compared to $37,708 in the prior year.

Software services revenue for the year ended October 31, 2023 was $47,611, an increase of 36% from $35,116 in the prior year. The increase is due to new activations over the previous twelve months, as well as expansion of services within the Company's existing customer base.

Rental revenue increased 111% to $5,471 from $2,592 for the year ended October 31, 2023 when compared to the prior year as a result of the Company's expansion of its global rentals team and strategic marketing efforts.

Revenues from external customers by country/ geographic area	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	2023	2022	% Change	2023	2022	% Change
Canada	7,310	6,529	12	25,009	20,045	25
United States	14,803	7,827	89	47,511	30,151	58
Europe	6,249	6,212	1	21,396	18,155	18
Rest of World	1,673	1,462	14	6,090	4,580	33
Total revenues	30,035	22,030	36	100,006	72,931	37
Canada as a percentage of revenue(1)	24%	30%		25%	28%	
United States as a percentage of revenue(1)	49%	35%		48%	41%	
Europe as a percentage of revenue(1)	21%	28%		21%	25%	
Rest of World as a percentage of revenue(1)	6%	7%		6%	6%	
Total	100%	100%		100%	100%	

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

The fourth quarter of the year saw our United States sales team take advantage of a strengthening in that market across a variety of industries resulting in a 89% increase in revenue compared to the prior year quarter.

The Company’s Rest of World market is primarily in Asia, the Middle East, Australia and New Zealand and has not been directly impacted by the ongoing military conflict between Russia and Ukraine or between Israel and Hamas. The growth in revenue in the fiscal year across these markets is a result of the presence of sales personnel in these regions and the strategic targeting of customers in specific industries including fire, emergency and hazardous materials response, energy, water treatment and food processing.

Lease Revenue

The Company leases certain of its safety monitoring equipment to customers through the Company’s ‘G7 Lease’ program with monthly or quarterly payments.

The present value of the hardware revenue component of finance leases is recognized up-front as product revenue with service and interest revenue recognized over the life of the contract. The hardware component of the Company’s leases classified as finance leases is recognized in current and non-current other receivables on the consolidated statements of financial position. The service component is recognized within trade receivables when the service is delivered.

The total undiscounted payments under non-cancellable finance lease contracts for the right to use the equipment and safety monitoring services of the Company are as follows:

(CAD thousands)	October 31, 2023	October 31, 2022
Within one year	17,758	13,301
Later than one year but not later than five years	21,878	22,677
Total	39,636	35,978

The 10% increase in undiscounted payments under non-cancellable finance lease contracts from October 31, 2022 is a result of new customers entering into finance lease agreements as well as existing customers renewing with leases rather than purchasing hardware upfront.

Cost of Sales

(CAD thousands)	Three-months ended October 31, 2023	2022	% Change	Year ended October 31, 2023	2022	% Change
Product	10,181	8,211	24	33,951	29,110	17
Service	3,402	3,302	3	13,274	11,582	15
Total cost of sales	13,583	11,513	18	47,225	40,692	16
Product cost of sales as a percentage of segment revenue(1)	68%	74%		72%	83%	
Service cost of sales as a percentage of segment revenue(1)	23%	30%		25%	31%	
Cost of sales as a percentage of revenue(1)	45%	52%		47%	56%	

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

Cost of sales for the fourth quarter and year ended October 31, 2023 totaled $13,583 and $47,225, respectively, compared to $11,513 and $40,692, respectively, in the same periods in the prior year. This is primarily due to the increase in the cost of sales for the product segment as a result of more products being sold in the period. It is also a result of an increase in the service segment with costs expanding to support our growing customer base.

Product Cost of Sales

Product cost of sales increased by $1,970 or 24% in the fourth quarter compared to the prior year comparative quarter due to increased material costs of $1,543 and increased production supplies and equipment costs of $140 as more products were sold. There was also an increase in scrappage costs of $301 in the fourth quarter compared to the prior year quarter.

Product costs of sales for the year ended October 31, 2023 were $33,951 compared to $29,110 in the prior year comparative period, an increase of $4,841 largely due to an increase in material costs of $5,915. The increase in material costs were partially offset by lower rework and obsolete inventory charges of $1,523, due to the Company’s ongoing efforts to streamline its inventory management and improve product quality through enhanced components and refined production processes. The Company also incurred costs in the prior year to replace certain customers’ older generation products with current models and products where connectivity is better supported in the region of service. There were also increases in warranty expenses of $530 in the period compared to the prior year comparative period due to a higher warranty provision in line with a greater number of devices under warranty in service.

Service Cost of Sales

Service cost of sales increased marginally by $100 or 3% in the fourth quarter compared to the prior year comparative quarter. The marginal increase was due to slightly higher connectivity and data costs and depreciation on owned cartridges generating cartridge-as-a-service revenue.

Service cost of sales were $13,274 during the year ended October 31, 2023, compared to $11,582 in the prior year comparative period, an increase of $1,692. The increase is due to higher connectivity and data costs driven by the increased user base and associated higher service revenue in the fourth quarter as well as increased spending year-over-year on security and reliability for the Blackline Live portal. There were also increases in depreciation on owned cartridges generating cartridge-as-a-service revenue. Service cost of sales also increased due to additional salaries from the software team which were allocated to improving the reliability and security of the Blackline Live Portal.

Gross Margin

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Product	4,861	2,920	66	12,973	6,113	112
Service	11,591	7,597	53	39,808	26,126	52
Gross margin	16,452	10,517	56	52,781	32,239	64
Product gross margin percentage(1)	32%	26%		28%	17%	
Service gross margin percentage(1)	77%	70%		75%	69%	
Gross margin percentage(1)	55%	48%		53%	44%	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Total gross margin for the fourth quarter was $16,452 compared to $10,517 in the prior year quarter. This represented a total gross margin percentage of 55%, a 7% increase compared to the prior year period. The increase in total gross margin is due to a combination of higher sales volume, a shift to heavier weighting of service revenue, production line automation, cost management within our service segment, and our enhanced pricing strategy.

Product gross margin percentage in the fourth quarter increased to 32% from 26% due to increased sales volumes, combined with the Company mitigating the global supply chain challenges that it has experienced in prior years. During the quarter, the Company continued to process sales under our updated pricing structure. The Company has also been able to automate more of its manufacturing line, improving the efficiency and throughput of its operations.

Service gross margin percentage increased by 7% to 77% in the fourth quarter of the year compared to 70% in the prior year quarter. The increase reflects a higher penetration of Blackline's value-added services for which the Company realizes a higher margin. Continued growth and larger absorption of fixed costs as well as improvements to the Company's received pricing for connectivity and infrastructure also contributed to the improvement in gross margin percentage. During the quarter, the service gross margin percentage also benefited from our enhanced pricing structure.

Total gross margin for the year ended October 31, 2023, increased $20,542 or 64% to $52,781 from $32,239 in the prior year. Total gross margin percentage increased by 9% due to the pricing increase, a higher proportion of service revenue and higher overall revenues. Total gross margin was also positively impacted by improvements in the supply chain environment which presented challenges for hardware manufacturers in the prior year comparative period.

Product gross margin percentage increased to 28% for the year ended October 31, 2023 compared to 17% from the prior year comparative period due to the enhanced pricing structure, higher overall product revenues, automation efforts across our manufacturing line, and mitigation of supply chain challenges.

Service gross margin percentage increased to 75% from 69% for the year ended October 31, 2023 compared to the service gross margin percentage of the prior year due to the Company's increased penetration of high value services, higher overall service revenue, more than offsetting the increase in cost of sales as the Company continued its efforts to optimize its connectivity and data costs.

Expenses

General and administrative expenses

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
General and administrative expenses	5,811	5,678	2	23,764	23,000	3
General and administrative expenses as a percentage of revenue(1)	19 %	26 %		24 %	32 %	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

General and administrative expenses is comprised of the salaries, benefits and stock-based compensation expense for the accounting and finance, business information technology, operational and quality assurance management as well as general management staff, the Executive Management Team and the Board of Directors of the Company. These costs also include professional fees, costs for internal systems, the costs of compliance associated with being a public company, amortization of intangible assets, depreciation of certain property and equipment and general corporate expenses.

General and administrative expenses remained consistent between the fourth quarter and the prior year comparative quarter, increasing only by $133 or 2% in the fourth quarter to $5,811 from $5,678 in the prior year quarter. In the fourth quarter, there were decreases in consulting expenses and professional expenses due to the Company's continued focus on reducing costs. This was offset by an increase in salaries and wage expenses as the Company expanded its administrative functions to support the scaling of the business. General and administrative expenses as a percentage of total revenue decreased to 19% from 26% for the fourth quarter compared to the prior year comparative quarter.

During the year ended October 31, 2023, general and administrative expenses increased 3% or $764 to $23,764 from $23,000 in the prior year. This is primarily due to increases in salaries and wage expenses in the current year compared to the prior year as the Company expanded its administrative functions to support the scaling of the business as well as an increase in stock-based compensation expense from a directors and officers stock option grant in the current year and the impact of employee forfeitures in the prior year. These increases were offset by lower subscription and license fees, legal and professional fees and recruiting costs due to the internalization of the recruitment function. The Company incurred non-recurring expenses in the second quarter of the current year related to the completion of the lease securitization facility. During the year ended October 31, 2023, general and administrative expenses as a percentage of total revenue decreased to 24% from 32% compared to the prior year comparative period. Excluding the non-recurring expenses in the second quarter of the current year, general and administrative expenses were 23% of revenue.

Sales and marketing expenses

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Sales and marketing expenses	11,236	9,034	24	36,991	36,535	1
Sales and marketing expenses as a percentage of revenue(1)	37 %	41 %		37 %	50 %	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Sales and marketing expenses include the salaries, commissions, benefits and stock-based compensation expense of the sales, marketing, business development, customer care, service renewal, and sales support staff as well as travel costs, direct marketing and distribution channel expenses and supporting contractors and consultants' professional fees.

Sales and marketing expenses for the fourth quarter increased $2,202 or 24% to $11,236 from $9,034 compared to the prior year quarter. This increase was primarily driven by higher distributor and employee sales commissions due to the increase in sales in the fourth quarter as compared to the prior year quarter. There were also increases in bad debt expense due to a recovery in the prior year quarter that were not present in the fourth quarter. The increases were offset by lower advertising and tradeshow costs due to a lower number of events in the fourth quarter compared to the prior year comparative quarter. There were also decreases in legal, professional and recruiting fees as the Company continued to focus on reducing costs. Our fourth quarter sales and marketing expenses as a percentage of total revenue decreased to 37% from 41% compared to the prior year comparative quarter.

During the year ended October 31, 2023, sales and marketing expenses remained consistent compared to the prior year, only having increased $456 or 1% to $36,991 from $36,535. This was largely the result of increases in distributor and employee sales commissions related to the growth in hardware sales during the year. Bad debt expense was also higher in the year compared to the prior year due to the overall aging of the Company's receivables from certain older accounts. Offsetting the increase were decreases to salaries and contractor expenses, tradeshow and related advertising costs, legal fees, training and seminar costs and subscription costs, due to the ongoing efforts to reduce costs. Sales and marketing expenses as a percentage of total revenue for the year ended October 31, 2023, decreased to 37% from 50% compared to the prior year comparative period.

Product research and development costs

(CAD thousands)	Three-months ended October 31, 2023	2022	% Change	Year ended October 31, 2023	2022	% Change
Product research and development costs	3,615	5,570	(35)	18,513	24,684	(25)
Product research and development costs as a percentage of revenue(1)	12 %	25 %		19 %	34 %	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Product research and development costs reflect Blackline's ongoing efforts to expand its product line while enhancing the capabilities of the current revenue-generating hardware and services. Product research and development costs include the salaries and benefits of the product research and development team, external consultants, materials used specifically for product research and development purposes, amortization of intangible assets and depreciation of certain property and equipment.

Product research and development costs decreased $1,955 or 35% during the fourth quarter of 2023 to $3,615 from $5,570 in the prior year comparative quarter. The decrease was largely attributed to reductions in salaries expense and related benefits, contractors and consulting costs of $1,031 as a result of the workforce reduction that the Company undertook in the prior year. Adding to the decrease in the current quarter was materials expenses, as the G6 transitioned from development to commercialization in the prior year comparable period. Our fourth quarter product research and development costs as a percentage of total revenue decreased to 12% from 25% last year.

Product research and development costs decreased $6,171 or 25% during the year ended October 31, 2023, to $18,513 from $24,684 in the prior year primarily due to a decrease in salaries expense and related benefits, materials expenses, recruiting costs, contractors and consulting costs of $4,803 as a result of the workforce reduction in the prior year and as the Company focused on cost management throughout the year with a rationalized product roadmap prioritizing adding value to customers in core markets. The Company also benefited from a decrease in subscriptions and license expenses due to the ongoing efforts to reduce costs. Partially offsetting these decreases include a one-time separation cost incurred for the departure of the Company's Chief Technology Officer, a larger research expenditure credit granted in the prior year from the UK government when compared to the credit received in the current year and increased amortization costs due to additional product testing certification costs that have been capitalized over the year. During the year ended October 31, 2023, product research and development costs as a percentage of total revenue decreased to 19% from 34% in the prior year.

Foreign exchange gain or loss

(CAD thousands)	Three-months ended October 31, 2023	2022	% Change	Year ended October 31, 2023	2022	% Change
Foreign exchange (gain) loss	(886)	35	NM	(2,036)	1,539	NM
Foreign exchange (gain) loss as a percentage of revenue(1)	3 %	— %		2 %	2 %	

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

NM - Not meaningful

Total net realized and unrealized foreign exchange gain was $886 in the fourth quarter of 2023 compared to a loss of $35 in the prior year comparative quarter. The Canadian dollar ended the fourth quarter at 1.36 USD/CAD, 1.68 GBP/CAD and 1.47 EUR/CAD compared to 1.36 USD/CAD, 1.57 GBP/CAD and 1.35 EUR/CAD at October 31, 2022. The average exchange rates of 1.39 USD/CAD, 1.69 GBP/CAD and 1.46 EUR/CAD during the fourth quarter of 2023 were weaker than the same period in 2022 when they averaged 1.33 USD/CAD, 1.54 GBP/CAD and 1.32 EUR/CAD.

During the year ended October 31, 2023, total net realized and unrealized foreign exchange gain was $2,036 compared to a loss of $1,539 in the prior year. The average exchange rates of 1.35 USD/CAD, 1.66 GBP/CAD and 1.45 EUR/CAD during the year ended October 31, 2023 were weaker than prior year when they averaged 1.29 USD/CAD, 1.62 GBP/CAD and 1.38 EUR/CAD.

The foreign exchange gain or loss relates predominately to the impact of changes in the Canadian dollar on the Company's foreign currency denominated cash and cash equivalents, trade and other receivable, trade accounts payable and securitization facility payable at the end of the period.

Finance income, Net

Finance expense, net was $295 for the fiscal fourth quarter compared to finance income, net of $107 in the prior year's comparative quarter. Finance expenses were higher in the quarter due to interest expense incurred on the amount drawn on the Company's senior secured operating facility over the year, interest expense on the Company's securitization facility, and increases to prime lending rates partially offset by interest revenue from finance leases and financial assets held for cash management purposes.

Finance income, net was $220 for the year ended October 31, 2023 compared to $267 in the prior year. Finance income, net was lower in the year ended October 31, 2023 due to interest expense on the operating facility and securitization facility and increases to prime lending rates, partially offset by interest revenue from finance leases and financial assets held for cash management purposes.

Net loss and Adjusted EBITDA

Net loss decreased by 55% to $4,455 for the three-months ended October 31, 2023 compared to a net loss of $9,940 the prior year comparative quarter. The decrease in net loss in the three-month period was due primarily to the increase in revenue and overall gross margin, decrease in product research and development costs, offset by increases in general and administrative expenses and sales and marketing expenses.

Net loss decreased by 52% to $25,547 for the year ended October 31, 2023 compared to a net loss of $53,646 in the prior year. Net loss for the year ended October 31, 2023 decreased compared to the prior year due to an increase in gross margin and a reduction in product research and development costs.

Adjusted EBITDA was $(1,829) and $(16,320) for the three-months ended and year ended October 31, 2023, respectively, compared to $(7,653) and $(42,623), respectively, in the prior year comparative periods. The improvement in Adjusted EBITDA during both the three-months ended and year-ended October 31, 2023 was a result of increased gross margin and a decrease in net loss compared to the prior year comparable periods.

Total Assets and Liabilities

(CAD thousands)	October 31, 2023	October 31, 2022	% Change
Total assets	109,120	108,049	1
Total liabilities	75,922	55,687	36

Blackline's total assets as at October 31, 2023 were $109,120 compared to $108,049 as at October 31, 2022. The increase in total assets is primarily due to an increase in trade and other receivables, offset by a decrease in cash and cash equivalents and short-term investments.

Trade and other receivables as at October 31, 2023 totaled $48,153, compared to $30,943 as at October 31, 2022, an increase of $17,210. This is primarily due to increased trade accounts receivable of $14,409 due to the increase in revenue in the year and the timing of collections. Other receivables increased by $3,128 due to the increase in finance leases entered into in the year.

Inventory totaled $17,073 as at October 31, 2023 compared to $18,712 as at October 31, 2022. Overall, the decrease in inventory is due to decreases in parts and finished goods as the Company sold more products, while more effectively managing its supply chain and improving its inventory turns during the period.

Total contract assets, consisting of current and non-current costs related to the fulfillment of 'G7 lease' contracts, remained consistent at $2,691 as at October 31, 2023 compared to $2,641 at October 31, 2022.

Property and equipment as at October 31, 2023 was $13,541 compared to $12,807 at the prior year end. There were additions of $3,469 for cartridges and $3,136 of rental equipment as the Company's rental program expanded globally to meet the demand for our customers' diverse safety needs for short-term projects.

Intangible assets were $1,730 at October 31, 2023, compared to $2,195 at October 31, 2022. The decrease is due to amortization in the current twelve-month period.

Right-of-use assets were $2,331 at October 31, 2023 compared to $2,513 at October 31, 2022. The decrease is largely due to amortization of right-of-use assets in the current twelve-month period.

Goodwill arising from the acquisition of Swift Labs Inc. of $4,883 remains unchanged as at October 31, 2023 and October 31, 2022.

Total liabilities as at October 31, 2023 were $75,922 compared to $55,687 as at October 31, 2022.

Total current liabilities at October 31, 2023 increased to $44,362 from $35,662 at October 31, 2022. The increase is primarily due to the securitization facility payable of $4,843 this year compared to $nil the prior year and accounts payable and other accrued liabilities of $21,350 compared to $19,155 in the previous year. There was also an increase in the current portion of contract liabilities which represent the Company's obligations to pay commissions to third-party distributors who assist with the fulfillment of 'G7 lease' contracts which was $2,072 compared to $1,323 at the prior year end. This increase is due to a larger number of lease contracts being added in the year. The current portion of the Company's lease liabilities remained consistent at $864 at October 31, 2023 compared to $879 at the prior year end.

The current portion of warranty provision increased to $2,079 from $1,480 as a higher number of devices were sold under warranty in the current year.

Accounts payable and other accrued liabilities increased at October 31, 2023 to $21,350 from $19,155 at October 31, 2022 due to the timing of payment of the Company's expenditures at the end of each fiscal period and a provision for potential taxes payable within individual states in the United States. The current portion of the Company's deferred revenue, whereby customers commit to service plans that are paid in advance, was $13,154 at October 31, 2023 compared to $12,825 at October 31, 2022.

The Company entered into a lease securitization facility to sell certain existing and future finance lease contracts to a Canadian chartered bank on April 12, 2023, where there is an obligation to collect and remit payments associated with these contracts coincident with the Company's provision of its connected safety devices and services over the duration of the underlying contracts. The current portion of these lease securitization payments due was $4,843 at October 31, 2023. The Company repaid $2,339 on the securitization facility during the year ended October 31, 2023.

Total non-current liabilities as at October 31, 2023 were $31,560 compared to $20,025 as at October 31, 2022. The increase is largely due to the securitization facility payable of $5,354 this year compared to $nil the prior year and an increase in the non-current portion of the Company's deferred revenue which totaled $13,583 as at October 31, 2023 from $7,374 at the prior year end, due to payments in advance from customers for service contracts, offset by service revenue recognized in the period.

The non-current portion of warranty provision was $769 as at October 31, 2023 compared to $477 at the prior year end. The non-current portion of contract liabilities was $1,614 as at October 31, 2023 compared to $1,806 at the prior year end.

The non-current portion of the Company's lease liabilities as at October 31, 2023 decreased to $1,630 from $1,793 at the prior year end due to the timing of future payments for the Company's leases. The non-current portion of the lease securitization payable was $5,354 as at October 31, 2023. Bank indebtedness as at October 31, 2023 increased marginally to $8,610 from $8,575 at the prior year end.

Proceeds of Share Issuances

On August 31, 2022, the Company closed a bought deal short-form prospectus offering for an aggregate of 5,405,885 common shares at an issue price of $2.20 per common share for gross proceeds of $11,893. After deduction of broker and other fees, the net proceeds from the bought deal short-form prospectus were $10,942.

The Company concurrently completed a non-brokered private placement of 5,909,091 common shares at an issue price of $2.20 per common share for gross proceeds of $13,000. There were no issuance fees directly related to the non-brokered private placement since it was concurrently completed with the bought deal short-form prospectus. The net proceeds continue to be used primarily to further strengthen the Company's financial position and provide sufficient liquidity to finance ongoing operations, including general and administrative expenses, sales and marketing expenses and product research and development costs incurred, or expected to be incurred, in connection with the ongoing operations including the development and launch of various new products and services.

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Selected Annual Information

(CAD thousands)	October 31, 2023	October 31, 2022	October 31, 2021
Total revenues	100,006	72,931	54,312
Net loss	(25,547)	(53,646)	(33,305)
Loss per share – basic and diluted	(0.35)	(0.86)	(0.67)
Total assets	109,120	108,049	109,303
Total long-term liabilities	31,560	20,025	7,818

Summary of Quarterly Results

The following table highlights total revenue, gross margin percentage, net loss, net loss per common share, Adjusted EBITDA and Adjusted EBITDA per common share amounts for the eight most recently completed quarters ended October 31, 2023. These have been prepared in accordance with IFRS, with the non-GAAP and supplementary financial measures captioned below and are presented in Canadian dollars, which is the presentation and functional currency of the Company.

(CAD thousands, except per share amounts)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue	30,035	24,830	24,095	21,046	22,030	18,567	16,665	15,670
Gross margin percentage[(1)]	55%	54%	52%	49%	48%	45%	42%	41%
Net loss	(4,455)	(6,842)	(6,557)	(7,692)	(9,940)	(16,291)	(14,543)	(12,873)
Net loss per common share	(0.06)	(0.09)	(0.09)	(0.11)	(0.14)	(0.27)	(0.24)	(0.21)
Adjusted EBITDA[(1 & 2)]	(1,829)	(3,760)	(4,500)	(6,231)	(7,653)	(11,517)	(12,330)	(11,124)
Adjusted EBITDA per common share[(1 & 2)]	(0.03)	(0.05)	(0.06)	(0.09)	(0.11)	(0.19)	(0.20)	(0.18)

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.
(2) In the fourth fiscal quarter of 2022, Management updated the non-GAAP composition to remove the adjustment of product research and development costs and included the adjustment for foreign exchange losses or gains. Comparative periods have been restated to reflect this change.

Fiscal Year 2023

The increase in revenue in the fourth quarter of fiscal 2023 compared to the third quarter of fiscal 2023 relates to higher product and service revenues. The increase in gross margin percentage in the fourth quarter of fiscal 2023 compared to the third quarter of fiscal 2023 was due to a 3% increase in product gross margin and a 2% increase in service gross margin. The decrease in net loss and increase in Adjusted EBITDA in the fourth quarter of fiscal 2023 compared to the third quarter of fiscal 2023 was a result of higher gross margins as well as lower product research and development costs and a foreign exchange gain as opposed to a loss in the third quarter of fiscal 2023. Although general and administrative expenses were marginally higher in the fourth quarter as compared to the third quarter, the expenses as a percentage of revenue decreased. Similarly, despite sales and marketing expenses being higher in the fourth quarter as compared to the third quarter, the expenses as a percentage of revenue remained effectively the same.

The increase in revenue in the third quarter of fiscal 2023 compared to the second quarter of fiscal 2023 relates to higher product and service revenues. The increase in gross margin percentage in the third quarter of fiscal 2023 compared to the second quarter of fiscal 2023 was due to higher product and service gross margins. The increase in net loss in the third quarter of fiscal 2023 compared to the second quarter of fiscal 2023 was a result of higher sales and marketing expenses and foreign exchange losses. The increase to Adjusted EBITDA in the third quarter of fiscal 2023 compared to the second quarter of fiscal 2023 was a result of higher gross margins as well as lower general and administrative expenses and lower product research and development costs. The general and administrative expenses and product research and development costs as a percentage of revenue were lower in the third quarter compared to the second quarter. Although sales and marketing expenses were higher in the third quarter, the percentage of revenue was approximately the same for sales and marketing in the third quarter compared to the second quarter.

The increase in revenue in the second quarter of fiscal 2023 compared to the first quarter of fiscal 2023 relates to higher product and service revenue. The increase in gross margin percentage in the second quarter of fiscal 2023 compared to the first quarter of fiscal 2023 was due to higher product and service gross margins. The decrease in net loss and increase in Adjusted EBITDA in the second quarter of fiscal 2023 compared to the first quarter of 2023 was a result of higher gross margins as well as lower project research and development costs and a larger foreign exchange gain. Although general and administrative expenses and sales and marketing expenses were higher in the second quarter as compared to the first quarter, the expenses as a percentage of revenue were approximately the same for general and administrative expenses, but lower for sales and marketing expenses.

The decrease in revenue in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022 relates to lower product revenues, partially offset by increased service revenue. The increase in gross margin percentage in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022 was due to service revenue making up a higher proportion of total revenue as well as higher service margin percentage and was offset by a lower product margin. The decrease in net loss and increase in Adjusted EBITDA in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022 was a result of higher total gross margin and lower overall expense. Sales and marketing expenses decreased but were offset by higher general and administrative and product research and development costs. Although general and administrative and product research and development costs were higher, the expenses as a percentage of revenue were approximately the same.

Fiscal Year 2022

The increase in revenue in the fourth quarter of fiscal 2022 compared to the third quarter of fiscal 2022 relates to higher product and service revenue. The increase in gross margin percentage in the fourth quarter of fiscal 2022 compared to the third quarter of fiscal 2022 was due to a 9% higher product gross margin percentage. The decrease in net loss and increase in Adjusted EBITDA in the fourth quarter of fiscal 2022 compared to the third quarter of fiscal 2022 was a result of higher gross margin as well as lower general and administrative expenses, sales and marketing expenses, product research and development costs and foreign exchange losses.

The increase in revenue in the third quarter of fiscal 2022 compared to the second quarter of fiscal 2022 relates to higher product and service revenues. The increase in gross margin percentage in the third quarter of fiscal 2022 compared to the second quarter of fiscal 2022 was due to higher product and service gross margins. The increase in net loss and decrease in Adjusted EBITDA in the third quarter of fiscal 2022 compared to the second quarter of fiscal 2022 was a result of higher sales and marketing, product research and development costs and foreign exchange losses, which were offset by higher margins and a decrease in general and administrative expenses.

The increase in revenue in the second quarter of fiscal 2022 compared to the first quarter of fiscal 2022 relates to higher product and service revenue. The increase in gross margin percentage in the second quarter of fiscal 2022 compared to the first quarter of fiscal 2022 was due to higher product and service gross margins. The increase in net loss and decrease in Adjusted EBITDA in the second quarter of fiscal 2022 compared to the first quarter of fiscal 2022 was a result of higher general and administrative, sales and marketing and product research and development expenses, offset by higher gross margin.

Liquidity and Capital Resources

The Company's primary requirements for capital are to fund the development of enhanced product offerings and for general working capital requirements. Blackline finances these activities primarily through short-term investments, cash flows from operations, funds from equity financing, its operating facility with a Canadian financial institution and a lease securitization facility with a Canadian chartered bank.

Blackline had cash and cash equivalents of $11,488 as at October 31, 2023. Cash and cash equivalents decreased $11,152 or 49% compared to October 31, 2022.

	Three-months ended October 31,			Year ended October 31,		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Cash provided by (used in) operating activities	(1,976)	(13,534)	85	(22,065)	(50,560)	56
Cash provided by (used in) financing activities	548	32,272	(98)	9,235	32,233	(71)
Cash provided by (used in) investing activities	(1,926)	(11,282)	83	(3,461)	249	NM
Effect of foreign exchange	1,716	4,697	(63)	5,139	6,285	(18)
Total net increase (decrease) in cash and cash equivalents	(1,638)	12,153	NM	(11,152)	(11,793)	5

NM - Not meaningful

Operating activities during the three-months and year ended October 31, 2023 used $1,976 and $22,065 of cash, respectively (October 31, 2022: used $13,534 and $50,560, respectively). The decrease in cash used was a result of a lower net loss for the year, including greater non-cash charges of depreciation and amortization and stock-based compensation. This was offset by changes in non-cash working capital of $(257) and $(6,162) for the three-months and year ended October 31, 2023, respectively (October 31, 2022: $(5,544) and $(4,298), respectively).

Changes in non-cash working capital for the three-months ended October 31, 2023 compared to the prior year quarter were primarily due to increasing trade and other receivables of $4,470 and increases in inventory build of $459 (October 31, 2022: increase in trade and other receivables of $5,957 and increase in inventory build of $38). Improvements to changes in non-cash working capital for the three-months ended October 31, 2023 was a result of increases in accounts payable and other accrued liabilities of $3,688, deferred revenue of $1,334 and a decrease in prepaid expenses and advances of $653 (October 31, 2022: accounts payable and other accrued liabilities $1,629, deferred revenue $(2,174) and prepaid expenses and advances $1,678).

Reductions to changes in non-cash working capital for the year ended October 31, 2023 compared to the prior year were primarily from the increases in trade and other receivables of $16,188 and prepaid expenses and advances of $490 (October 31, 2022: increase in trade and other receivables of $2,832 and decrease in prepaid expenses and advances of $419). Improvements to changes in non-cash working capital for the year ended October 31, 2023 were primarily due to increases from deferred revenue of $5,962 and accounts payable and other accrued liabilities of $1,876 compared to the prior year amounts of $4,847 and $3,243, respectively. There were also decreases in inventory of $1,840 from higher sales and improved inventory management compared to the build up of inventory using $(6,335) of cash in the prior year.

Financing activities for the three-months and year ended October 31, 2023 provided $548 and $9,235 of cash, respectively (three-months and year ended October 31, 2022 provided $32,272 and $32,233 of cash, respectively). This was mainly from the funds received under the securitization facility of $596 and $11,461 during the three-months and year ended October 31, 2023, respectively. During the three-months and year ended October 31, 2023, net proceeds of $222 and $1,119, respectively, were raised through share issuances and option exercises (three-months and year ended October 31, 2022: $25,042 and $25,695, respectively). For the three-months and year ended October 31, 2023 there were repayments on the securitization facility of $1,530 and $2,339 respectively. During the three-months and year ended October 31, 2023, there were also proceeds, net of repayments, of bank indebtedness of $1,591 and $35 respectively, compared to $8,575 in both comparable periods of the prior year. Lease liability repayments of $331 and $1,041 were made during the three-months and year ended October 31, 2023, compared to $273 and $965 in the prior year comparable periods.

Investing activities for the three-months and year ended October 31, 2023 used $1,926 and $3,461 of cash, respectively (three-months and year ended October 31, 2022 used cash of $11,282 and provided $249 of cash, respectively). There were purchases of short-term investments during the year ended October 31, 2023 of $12,500 compared to $16,557 in 2022. There were redemptions of short-term investments during the three-months and year ended October 31, 2023 of $nil and $16,500, respectively (October 31, 2022: $8,057 and $28,140, respectively). During the three-months and year ended October 31, 2023, the Company incurred capital expenditures of $1,899 and $7,355, respectively, primarily for property and equipment additions of rental equipment, revenue-generating cartridges for customers and evaluation kits. During the year ended October 31, 2023, the Company did not complete any business combinations (October 31, 2022: purchased all of the outstanding shares of Swift Labs Inc. for $2,987 of cash and other consideration).

Total short-term investments held as at October 31, 2023 amounted to $4,500 compared to $8,500 at October 31, 2022. The total cash and cash equivalents and short-term investments at October 31, 2023 was $15,988 (October 31, 2022: $31,140).

(CAD thousands)	**October 31, 2023**	**October 31, 2022**	**% Change**
Current assets	76,504	75,969	1
Current liabilities	(44,362)	(35,662)	24
Working capital(1)	32,142	40,307	(20)

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Working capital at October 31, 2023 was $32,142 compared to $40,307 in the prior year, a decrease of $8,165. The decrease was mainly due to lower cash, cash equivalents and short-term investments, increases in accounts payable and other accrued liabilities, warranty provision and securitization facility payable offset by an increase in trade and other receivables and prepaid expenses and advances.

The Company has a two-year $25,000 senior secured operating facility ("operating facility" or "facility") with a Canadian financial institution (the "lender"). The facility includes a $5,000 accordion feature to increase the size of the facility. The loan facility borrowing base is derived from the Company's monthly recurring revenue and bears interest at the Canada prime rate plus 2.00% for CAD advances or U.S. base rate plus 2.00% for USD advances. The facility was renewed and extended on October 31, 2023 for two years, maturing on October 31, 2025.

The operating facility includes financial covenants, including a quarterly liquidity to cash burn ratio, as defined in the agreement with the lender, of not less than 6.0 to 1.0. The Company was in compliance with all covenants as at October 31, 2023.

The operating facility is measured at amortized cost and is secured, including a general security agreement over the property of Blackline Safety Corp. and its significant subsidiaries, and a second charge on the assets of Blackline Safety SPV Seller Corp. (“SPV”).

On April 12, 2023, Blackline’s 100% owned subsidiary, SPV entered into a renewable one-year $15,000 plus US $35,000 securitization facility with a Canadian chartered bank to sell tranches of lease receivables from safety wearables and area gas monitoring contracts. Under the securitization facility, leases are sold to the bank on a fully serviced and non-recourse basis, at a discount equal to the yield on a Government of Canada Bond or US Treasury Bond with a term to maturity that most closely matches the term of the relevant lease contracts forming part of the tranche plus 375 basis points. The securitization facility is expected to provide increased financial flexibility and supplement the Company’s liquidity position while lowering its overall cost of capital to finance these customer lease contracts. The Company incurred set-up fees and is charged monthly standby fees.

As of October 31, 2023, SPV had sold certain of its preexisting lease receivables, under the facility, and received cash consideration of $3,022 and USD $6,240. The Company may, from time to time, also record a receivable or payable related to the securitization facility. The Company repaid $705 and USD $1,467 on the securitization facility as at October 31, 2023. The Company had available capacity on its securitization facility of $12,346 and USD $29,527 as at October 31, 2023.

The securitization facility includes both financial and performance covenants, including maintaining a tangible net worth, as defined in the agreement with the Canadian chartered bank, greater than $25 million tested monthly and an unrestricted cash balance of $250 tested quarterly. The Company was in compliance with all covenants as at October 31, 2023.

Capital Management

Management’s objective is to maintain sufficient cash and cash equivalents and short-term investments to finance operations and minimize dilution to shareholders. The Company’s ongoing development program requires funding for wages, tooling and product certifications during the development process. To meet these development-based capital requirements, in addition to the operating facility, securitization facility and focusing on improving cash flow from operating activities, the Company continues to consider multiple levels of equity and debt financing, government grants and funding arrangements. Such arrangements can assist the Company in meeting its liquidity objective.

Management believes they have sufficient funds to support the growth of the Company and to fund its development activities. No assurance can be given that the Company will achieve all or part of its liquidity objective, that sufficient funds will be generated internally or that financing from outside sources, if needed, will be available.

There are no significant capital expenditure commitments as at October 31, 2023 other than the manufacturing of owned modular cartridges used in the G7 connected suite of technologies which generate service revenue for the Company. These budgetary commitments will be funded primarily through cash flows from operations, the Company’s operating facility and the lease securitization facility.

Contractual Obligations

(CAD thousands)	Less than 1 year $	1-3 years $	Thereafter $	Total $
Finance lease obligations	864	1,206	424	2,494
Purchasing commitments	1,472	701	—	2,173
Securitization facility commitment	5,326	5,149	476	10,951
Total	7,662	7,056	900	15,618

Contractual obligations relate to various lease obligations, raw materials purchase commitments, business information technology commitments and payments under the lease securitization facility.

The Company has various commitments to minimum inventory purchases and has contracted for the services of certain third parties. Other than the addition of the obligation to repay funds under the lease securitization facility, there were no material changes in the specified contractual obligations during the year ended October 31, 2023.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet financing arrangements.

Related Party Transactions

There were no transactions between the Company and related parties for the three-months and year ended October 31, 2023 and 2022.

Acquisition of Swift Labs

On March 31, 2022, the Company acquired 100% of the shares of Swift Labs Inc. ("Swift Labs"), a Canadian based Internet of Things design and engineering consulting firm. The fair value of consideration of $4,541 consisted of $3,200 cash paid on the closing date, net of note payable acquired, and 270,776 common shares, at a fair value of $5.74 per share, which was based on the quoted price of the common shares on the TSX on the closing date.

The results of operations of Swift Labs have been consolidated with those of the Company. The acquisition has been accounted for as a business combination in accordance with IFRS 3, *Business Combinations*, using the acquisition method whereby the assets acquired and liabilities assumed are recorded at fair value.

Critical Accounting Judgments and Estimates

The preparation of financial statements requires the use of accounting estimates with management also needing to use judgment in applying the Company's accounting policies.

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the most significant accounting estimates that the Company has made in the preparation of its consolidated financial statements and this MD&A:

a) Stock-based compensation

The determination of the fair value of stock options impacts all the Company's expense captions and is calculated using a Black-Scholes option pricing model which requires the estimation of stock price volatility, the expected term of the underlying instruments, the estimation of the risk-free interest rate, and if applicable the resulting number of options that will ultimately vest, which can vary from actual future events. The factors applied in the calculation are management's best estimates based on historical information and future forecasts.

b) Property and equipment and intangible assets

When calculating depreciation of property and equipment, and amortization of intangible assets, the Company estimates the useful lives and residual values of the related assets. The estimates made by management regarding the useful lives and residual values affect the carrying amounts of the property and equipment and intangible assets on the consolidated statements of financial position and the related depreciation and amortization expenses recognized in the consolidated statements of loss and comprehensive loss. Assessing the reasonableness of the estimated useful lives of property and equipment and intangible assets requires judgment and is based on available information. The Company periodically, and at least annually, evaluates its depreciation and amortization methods and rates for consistency against those methods and rates used by its peers, or may revise initial estimates for changes in circumstances, such as technological advancements. A change in the estimated remaining useful life or the residual value will affect the depreciation or amortization expense prospectively.

c) Standard costing of inventory

Inventory cost includes a portion of production related overhead expenditures, being allocated on the basis of normal operating capacity. The estimates are made using current forecast information and are regularly updated to reflect current conditions and approximate cost. If the actual production or costs were to be adversely affected by demand for products or other factors, cost of sales and inventory valuation could be negatively impacted.

d) Warranty provision

A provision is recognized in cost of sales for expected warranty claims on products sold during the year, based on previous levels of repairs and returns. Assumptions used to calculate the provision are based on current sales levels and information available about returns based on the warranty period for all products sold. Information is limited on new products that have been introduced during the previous twelve months, and the possible impact of future adverse events could result in actual warranty expense differing significantly from these estimates.

e) Business combinations

Accounting for business combinations involves the allocation of the cost of an acquisition to the underlying net assets acquired based on estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to identifiable intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk, and the weighted average cost of capital used by a market participant. These estimates and assumptions determine the amount allocated to identifiable separable intangible assets, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges.

f) Impairment of non-financial assets

The Company tests goodwill annually irrespective of whether any indicators of impairment are present. Goodwill is tested at the cash generating unit ("CGU") or group of CGU level. Management has grouped CGU's together at the operating level for the purpose of goodwill impairment testing. The impairment test was based on significant estimates and assumptions to calculate the fair value less costs of disposal utilizing the discounted cash valuation model, including the allocation of goodwill to the operating segments, estimated discount rate, terminal value multiple, and revenue compounded annual growth rate.

The Company assesses for indicators of impairment at each reporting period that may indicate that property and equipment, right-of-use assets and intangible assets may be impaired. Key assumptions made to calculate the recoverable amount involves the use of estimates by management and can consist of forecasted sales and margins, estimated discount rates and terminal value multiple.

g) Uncertain tax positions

Tax regulations and legislation of which interpretations are made are subject to change. Changes to tax regulations and legislation and other assumptions are subject to measurement uncertainty. The Company is subject to taxes in various jurisdictions and evaluates its positions with respect to applicable tax regulations and legislation which are subject to interpretation. The Company recognizes provisions related to tax uncertainties when appropriate, based on an estimate of the amount that ultimately will be paid to the tax authorities as of the reporting date. To the extent that interpretations change, there may be a significant impact on the consolidated financial statements.

The following are the most significant judgements that the Company has made in the preparation of the consolidated financial statements:

a) Revenue recognition – bundled arrangements

The determination of the amount of revenue and discounts to allocate to individual elements in a bundled arrangement and whether a deliverable constitutes a separate unit of accounting.

b) Impairment of financial assets

The determination of the expected credit loss for the Company's trade and other receivables is determined by a provision matrix that is based on historical credit loss experiences, adjusted for forward looking factors specific to the debtors and the economic environment.

Changes in Accounting Policies Including Initial Adoption

New Accounting Policies Adopted by the Company

There were no new or amended standards that became applicable and were adopted by the Company for the year ended October 31, 2023.

New Accounting Policies Not Yet Adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for October 31, 2023, reporting periods and have not been early adopted by the Company. Refer to Note 2 (b) in the consolidated financial statements for further details.

There are no mandatory standards that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Internal Controls and Procedures

Disclosure controls and procedures

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have, as at October 31, 2023, designed or have caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company is made known to our CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Under the supervision of the CEO and the CFO, the Company conducted an evaluation of the effectiveness of the design and operation of the Company's DC&P. Based on this evaluation, the CEO and CFO have concluded that, as at October 31, 2023, our DC&P, as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filing ("NI 52-109"), was effectively designed.

Internal control over financial reporting

Our CEO and CFO have designed or have caused to be designed under their supervision, internal controls over financial reporting ("ICFR") for the Company to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Blackline Safety's management, under the supervision of the CEO and CFO, used the criteria and framework established in the 2013 Internal Controls - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to design the Company's ICFR.

Under the supervision of the CEO and CFO, Blackline Safety conducted an evaluation of the effectiveness of the Company's ICFR as at October 31, 2023. Based on this evaluation, the officers concluded that as of October 31, 2023, Blackline Safety maintained effective ICFR.

Changes in internal control over financial reporting

Blackline Safety is required to disclose herein any change in the Company's ICFR that occurred during the period beginning on August 1, 2023 and ended October 31, 2023 that have materially affected, or are reasonably likely to materially affect, our ICFR. No material changes in the Company's ICFR were identified during such period that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

The Company's disclosure and internal controls procedures can only provide reasonable assurance that the objectives of the control system will be met.

Financial Instruments

Blackline held the following financial instruments as at October 31, 2023 fiscal period end:

Financial Assets

The financial assets held by the Company consisted of cash and cash equivalents, short-term investments and trade and other receivables. These financial assets are initially measured at fair value and subsequently measured at amortized cost. The carrying amounts of these financial assets are not considered to be significantly different to their fair values due to the instruments' short-term nature.

Financial Liabilities

The financial liabilities held by the Company consisted of accounts payable and other accrued liabilities, bank indebtedness, contract liabilities, lease liabilities and the payments due under the lease securitization facility. These financial liabilities are initially measured at fair value and subsequently measured at amortized cost. The carrying amounts of these financial liabilities are not considered to be significantly different to their fair values due to the instruments' short-term nature.

The Company's risk exposure associated with these financial instruments and the strategies used to manage these risks are disclosed in Note 5 (b) of the October 31, 2023 consolidated financial statements of the Company. The amounts, timing and certainty of future cash flows associated with those financial instruments are also disclosed in this note. Blackline does not have any financial assets or liabilities that are measured subsequently at fair value, either through other comprehensive income or through profit or loss, or derivative financial instruments used for hedging.

Outstanding Share Data

Blackline had 72,744,512 common voting shares issued and outstanding as at January 17, 2024. The following share options were outstanding at that date:

Share Option Exercise Price	Share Options Outstanding
$1.75	1,495,000
$2.75	639,000
$3.04	40,000
$3.35	586,000
$3.47	75,000
$4.25	698,251
$5.26	1,129,751
$5.84	10,000
$6.05	77,500
$6.55	105,000
$8.00	540,000
$8.50	278,500
$8.93	75,000
Total	5,749,002

Risk Factors and Uncertainties

Management defines risk as the probability of a future event that could negatively affect the financial condition and/or results of operations of the Company. This section describes risk factors and uncertainties that could affect Blackline, with the Company's Annual Information Form, which can be found on SEDAR+ under the Company's profile at www.sedarplus.com, containing a comprehensive list of risks that could affect the Company. As it is difficult to predict whether any risk will be realized, or its related consequences will occur, the actual effect of any risk on the business could be significantly different from that anticipated. The following descriptions of risk do not include all possible risks, as there may be other risks of which management is currently unaware or currently believe to be immaterial.

General Economic Conditions

The Company currently operates in Canada, the United States, Europe and other international markets and like all businesses globally, it has been subject to the impact of national and global economic issues. The ongoing conflict between Russia and Ukraine and between Israel and Hamas and the sanctions that many countries have imposed, create risks across the global economy, including fluctuations in commodity prices, foreign exchange rates, supply chain disruptions and potential slowdowns in a variety of industries. Blackline will continue to monitor the impact of the ongoing Russia-Ukraine and Israel-Hamas conflicts, however these conflicts have not had a significant adverse effect on the Company's overall business, business opportunities, results of operations, financial condition and cash flows at this time.

Global Supply Chain

The Company develops and manufactures its products by sourcing raw materials from around the world. We continuously seek suppliers who share our values and provide competitive pricing while allowing the Company to maintain visibility and security around its ability to build enough products to meet its customers' demands. Previous disruptions affecting global supply chains have caused the Company to refocus its procurement strategy in order to maximize flexibility and access to required components.

If new disruptions to global supply chains were to occur, the Company's margins and ability to meet sales demand or develop new products in its roadmap could be adversely affected.

Competition

The market for location-based services is competitive in the lone worker space, and some competitors in the gas detection industry have launched early wireless-capable solutions. Blackline has experienced, and may continue to experience, intense competition from other organizations with more established sales and marketing presence, superior technical support services

and greater financial resources. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards.

As the market for the Company's products continues to develop, additional competitors may enter the market and competition may intensify. Increased competition may cause price reductions, reduced profitability and loss of market share, any of which could have an adverse effect on the Company's business, results of operations and financial condition.

Credit Risk

We have an exposure to credit risk related to trade balances owing from customers and outstanding lease receivables. In the normal course of business, we monitor the financial condition of our customers and review the credit history of new customers to establish credit limits and terms. We establish a loss allowance that corresponds to the credit risk of our customers, historical trends and economic circumstances to the best of our abilities. Losses could be realized by us if customers default on their balances owing. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Company being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

Risk Associated with International Operations

Management of the Company believes that its continued growth and profitability will require expansion of its sales further in the United States, Europe and into other international markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. To increase international sales in subsequent periods, the Company may establish additional international operations, incur substantial infrastructure costs, hire additional personnel and recruit international distributors. In addition, even with the possible recruitment of additional personnel and international distributors, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services.

Growth Management

The Company may be subject to growth related risks including pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this potential growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Reliance on Information Systems and Technology

The Company’s business relies upon information technology systems to support its monitoring of hardware devices and to service customers at the point of sale. Its information technology systems may be vulnerable to unauthorized access, computer viruses, system failures, other malicious acts or acts of nature. Were a significant disruption to its information technology to occur, the Company’s earnings could be adversely affected through loss of revenue and costs to rectify the disruption as well as potentially suffering damage to its reputation.

The Company may also be required to expend significant capital and resources to protect against the threat of security, encryption, and authentication technology breaches or to alleviate problems caused by such breaches.

Data Privacy

The management, use and protection of data, including sensitive data, are becoming increasingly important, particularly given the high value attributed to data and the potential exposure to operational risks, reputational risks, and regulatory compliance risks and the coming into force of the General Data Protection Regulation by the EU in May 2018, and the expected proliferation of similar regulatory frameworks in other regions. Further, as our collaboration with third parties continues to grow and as we adopt new technologies and business models, our potential exposure to regulatory compliance, operational and reputational risk increases. If we fail to comply with applicable privacy laws, we could be subject to regulatory penalties, experience damage to our reputation or a loss of confidence in our products and services. We may also incur additional costs for remediation and modification or enhancement of our information systems to prevent future occurrences, all of which could adversely affect our business, operations or financial results. Furthermore, the adoption of emerging technologies, such as cloud computing, artificial intelligence, process automatization and robotics could lead to both new and complex risks that require continued focus and investment to manage effectively. We identify, assess and manage the operational risk associated with the implementation of new technologies prior to their adoption.

Dependence on Third Parties

The Company relies on certain software that it licenses from third parties, including a software program that is integrated with internally developed software and used in the Company's products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could substantially and adversely affect the Company's business, results of operations and financial condition.

The Company's products rely on GPS satellites that it does not own or operate. Such satellites and the corresponding ground support systems are complex electronic and mechanical systems that are subject to potential failures. Further, there is no assurance the U.S. Government will continue to operate and maintain the satellites or that it will continue the current policies for the commercial use of the satellites. The Company is contracted with Iridium Satellite LLC to provide data via their independent network of satellites. Should a significant number of the governmental or commercial satellites fail or should the terms of use policies for the U.S. Government satellites change the earnings of the Company would be considerably impacted.

Intellectual Property Risks

Since much of the Company's potential success and value lies in its ownership and use of intellectual property, failure to protect its intellectual property may negatively affect its business and value. The Company typically enters into confidentiality or license agreements with its employees, consultants, customers, strategic partners and vendors in an effort to control access to and distribution of its products, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary technology without authorization.

The Company is in an industry with many competitors that lay claim to intellectual property. The Company may receive notice from a third party asserting the Company has infringed on their intellectual property rights. As a result of such claims, the Company's earnings could be adversely affected by costly litigation, product injunctions or consumption of management attention.

Technological Change and Standards

We must continue to make significant investments in research and development to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development-stage products will be successfully completed or, if developed, will achieve significant customer acceptance. If we are unable to successfully define, develop and introduce competitive new products, and enhance existing products, our future results would be adversely affected.

The technology industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company's existing products and systems obsolete. Blackline's products employ complex technology and may not always be compatible with current and evolving technical standards. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a significantly adverse effect on the Company's business, results of operations and financial condition.

Products and services as sophisticated as ours could contain undetected errors or defects, especially when first introduced or when new models or versions are released. Such occurrences could result in damage to our reputation, lost revenue, diverted development resources, increased customer service and support costs, warranty claims, and litigation. Errors, viruses or bugs may be present in software or hardware that we acquire or license from third parties and incorporate into our products or in third party software or hardware that our customers use in conjunction with our products. Changes to third party software or hardware that our customers use in conjunction with our software could also render our applications inoperable. Any errors, defects or security vulnerabilities in our products or any defects in, or compatibility issues with, any third party hardware or software or customers' network environments discovered after commercial release could result in loss of revenues or delay in revenue recognition, loss of customers, theft of trade secrets, data or intellectual property and increased service and warranty cost, any of which could adversely affect our business, financial condition, and results of operations. Undiscovered vulnerabilities in our products alone or in combination with third party hardware or software could expose them to hackers or other unscrupulous third parties who develop and deploy viruses, and other malicious software programs that could attack our products. Actual or perceived security vulnerabilities in our products could harm our reputation and lead some customers to return products, to reduce or delay future purchases, or use competitive products.

Future Acquisitions

We may seek to expand our business and capabilities through the acquisition of compatible or complimentary technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favourable terms, or that the acquired operations can be profitably operated or integrated in our operations. In addition, any internally generated growth experienced by us could place significant demands on our management, thereby restricting or limiting our available time and opportunity to identify and evaluate potential acquisitions. To the extent management is successful in identifying suitable companies or products for acquisition, we may deem it necessary or advisable to finance such acquisitions through the issuance of common shares, securities convertible into common shares, debt financing, or a combination thereof. In such cases, the issuance of common shares, or convertible securities could result in dilution to the holders of common shares at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain of our assets, impeding our ability to obtain bank financing, and decreasing our liquidity.

To the extent acquisitions occur, we expect to realize strategic and other benefits as a result of such acquisitions and expansions including, among other things, the opportunity to extend our reach in the safety and employee monitoring industry and provide our customers with a wider range of products and services. However, it is impossible to predict with certainty whether, or to what extent, these benefits will be realized. Further, there can be no assurance that Blackline will be able to identify, acquire, develop or profitably manage additional products, or successfully integrate any acquired business, products, or technologies into our business, or increase the scope or change the nature of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. Our ability to increase the scope or change the nature of our operations or acquire or develop additional businesses may be impacted by the cost of capital and access to credit.

Acquisitions and expansions may involve a number of special risks including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, unanticipated market dynamics in new markets, added political and economic risk in other jurisdictions, risks associated with new market development outside of North America, and legal liabilities, some or all of which could have a material adverse effect on Blackline's performance. In emerging markets, some of these (and other) risks can be greater than they might be elsewhere. In addition, there can be no assurance that an increase in the scope or a change in the nature of operations at existing facilities or that acquired, or newly developed businesses, products, or technologies will achieve anticipated revenues and income. There is a risk that some or all of the expected benefits will fail to materialize or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, many of which are beyond the control of Blackline.

History of Operating Losses

Since its incorporation, the Company has recorded an inadequate level of revenue to offset its costs and has an accumulated deficit as at October 31, 2023 of $182,705. The deficit is expected to increase in the near term as the Company continues to grow its market share while scaling its operations and prioritizing key aspects of its product research and development.

Price Volatility of Publicly Traded Securities

The securities markets in Canada can experience a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the common shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility.

Environmental, Social and Governance (ESG) and Climate Change

Changes in market-based factors or investor strategies, including ESG, or responsible investing criteria/rankings (such as ESG, social impact or environmental scores) may adversely affect the trading price of the common shares and/or the Corporation's external reputation.

Blackline recognizes climate change as an important ESG issue. It is impracticable to predict the impact of climate change or the regulatory responses to it, on our business. The most direct impacts are likely to be an increase in energy costs, which would increase our operating costs, costs of the products and related transportation costs of raw materials we purchase from suppliers, and transportation costs related to shipping products to customers. Increasing environmental regulations on oil and gas, pipeline, transportation and other industrial companies could adversely impact certain of our customers' businesses which may impact demand for our products. It is too soon for us to predict with any certainty the ultimate impact of additional regulation, either directionally or quantitatively, on our overall business, results of operations or financial condition.

Furthermore, the potential physical impacts of climate change on our facilities, suppliers and customers and therefore on our operations are uncertain and will be particular to the circumstances in various geographical regions. These potential physical effects may adversely impact the demand for our products and the cost, production, sales and financial performance of our operations.

Outlook

Blackline has a comprehensive portfolio of connected safety wearables and area monitors which provide access to our unique monitoring portal – designed and developed in-house – to meet the connected safety needs of diverse industrial workplaces around the world. Our customers come from a broad range of sectors spanning utilities, energy and petrochemical, telecommunications, consumer packaged goods, transportation, manufacturing and emergency response. They rely on our technology for real-time safety insights to manage emergency responses and evacuations, proactively manage gas detection compliance, and increase productivity. With turnkey solutions that protect people operating in hazardous locations across urban, suburban, rural, and remote settings, our products and services are as versatile and easy-to-use as they are robust. Our customers continue to select Blackline over older technologies as our solution prevents fatalities by providing visibility and direct help to workers who are isolated or in extremely hazardous environments.

Throughout the fourth quarter of fiscal 2023, the Company's previous investments in its manufacturing, sales and marketing capabilities allowed Blackline to grow its revenue 37% year-over-year. We expect sales momentum and a strong growth trajectory to continue into fiscal 2024 as we add material sales of our G6 zero-maintenance wearable to our robust sales of G7 and G7 EXO. Net Dollar Retention growth of 129% along with these new activations has pushed the Company's Annual Recurring Revenue to above $50M and will continue to drive strong growth in our high margin service revenue as we continue to play our role in the transformation of the industrial workplace into a connected one.

The Company constantly assesses strategic opportunities in the current market conditions and will continue to manage its capital structure and liquidity risk in order to fund its product roadmap and strategic additions to its global sales and distribution network in order to execute our strategy to continue strong revenue and margin growth while achieving our goal of positive Adjusted EBITDA and Free Cash Flow as part of a successful sustainable financial business model.

We believe we are well-positioned to grow our market share with our comprehensive suite of connected safety products and services. With the addition of the G6, Blackline is now able to fully meet the gas detection and compliance requirements of thousands of new customers globally. We look forward to expanding our work with leading brands around the world – who share our purpose to ensure every worker has the confidence to get the job done and return home safe – to harness the power of data-driven safety to optimize their performance, increase their competitiveness and empower their people.

Non-GAAP and Supplementary Financial Measures

Non-GAAP and supplementary financial measures, including non-GAAP ratios not recognized under IFRS are provided where management believes they assist the reader in understanding Blackline's results. The calculations of the non-GAAP and supplementary financial measures are consistent, except where described, with the prior year comparable periods. The Company utilizes the following terms for measurement within the MD&A that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with 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 MD&A 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 which excludes the impact of certain non-operational items and certain non-cash and non-recurring items, such as stock-based compensation expense. Adjusted EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense, foreign exchange loss (gain), 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.

Readers should be cautioned, however, that EBITDA and Adjusted EBITDA should not be construed as an alternative measure to net loss determined in accordance with IFRS. Management does not use these non-GAAP financial measures to assess the Company's financial results against internal expectations.

Change in Composition of Non-GAAP Financial Measure

In the fourth quarter of fiscal 2022, Management updated the composition of certain non-GAAP measures such that adjustments for product research and development costs are no longer included as normalized adjustments. The change was made as a result of Management's assessment that product research and development costs related to new and existing products are recurring and ongoing in nature, and as such, the more appropriate methodology is to include these costs in this measure of operating performance.

Management also determined that foreign exchange loss (gain) are non-cash charges that should be normalized adjustments for the Company to compute the operational results of the Company.

Management believes these changes will provide greater relevance to comparable companies. The following table summarizes the impact of these changes on the periods presented in the MD&A:

Increase (decrease) as a result of change	**Three-months ended October 31,**		**Year ended October 31,**	
(CAD thousands)	**2023**	**2022**	**2023**	**2022**
Adjusted EBITDA	—	(5,170)	—	(21,711)
Adjusted EBITDA per common share – Basic and diluted	—	(0.08)	—	(0.37)

Reconciliation of non-GAAP financial measures	**Three-months ended October 31,**			**Year ended October 31,**		
(CAD thousands)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Net loss	(4,455)	(9,940)	(55)	(25,547)	(53,646)	(52)
Depreciation and amortization	1,843	1,727	7	7,459	6,616	13
Finance expense (income), net	297	(107)	NM	(220)	(267)	(18)
Income taxes	835	247	238	1,316	394	234
EBITDA	(1,480)	(8,073)	82	(16,992)	(46,903)	64
Stock-based compensation expense(1)	537	385	39	1,566	1,168	34
Foreign exchange loss (gain)(2)	(886)	35	NM	(2,036)	1,539	NM
Other non-recurring impact transactions(3)	—	—	—	1,142	1,573	(27)
Adjusted EBITDA(4)	(1,829)	(7,653)	76	(16,320)	(42,623)	62

(1) Stock-based compensation expense relates to the Company's stock compensation plan and stock option expense is 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.
(2) During the fourth fiscal quarter of 2022, Management updated the non-GAAP composition to include an adjustment for foreign exchange loss (gain). Comparative periods have been restated to reflect this change.
(3) Other non-recurring impact transactions in the current year include consulting and legal fees related to the completion of the lease securitization facility and separation related costs comprising of severance, stock forfeitures and accelerated vesting related to the departure of an officer of the Company. Other non-recurring transactions in the prior year period include restructuring costs and acquisition expenses.
(4) Adjusted EBITDA is adjusted for all periods presented as Management updated the non-GAAP composition in the fourth fiscal quarter of 2022 to remove the adjustment of product research and development costs as noted in the Non-GAAP Financial Measures section. The amounts presented in the table above reflect the figures to align with the updated composition.
NM - Not meaningful

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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 MD&A are as 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 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 MD&A are as follows:

- **“Gross margin percentage”** represents gross margin as a percentage of revenue
- **“Working capital”** represents current assets minus current liabilities
- “**Annual Recurring Revenue**” represents total annualized value of recurring service amounts of all service contracts
- “**Net Dollar Retention**” represents the aggregate service revenue contractually committed
- **“Product revenue as a percentage of revenue”** represents product revenue as a percentage of total revenue
- **“Service revenue as a percentage of revenue”** represents service revenue as a percentage of total revenue
- **“Software services revenue as a percentage of service revenue”** represents software services revenue as a percentage of service revenue
- **“Rental revenue as a percentage of service revenue”** represents rental revenue as a percentage of service revenue
- **“Canada as a percentage of revenue”** represents revenues generated in Canada as a percentage of total revenue
- **“United States as a percentage of revenue”** represents revenues generated in the United States as a percentage of total revenue
- **“Europe as a percentage of revenue”** represents revenues generated in Europe as a percentage of total revenue
- **“Rest of World as a percentage of revenue”** represents revenues generated in countries other than Canada, United States and Europe as a percentage of total revenue
- **“Product cost of sales as a percentage of segment revenue”** represents product cost of sales as a percentage of product revenue
- **“Service cost of sales as a percentage of segment revenue”** represents service cost of sales as a percentage of service revenue
- **“Cost of sales as a percentage of revenue”** represents cost of sales as a percentage of total 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
- **“General and administrative expense as a percentage of revenue”** represents general and administrative expenses as a percentage of total revenue
- **“Sales and marketing expense as a percentage of revenue”** represents sales and marketing expenses as a percentage of total revenue
- **“Product research and development costs as a percentage of revenue”** represents product research and development expenses as a percentage of total revenue
- **“Foreign exchange (gain)/loss as a percentage of revenue”** represents foreign exchange (gain)/loss as a percentage of total revenue
- **“Total expenses as a percentage of revenue”** represents total expenses as a percentage of total revenue

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Forward Looking Statements

Certain statements included in this MD&A constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "targeting", "will" and other similar expressions. All forward-looking statements are based on beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on expectations regarding Blackline's business plan and focus; the results, including but not limited to Blackline's expectations of the securitization facility providing increased financial flexibility and other benefits; Blackline's expectation that it will continue to pursue multiple levels of equity and debt financing, government grants and funding arrangements and the results thereof; management's belief that the Company has sufficient funds to support the growth of the Company and to fund its development activities; the expected funding of budgetary commitments through cash flows from operations, the operating facility and the lease securitization facility; the expectation of an increase in the operating deficit as the Company continues to grow its market share; the Company's expectation that it will continue sales momentum and strong growth trajectory for the rest of the fiscal year by adding material sales of the G6 zero-maintenance wearable; that Net Dollar Retention growth will continue to drive strong growth in the high margin service revenue as the Company pursues the transformation of the industrial workplace into a connected one; Blackline's expectations regarding managing its capital structure and liquidity risk to result in strong revenue and margin growth while achieving positive Adjusted EBITDA and Free Cash Flow; and the belief that Blackline is well-positioned to grow its market share with its comprehensive suite of connected safety products and services and will expand with leading brands around the world. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from those anticipated in such forward-looking statements. Although the forward-looking statements contained in the MD&A are based upon what the Corporation believes to be reasonable assumptions, no assurance can be given that these expectations will prove to be accurate and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These forward-looking statements are made as of the date of this MD&A. The Corporation does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

The material assumptions on which the forward-looking information in this news release are based, and the material risks and uncertainties underlying such forward-looking information, include: the ability to obtain sufficient and suitable financing to support operations, development and commercialization of products, the ability to execute partnerships and corporate alliances, uncertainties relating to the regulatory approval process, the ability to develop plant lines and manufacturing processes that result in competitive advantage and commercial viability, the ability to develop enhanced products and software in a cost-effective and timely manner, the impact of competitive products and pricing and the ability to successfully compete in the targeted markets, the ability to attract and retain key personnel and key collaborators, the ability to adequately protect proprietary information and technology from competitors, market and general economic conditions and the impact if a significant disruption to its information technology were to occur, business and market conditions; the accuracy of outlooks and projections contained herein; that future business, regulatory, and industry conditions will be within the parameters expected by Blackline, including with respect to prices, margins, demand, supply, product availability, supplier agreements, availability, and cost of labour and interest, exchange, and effective tax rates; projected capital investment levels, the flexibility of capital spending plans, and associated sources of funding; cash flows, cash balances on hand, and access to the Company's credit facility being sufficient to fund capital investments; foreign exchange rates; near-term pricing and continued volatility of the market; accounting estimates and judgments; the ability to generate sufficient cash flow to meet current and future obligations; the Company's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; the Company's ability to carry out transactions on the desired terms and within the expected timelines; forecast inflation, including on the Company's components for its products, the impacts of the military conflict between Russia and Ukraine and between Israel and Palestine on the global economy; and other assumptions, risks, and uncertainties described from time to time in the filings made by Blackline with securities regulatory authorities. See also risks identified in our Annual Information Form as at October 31, 2023. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

With respect to the forward-looking statements and FOFI (as defined below) contained in this MD&A, management has made assumptions regarding, among other things: our ability to enter new markets and industry verticals; our ability to attract, develop and retain key personnel; our ability to maintain and expand geographic scope; our ability to raise additional capital and to execute on our expansion plans; timeline for new product launches, our ability to continue investing in infrastructure and implement scalable controls, systems and processes to support our growth; our ability to successfully integrate the companies we have acquired or companies we may acquire and to derive the benefits we expect from the acquisition thereof; seasonality in our business and in the business of our customers; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards.

Any financial outlook or future oriented financial information (in each case "FOFI") contained in this MD&A regarding prospective financial position is based on reasonable assumptions about future events, including those described above, based on an assessment by management of the relevant information that is currently available. The actual results will likely vary from the amounts set forth herein and such variations may be material. Readers are cautioned that any such FOFI contained herein should not be used for purposes other than those for which it is disclosed herein. Such information was made as of the date of this MD&A and the Company disclaims any intention or obligation to update or revise any such information, whether as a result of new information, future events, or otherwise, unless required pursuant to applicable law.

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