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Blackline Safety Reports Fiscal Second Quarter 2023 Results – Record Revenue of $24.1 Million Up 45% Year-Over-Year

25th consecutive quarter of year-over-year revenue growth

- Service revenue increased 46% year-over-year to $12.9 million
- Record gross margins of $12.5 million, up 77% year-over-year
- Annual Recurring Revenue(1) increased 38% year-over-year to $42.4 million
- Record Net Dollar Retention(1) of 118% improves year-over-year from 102%
- Total expenses of $19.2 million, declining 11% from $21.5 million year-over-year
- Q2 Adjusted EBITDA(1) loss of $4.5 million compared to $12.3 million loss in Q2 2023, an improvement of $7.8 million
- Company on track to exit fiscal 2023 generating positive quarterly Adjusted EBITDA

Calgary, Canada — June 14, 2023 — Blackline Safety Corp. ("**Blackline**" or the "**Company**") (TSX: BLN)**,** a global leader in connected safety technology, today reported its fiscal second quarter financial results for the period ended April 30, 2023.

Management Commentary

"In Q2 our year-over-year revenue growth accelerated to 45% compared to Q1 which saw 34% growth and represented our 25th consecutive quarter of year-over-year revenue growth. The increase was driven by strength in both our service and product segments which grew 46% and 43%, respectively. We were able to achieve this while maintaining our reduced cost structure as we continue on our path to achieving positive Adjusted EBITDA by the end of this fiscal year," said Cody Slater, CEO and Chair of Blackline. "Through our revenue growth and sales mix, we were able to deliver 52% gross margins; a quarterly record of $12.5 million driven by record service margins of 75% all of which validates the opportunity for our business model to generate free cash flow in the near term."

"In addition, our Annual Recurring Revenue ("ARR")(1) also accelerated from Q1 advancing 38% year-over-year to $42.4 million. Exceeding $40 million in ARR is an important milestone in our journey as Blackline scales its connected worker solution globally and continues to earn greater market share through customer adoption of its world-class products and services across a variety of industrial verticals.

(1) This news release presents certain non-GAAP and supplementary financial measures, including key performance indicators used by management and typically used by companies in the software-as-a-service industry, as well as non-GAAP ratios to assist readers in understanding the Company's performance. Further details on these measures and ratios are included in the "Key Performance Indicators," and "Non-GAAP and Supplementary Financial Measures" sections of this news release.

Regionally, we experienced year-over-year growth across the board highlighted by 65% growth in the United States 24% growth in Canada and the Rest of World market set a new high-water mark with nearly $2.0 million in quarterly revenue growing by 123% year-over-year as our robust pipeline continues to positively impact our business."

"On the margin front, we experienced the strongest service margins in Company history of 75%. Our product margins also improved significantly year-over-year from 13% to 26% and increased sequentially from 21% in Q1 2023. Looking forward, we anticipate continued margin improvements through the remainder of the fiscal year through our enhanced pricing strategy, increased manufacturing automation and continued cost optimization."

"We ended the second quarter in a solid financial position with total cash and short-term investments on hand of $21.9 million. We also completed our lease securitization facility during the quarter, with $8.3 million of funding received from the sale of the initial tranche of lease contracts. Additional funding will be received for lease agreements from Q2 as well as new agreements signed with our customers. This facility provides Blackline with the financial flexibility to accelerate the adoption of our lease program, driving stronger margins and even better customer retention while lowering the Company's overall cost of capital. In addition, it provides Blackline with the opportunity to aggressively market our lease program which will enable easier customer adoption through an all-in monthly fee, including the new G6 product line."

Fiscal Second Quarter 2023 and Recent Financial and Operational Highlights

- Total revenue of $24.1 million, a 45% increase over the prior year's Q2
- Service revenue of $12.9 million, a 46% increase over the prior year's Q2
- Product revenue of $11.2 million, a 43% increase over the prior year's Q2
- United States ("U.S.") market momentum continues with 65% growth over the prior year's Q2
- Rest of World markets continues rapid expansion with 123% growth over prior year's Q2
- Canadian market remains strong with 24% growth over the prior year's Q2
- ARR [(1)] growth of 38% year-over-year to $42.4 million
- Rental revenue of $1.6 million a 247% increase over the prior year's Q2
- Total expenses, excluding non-recurring transaction costs, were $18.1 million, declining $3.3 million year-over-year
- Closed a $50+ million lease purchase facility with CWB Maxium with initial funding of $8.3 million, enhancing the flexible buying options offered to customers by Blackline while improving the Company's liquidity and overall cost of capital
- Announced a $3.2 million deal with a leading U.S. energy company to protect 1,000 workers, replacing a non-connected competitor with our wearables and Blackline Analytics cloud-based solution
- Released our third annual Environment, Social & Governance ("ESG") Report continuing our commitment to diversity, inclusion, environmental sustainability and community engagement
- Expanded production capacity by 30%-50% by repurposing space at the Company's existing headquarters in Calgary

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Financial highlights

(CAD thousands, except per share and percentage amounts)	Three-months ended April 30, 2023	2022	% Change
Product revenue	11,202	7,858	43
Service revenue	12,893	8,807	46
Total Revenue	24,095	16,665	45
Gross margin	12,524	7,062	77
Gross margin percentage(1)	52%	42%	
Total Expenses	19,200	21,514	(11)
Total Expenses as a percentage of revenue(1)	80%	129%	
Net loss	(6,557)	(14,543)	(55)
Loss per common share - Basic and diluted	(0.09)	(0.24)	(63)
Adjusted EBITDA(1 & 2)	(4,500)	(12,330)	64
Adjusted EBITDA per common share(1 & 2) - Basic and diluted	(0.06)	(0.20)	70

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

(2) Adjusted EBITDA is adjusted for all periods presented as Management updated the non-GAAP composition to remove the adjustment of product research and development costs and included the adjustment for foreign exchange gains or losses as noted in the Non-GAAP Financial Measures section. The amounts presented in the table above reflected the restated figures to align with the updated composition.

Key Financial Information

Fiscal second quarter revenue was $24.1 million, an increase of 45% from $16.7 million in the prior year quarter. Total revenue for each geographical market increased with the United States leading the growth, up 65% while the other regions also demonstrated strong growth with Rest of World up 123%, Canada up 24% and Europe up 17%, year-over-year.

Service revenue during the fiscal second quarter was $12.9 million, an increase of 46% compared to $8.8 million in the prior year quarter. Recurring software services revenue increased 36% to $11.3 million and rental revenue increased 247% to $1.6 million. Software services growth was attributable to new activations of devices sold over the past 12 months as well as net growth within our existing customer base of $1.6 million which represented Net Dollar Retention of 118%.

Rental revenue continues to be strong, with year-over-year growth of 247% with the comparative period representing the first quarter of the Company's strategic focus to provide this short-term project-based offering across North America for the industrial construction, turnaround, and maintenance markets.

Product revenue during the fiscal second quarter was $11.2 million, a 43% increase compared to the prior year quarter of $7.9 million. The increase in the current year period reflects the Company's expanded sales network and investment in our global sales team over the past twelve months.

Overall gross margin percentage for the fiscal second quarter was 52%, a 10% increase compared to the prior year quarter. The increase in total gross margin percentage is due to a combination of a higher sales volume, our enhanced pricing strategy, continued cost optimization across our business and a shift in revenue mix towards higher margin service revenue. Product revenue comprised 46% of total revenue in the second quarter, a decrease of 1% from the prior year quarter, while service revenue made up 54% of total revenue for the quarter, representing a 1% increase. Service gross margin percentage increased to 75% compared to the prior year quarter at 69% as service revenue continued to grow, through additional value-added features and the scale absorbing more fixed cost of sales.

Product gross margin percentage increased to 26% from 13% in the prior year quarter and 21% in the fiscal first quarter as the Company has been mitigated most global supply chain challenges that it has experienced since the third quarter of 2021. During the quarter the Company completed most sales orders under our newly introduced pricing structure. The Company has automated more of its manufacturing line, improving the efficiency and throughput of its operations.

Net loss was $6.6 million, or $0.09 per share in the fiscal second quarter, compared to $14.5 million or $0.24 per share in the prior year quarter. Net loss decreased due to an increase in total gross margin as well as decreases in sales and marketing expenses and product research and development costs, partially offset by increases in general and administrative expenses which were higher due to transaction costs related to the closing of the Company's lease securitization facility.

Adjusted EBITDA(1) was ($4.5) million or ($0.06) per share for the fiscal second quarter compared to ($12.3) million or ($0.20) per share in the prior year quarter and ($6.2) million or ($0.09) per share in the fiscal first quarter of 2023. The $7.8 million improvement in Adjusted EBITDA is primarily due to the increase in total gross margin, as well as the decrease in total expenses.

At quarter end, Blackline had total cash and short-term investments on hand of $21.9 million and $8.0 million of availability on its senior secured operating facility after paying down $1.0 million during the quarter. The decrease in cash and short-term investments is mainly due to operating losses which were offset by funding from the initial tranche of leases that were sold under the Company's $15 million CAD plus $35 million USD securitization facility. The lease securitization facility will create a step change in our cash burn which combined with our improving gross margins and cost discipline, ensures the Company has the cash it requires to execute on our path to quarterly positive Adjusted EBITDA.

Blackline's Interim Condensed Consolidated Financial Statements and Management's Discussion and Analysis on Financial Condition and Results of Operations for the three and six-months ended April 30, 2023 are available on SEDAR under the Company's profile at www.sedar.com. All results are reported in Canadian dollars.

(1) This news release presents certain non-GAAP and supplementary financial measures, including key performance indicators used by management and typically used by companies in the software-as-a-service industry, as well as non-GAAP ratios to assist readers in understanding the Company's performance. Further details on these measures and ratios are included in the "Key Performance Indicators," and "Non-GAAP and Supplementary Financial Measures" sections of this news release.

Conference Call

A conference call and live webcast have been scheduled for 11:00 am ET on Wednesday, June 14, 2023. Participants should dial 1-800-319-4610 or +1-416-915-3239 at least 10 minutes prior to the conference time. A live webcast will also be available at https://www.gowebcasting.com/12594. Participants should join the webcast at least 10 minutes prior to the start time to register and install any necessary software. If you cannot make the live call, a replay will be available within 24 hours by dialing 1-800-319-6413 and entering access code 0243.

About Blackline Safety Corp

Blackline Safety is a technology leader driving innovation in the industrial workforce through IoT (Internet of Things). With connected safety devices and predictive analytics, Blackline enables companies to drive towards zero safety incidents and improved operational performance. Blackline provides wearable devices, personal and area gas monitoring, cloud-connected software and data analytics to meet demanding safety challenges and enhance overall productivity for organizations with coverage in more than 100 countries. Armed with cellular and satellite connectivity, Blackline provides a lifeline to tens of thousands of people, having reported over 200 billion data-points and initiated over seven million emergency responses. For more information, visit BlacklineSafety.com and connect with us on Facebook, Twitter, LinkedIn and Instagram.

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Non-GAAP and Supplementary Financial Measures

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

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

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

Key Performance Indicators

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

- **"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 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.

- **"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 declined, but excludes the total service revenue from new activations during the period. We believe that NDR provides a fair measure of the strength of our recurring revenue streams and growth within our existing customer base.

Non-GAAP Financial Measures

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

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

"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.

Reconciliation of non-GAAP financial measures

Reconciliation of non-GAAP financial measures	**Three-months ended April 30,**		
(CAD thousands)	**2023**	**2022**	**% Change**
Net loss	(6,557)	(14,543)	55
Depreciation and amortization	2,058	1,619	27
Finance income, net	(222)	(57)	(289)
Income taxes	103	148	(30)
Stock-based compensation expense(1)	202	310	(35)
Foreign exchange loss (gain)(2)	(1,226)	(1)	NM
Other non-recurring impact transactions(3)	1,142	194	489
Adjusted EBITDA(4)	(4,500)	(12,330)	64

(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 period include consulting and legal fees related to the completion of the lease securitization facility and separation related costs comprising severance, stock forfeitures and accelerated vesting of stock options related to the departure of an officer of the Company.
(4) Adjusted EBITDA is adjusted for all periods presented as Management updated the non-GAAP composition 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 restated figures to align with the updated composition.

Non-GAAP Ratios

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

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

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

Supplementary Financial Measures

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

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

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

Note Regarding Forward-Looking Statements

This news release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to, among other things, Blackline's expectation to deliver continued revenue growth, including growth in the adoption of lease agreements with its customers, coupled with disciplined cost management, which is expected to allow Blackline to exit fiscal 2023 in a position of sustained positive Adjusted EBITDA, that the Company expects to realize continued improvement in gross margins in fiscal 2023 driven by enhancements to pricing strategy, cost optimization and greater business scale, the Company's expectation that it will have liquidity to execute on its fiscal 2023 path to profitability and its ability to generate free cash flow. Blackline provided such forward-looking statements in reliance on certain expectations and assumptions that it believes are reasonable at the time. 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: expectations and assumptions concerning business prospects and opportunities, customer demands, the availability and cost of financing, labor and services, that Blackline will pursue growth strategies and opportunities in the manner described herein, and that it will have sufficient resources and opportunities for the same, that other strategies or opportunities may be pursued in the future, and the impact of increasing competition, 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 impact of a potential pandemic and the war in Ukraine 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. Although Blackline believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Blackline can give no assurance that they will prove to be correct. Forward-looking information addresses future events and conditions, which by their very nature involve inherent risks and uncertainties, including the risks set forth above and as discussed in Blackline's Management's Discussion and Analysis and Annual Information Form for the year ended October 31, 2022 and available on SEDAR at www.sedar.com. Blackline's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits Blackline will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide readers with a more complete perspective on Blackline's future operations and such information may not be appropriate for other purposes. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and Blackline disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.