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Blackline Safety Hits $100M Milestone in Annual Revenue

Company reports fiscal fourth quarter and year-end 2023 results achieving 40% growth in Annual Recurring Revenue(1) to $51.1 million

- $100 million of annual revenue up 37% over prior year
- Annual Recurring Revenue (“ARR”)(1) increased 40% year-over-year to $51.1 million
- Q4 revenue hits 30 million, up 36% year-over-year
- Record Net Dollar Retention (“NDR”)(1) of 129% improves year-over-year from 105%
- Record gross margins of $16.5 million in Q4, up 56% year-over-year
- Total expenses of $19.8 million in Q4, declining 3% from $20.3 million year-over-year
- EBITDA(1) improved 82% to a loss of $1.5 million in Q4 2023 from a $8.1 million loss in Q4 2022
- Company in excellent position as it enters fiscal 2024 to produce another record year

Calgary, Canada — January 18, 2024 — Blackline Safety Corp. (“**Blackline**” or the “**Company**”) (TSX: BLN), a global leader in connected safety technology, today reported its fiscal fourth quarter and annual financial results for the period ended October 31, 2023.

Management Commentary

“We are delighted to achieve a significant milestone, reaching $100 million in total annual revenue as we recorded our 27th consecutive quarter of year-over-year total revenue growth. This includes our fourth quarter, where we reached $30.0 million in total revenue, a 36% increase over the prior year’s quarter. We are proud of our execution during the year: increasing ARR(1) 40% to $51.1 million, achieving 33% more in hardware revenue, while decreasing total annual expenses 10%, leading to a dramatic reduction in EBITDA(1) loss,” said Cody Slater, CEO and Chair, Blackline Safety Corp.

“In Q3 of last year, we embarked on a path to profitability. In that quarter, our EBITDA(1) loss represented 79% of our revenue and our cash used in operating activities was 105%. In Q4 2023, our EBITDA(1) loss was reduced to less than 5%, our cash used in operating activities as a percentage of revenue(1) was improved to 7%, all while achieving top line growth of 36%. Even though we did not hit our ambitious goal of reaching EBITDA positive results I am confident the Company has transformed itself into an engine that can continue to deliver top line growth in the future and generate significant profitability in the long run,” continued Slater.

Blackline set a new record in quarterly gross profit of $16.5 million which was driven by strength in both our product and service segments that delivered increases of 66% and 53%, respectively. The Company’s strong fiscal fourth quarter gross margin percentages[(1)] of 32% for hardware and 77% for service are an excellent benchmark for fiscal 2024 and will contribute to Blackline's path sustained profitability. Q4 2023 marked the fourth consecutive quarter of 33% year-over-year revenue growth or better. We expect to continue our revenue and market share growth while maintaining cost discipline to target consistent positive Adjusted EBITDA[(1)] in the seasonally stronger second half of fiscal 2024.

Blackline delivered industry-leading NDR[(1)] reaching a new high of 129% in Q4 2023. Our solutions are core to the health, safety and compliance practices of our customers across industrial markets who continue to value the workforce visibility and safety that our integrated technology solution provides.

Geographically, the Company experienced year-over-year growth across the board with the United States growing 89% while our Rest of World and Canada markets grew 14% and 12%, respectively. Europe grew 1% compared to a strong fourth quarter in the prior year and it remains a key driver of growth for Blackline in fiscal 2024.

Mr. Slater continued, "Blackline achieved its highest quarterly gross profit ever at $16.5 million, overall margin percentage was the highest in three years at 55%, driven by service margin of 77% and product margin of 32%. The improvements in these metrics continue to be driven by our lean manufacturing, increasing scale, value added software services and enhanced pricing model. The trend of margin improvements is a key contributor to a sustainable profitable financial model."

"With the close of our expanded two-year credit facility in October, with a total capacity of $25 million, we remain in a strong financial position with total cash, short-term investments, and availability on our credit facility of $29.2 million all in addition to our lease securitization facility, which has $53.2 million available. As we continue to reduce our cash burn through cost optimization, margin expansion and revenue growth, it is clear that we have the capital resources available to continue on our path to a sustainable free cash flow generating business."

Fiscal Fourth Quarter 2023 and Recent Financial and Operational Highlights

- Total revenue of $30.0 million, a 36% increase over the prior year's Q4
- Service revenue of $15.0 million, a 38% increase over the prior year's Q4
- Product revenue of $15.0 million, a 35% increase over the prior year's Q4
- United States growth continues to be strong with an 89% revenue increase over the prior year's Q4
- Canadian market contributed 12% revenue growth over the prior year's Q4
- Rest of World revenue grew 14% compared to the prior year's Q4
- ARR [(1)] growth of 40% year-over-year to $51.1 million
- Total Q4 expenses were $19.8 million, declining $0.5 million compared to the prior year's Q4
- Expanded credit facility with ATB Financial to $25 million
- Introduced new features for award-winning G7 EXO area gas monitor
- Unveiled Protect and Protect Plus service plans for G6 and new features, including an emergency SOS button, real-time connectivity and an expanded suite of data analytics
- Named to Globe & Mail's Report on Business Top Growing Companies for fifth consecutive year
- Awarded $3.5 million contract by leading North American energy company to protect over 850 workers
- Secured $1.3 million worth of contracts with leading Middle East energy companies
- Announced over $2.0 million in total contract value for hundreds of fire and hazmat organizations globally

(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.

Financial highlights

(CAD thousands, except per share and percentage amounts)	Three-months ended October 31, 2023	2022	% Change
Product revenue	15,042	11,131	35
Service revenue	14,993	10,899	38
Total Revenue	30,035	22,030	36
Gross margin	16,452	10,517	56
Gross margin percentage(1)	55%	48%	
Total Expenses	19,776	20,317	(3)
Total Expenses as a percentage of revenue(1)	66%	92%	
Net loss	(4,455)	(9,940)	(55)
Loss per common share - Basic and diluted	(0.06)	(0.14)	(57)
EBITDA (1)	(1,480)	(8,073)	82
EBITDA per common share (1) – Basic and diluted	(0.02)	(0.12)	83
Adjusted EBITDA(1 & 2)	(1,829)	(7,653)	76
Adjusted EBITDA per common share(1 & 2) - Basic and diluted	(0.03)	(0.11)	73

(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

Total revenue for fiscal fourth quarter was $30.0 million, an increase of 36% compared to $22.0 million in the prior year's quarter. Total revenue for each geographical market increased with the United States leading the growth up 89% while other regions also demonstrated strong growth with Canada up 12% and Rest of World up 14%. Europe also improved over a strong quarter in the prior year, growing 1%.

Service revenue during the fiscal fourth quarter was $15.0 million, an increase of 38% compared to $10.9 million in the prior year's quarter. Software services revenue increased 34% to $13.2 million and rental revenue increased 69% to $1.8 million. The increase in software services revenue was attributable to new activations of devices sold over the past 12 months as well as net growth within our existing customer base of $2.5 million which resulted in NDR of 129%.

Rental revenue continues to be strong, with year-over-year growth of 69% as our rental team expanded their offering globally during the year for short-term, project-based offerings across North America for the industrial construction, turnaround, and maintenance markets.

Product revenue during the fiscal fourth quarter was $15.0 million, a 35% increase compared to $11.1 million in the prior year's quarter. The increase in the current year period reflects the Company's expanded sales network and past investments in our global sales team through their targeted demand generation and sales development activities.

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Overall, gross margin percentage[(1)] for the fiscal fourth quarter was 55%, a 7% increase compared to the prior year's quarter. The increase in total gross margin percentage[(1)] was due to a combination of 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 50% of total revenue in the fourth quarter, compared to 51% in the prior year's quarter, while service revenue made up 50% of total revenue for the quarter, compared to 49% in the prior year's quarter. Service gross margin percentage[(1)] increased to 77% compared to the prior year's quarter of 70%. This was primarily due to our continued service revenue growth, through additional value-added features and our scale absorbing more fixed cost of sales.

Product gross margin percentage[(1)] for the fiscal fourth quarter increased to 32% from 26% in the prior year's quarter and 29% in the fiscal third quarter. The Company has been able to mitigate most global supply chain challenges that it has experienced since the third quarter of 2021, while implementing other lean manufacturing initiatives and cost optimizations. During the quarter the Company continued to process sales using our updated pricing structure. The Company has been able to automate more of its manufacturing line, improving the efficiency and throughput of its operations.

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

Net loss for the fiscal fourth quarter was $4.5 million, or $(0.06) per share, compared to $9.9 million or $(0.14) per share in the prior year's quarter. Net loss decreased due to an increase in total gross margin as well as decreases in product research and development costs.

EBITDA[(1)] for the fiscal fourth quarter was $(1.5) million or $(0.02) per share compared to $(8.1) million or $(0.12) in the prior year's quarter. The $6.6 million improvement in EBITDA[(1)] is primarily due to the increase in total gross margin, as well as the decrease in total expenses.

Adjusted EBITDA[(1)] for the fiscal fourth quarter was $(1.8) million or $(0.03) per share compared to $(7.7) million or $(0.11) per share in the prior year's quarter. The $5.9 million improvement in Adjusted EBITDA[(1)] is primarily due to the increase in total gross margin, as well as the decrease in total expenses.

At the end of the fiscal fourth quarter, Blackline had total cash and short-term investments on hand of $16.0 million and $13.2 million available on its senior secured operating facility. The decrease in cash and short-term investments is mainly due to operating losses which were offset by net advances from the Company's operating credit facility of $1.6 million during the quarter.

Blackline's Annual Consolidated Financial Statements and Management's Discussion and Analysis on Financial Condition and Results of Operations for the year ended October 31, 2023, are available on SEDAR+ under the Company's profile at www.sedarplus.ca. 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 Thursday, January 18, 2024. 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/13108. 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 0356.

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 226 billion data-points and initiated over seven million emergency alerts. 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 and 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"** 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"** 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:

"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-cash or non-operational items. EBITDA is calculated as 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.

Reconciliation of non-GAAP financial measures

Reconciliation of non-GAAP financial measures	**Three-months ended October 31,**		
(CAD thousands)	**2023**	**2022**	**% Change**
Net loss	(4,455)	(9,940)	(55)
Depreciation and amortization	1,843	1,727	7
Finance expense (income), net	297	(107)	NM
Income taxes	835	247	238
EBITDA	(1,480)	(8,073)	82
Stock-based compensation expense(1)	537	385	39
Foreign exchange loss (gain)(2)	(886)	35	NM
Adjusted EBITDA(3)	(1,829)	(7,653)	76

(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) 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.

NM – Not meaningful

Non-GAAP Ratios

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

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

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

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

Supplementary Financial Measures

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

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

- **"Gross margin percentage"** represents gross margin as a percentage of revenue
- **"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
- **"Cash used in operating activities as a percentage of revenue"** represents cash used in operating activities as a percentage of total revenue
- **"Total expenses as a percentage of revenue"** represents total expenses as a percentage of total 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 top line growth and significant profitability in the long run; Blackline's expectation that strong gross margin percentages for hardware and service are an excellent benchmark for fiscal 2024 and will push Blackline to sustained profitability; that the Company expects to continue revenue and market share growth while maintaining cost discipline to achieve consistent positive Adjusted EBITDA in the second half of fiscal 2024; that the Europe region remains a key driver of growth for Blackline in fiscal 2024; and the Company's expectation to continue to reduce cash burn through cost optimization, margin expansion and revenue growth which the Company expects will lead to a sustainable free cash generating business. 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 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. 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, 2023 and available on SEDAR+ at www.sedarplus.ca. 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.