blacklinesafety

Media Release // For immediate distribution

Blackline Safety Reports Fiscal First Quarter 2024 Results – Revenue Up 25% Year-Over-Year

Company marks 28th consecutive quarter of YoY revenue growth driven by a 37% increase in annual recurring revenue, with gross profit up 40% YoY and net dollar retention of 130%

- Q1 revenue hit $26.3 million, up 25% year-over-year
- Annual Recurring Revenue (“ARR”)[(1)] increased 37% year-over-year to $54.2 million
- Record Net Dollar Retention (“NDR”)[(1)] of 130% improved year-over-year from 113%
- Gross profit increased 40% year-over-year to $14.6 million
- Gross margin of 55%, up from 49% in the prior year
- Adjusted EBITDA[(1)] loss of $3.2 million in Q1 2024 compared to $6.2 million loss in Q1 2023, an improvement of 48%
- Net cash used in operating activities decreased 94% to $0.4 million from $7.6 million year-over-year
- Company in excellent position to produce another record year and remains on track to generate positive quarterly Adjusted EBITDA in the latter half of the fiscal year

Calgary, Canada — March 14, 2024 — Blackline Safety Corp. (“Blackline” or the “Company”) (TSX: BLN), a global leader in connected safety technology, today reported its fiscal first quarter financial results for the period ended January 31, 2024.

Management Commentary

“In Q1, we delivered our 28th consecutive quarter of year-over-year total revenue growth with a 25% increase compared to the same quarter last year. Gross profit grew by 40% year-over-year to $14.6 million, and we maintained our gross margin of 55% from the particularly strong fourth quarter of fiscal 2023. Net dollar retention was 130% in Q1, a record for the Company and a signal of the powerful value proposition customers see in our connected safety solutions. We also saw our ARR[(1)] grow 37% to $54.2 million and we reduced our adjusted EBITDA loss by 48%,” said Cody Slater, CEO and Chair, Blackline Safety Corp.

(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.

Blackline saw year-over-year revenue growth across all operating regions, with Europe leading the way at 39% driven by new deals across a range of verticals. The United States and Canada also grew 29% and 11% respectively, demonstrating that the investments the Company has made in its Sales and Marketing engine are delivering results.

The Company remains on track to achieve positive quarterly Adjusted EBITDA in the seasonally stronger second half of the fiscal year by leveraging the strength of its product and service segments, margin enhancements, and expansion across the utilities, energy and industrial sectors. A continued focus on disciplined cost management will further contribute to Blackline's path to sustained profitability.

Mr. Slater continued: "We are particularly pleased we ended what is traditionally our softest quarter with total cash and short-term investments on hand of $15.9 million, the same as that on hand at our October 31, 2023 year-end. We saw a significant improvement in our cash flows from operating activities where we used $0.4 million of cash compared to $7.6 million in the prior year's quarter. We also have total liquidity available through our cash, short-term investments and availability on our credit facility of $26.2 million, all in addition to the availability on our lease securitization facility of $52.9 million. Our cost optimization, margin expansion and revenue growth will continue to improve our cash burn, keeping us on the path to a sustainable free cash flow generating business."

Fiscal First Quarter 2024 and Recent Financial and Operational Highlights

- Total revenue of $26.3 million, a 25% increase over the prior year's Q1
- Recurring software services revenue of $13.9 million, a 31% increase over the prior year's Q1
- ARR[(1)] growth of 37% year-over-year to $54.2 million
- Product revenue of $11.4 million, a 21% increase over the prior year's Q1
- European market growth of 39% over the prior year's Q1
- United States growth continues to be strong with a 29% increase over the prior year's Q1
- Total Q1 expenses were $19.9 million, which increased 10% year-over-year, however Q1 expenses as a percentage of revenue[(1)] decreased 10% year-over year and were flat with Q4
- Significant improvement in net cash used in operating activities to $0.4 million, a 94% decrease over the prior year's Q1
- Secured a $2.7 million contract with a major U.S. upstream energy company to protect over 800 workers
- Joined the Amazon Web Services (AWS) Partner Network as an AWS Public Sector Partner

(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 January 31, 2024	2023	% Change
Product revenue	11,435	9,424	21
Service revenue	14,890	11,622	28
Total Revenue	26,325	21,046	25
Gross profit	14,579	10,383	40
Gross margin percentage(1)	55%	49%	
Total Expenses	19,916	18,164	10
Total Expenses as a percentage of revenue(1)	76%	86%	
Net loss	(5,791)	(7,692)	(25)
Loss per common share - Basic and diluted	(0.08)	(0.11)	(27)
EBITDA(1)	(3,392)	(6,044)	44
EBITDA per common share(1) - Basic and diluted	(0.05)	(0.08)	38
Adjusted EBITDA(1)	(3,234)	(6,231)	48
Adjusted EBITDA per common share(1) - Basic and diluted	(0.04)	(0.09)	56

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

Key Financial Information

Total revenue for the fiscal first quarter was $26.3 million, an increase of 25% compared to $21.0 million in the prior year's quarter. Total revenue for each geographical market increased, with the European markets leading the growth up 39% while other regions also demonstrated strong growth with the United States up 29%, Canada up 11% and Rest of World up 7%.

Service revenue during the fiscal first quarter was $14.9 million, an increase of 28% compared to $11.6 million in the prior year's quarter. Software services revenue increased 31% to $13.9 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 $2.8 million which resulted in NDR of 130%.

Product revenue during the fiscal first quarter was $11.4 million, a 21% increase compared to $9.4 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 targeted demand generation and sales development activities.

Overall, gross margin percentage(1) for the fiscal first quarter was 55%, a 6% 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 43% of total revenue in the first quarter, compared to 45% in the prior year's quarter, while service revenue made up 57% of total revenue for the quarter, compared to 55% in the prior year's quarter.

(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.

Service gross margin percentage[1] increased to 76% compared to the prior year's quarter of 73%. This was primarily due to our continued service revenue growth through additional value-added features, enhanced pricing and our scale absorbing more fixed costs.

Product gross margin percentage[1] for the fiscal first quarter increased to 29% from 21% in the prior year's quarter. The improvement reflects the increased volume of product sales in the current quarter compared to the prior year, as well as the Company's focus on manufacturing line efficiency and the impact of our enhanced pricing strategy. The fiscal first quarter product gross margin decreased by 3% compared to the seasonally stronger fourth quarter of fiscal 2023 mainly due to the decrease in product sales volume.

Total expenses for the fiscal first quarter were $19.9 million, an increase of $1.8 million compared to the prior year's quarter of $18.2 million, due to increases in sales and marketing expenses and general and administrative expenses, slightly offset by a decrease in product research and development costs. However, Q1 expenses as a percentage of revenue[1] decreased 10% year-over-year compared to the prior year's Q1.

Net loss for the fiscal first quarter was $5.8 million, or $0.08 per share, compared to $7.7 million or $0.11 per share in the prior year's quarter. Net loss decreased due to an increase in total gross profit as well as decreases in product research and development costs.

EBITDA[1] for the fiscal first quarter was $(3.4) million or $(0.05) per share compared to $(6.0) million or $(0.08) in the prior year's quarter. The $2.7 million improvement in EBITDA[1] is primarily due to the increase in total gross profit.

Adjusted EBITDA[1] for the fiscal first quarter was $(3.2) million or $(0.04) per share compared to $(6.2) million or $(0.09) per share in the prior year's quarter. The $3.0 million improvement in Adjusted EBITDA[1] is primarily due to the increase in total gross profit.

At the end of the fiscal first quarter, Blackline had total cash and short-term investments on hand of $15.9 million, $10.3 million available on its senior secured operating facility and $52.9 million available on its lease securitization facility. Blackline was able to maintain a similar cash position as at October 31, 2023 year end mainly due to reduced operating losses and cash inflows from changes in non-cash working capital, which were offset by a net cash inflow of $1.3 million during the quarter from the Company's operating credit facility and securitization facility.

Blackline's Interim Condensed Consolidated Financial Statements and Management's Discussion and Analysis on Financial Condition and Results of Operations for the three-month period ended January 31, 2024, 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, March 14, 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/13181. 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 0742.

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 225 billion data-points and initiated over seven million emergency alerts. For more information, visit BlacklineSafety.com and connect with us on Facebook, X (formerly Twitter), LinkedIn and Instagram.

INVESTOR/ANALYST CONTACT

Shane Grennan, Chief Financial Officer
sgrennan@blacklinesafety.com
+1 403-630-8400

MEDIA CONTACT

Christine Gillies, Chief Product and Marketing Officer
cgillies@blacklinesafety.com
+1 403-629-9434

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

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"** 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. We believe that ARR provides visibility into future cash flows and is a fair measure of the performance and growth of our service contracts.

- **"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 the trailing twelve-month 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

	Three-months ended January 31,		
(CAD thousands)	**2024**	**2023**	**% Change**
Net loss	(5,791)	(7,692)	(25)
Depreciation and amortization	1,945	1,737	12
Finance expense (income), net	186	(279)	NM
Income taxes	268	190	41
EBITDA	(3,392)	(6,044)	44
Stock-based compensation expense[(1)]	352	539	(35)
Foreign exchange loss (gain)	(194)	(726)	(73)
Adjusted EBITDA	(3,234)	(6,231)	48

(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.
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 profit 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 profit as a percentage of product revenue
- **"Service gross margin percentage"** represents service gross profit as a percentage of service 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 we expect sales momentum and a strong growth trajectory for the rest of the 2024 fiscal year to continue in fiscal 2025 as we add sales of our G6 zero-maintenance wearable to accompany our robust sales of G7 and G7 EXO; that the Company expects to 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; that the Company 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. 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 and lease securitization 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 Hamas 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.