blacklinesafety

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Blackline Safety Reports Highest Quarterly Revenue Ever – Q2 Hits $31.6M, Up 31% Year-Over-Year

Company also achieves record gross profit of $18.0 million in Q2, up 44% year-over-year

- 29th consecutive quarter of year-over-year top-line growth
- Record Annual Recurring Revenue ("ARR")[(1)] of $56.5 million, up 33% year-over-year
- Record gross margin of 57%, up from 52% year-over-year
- Net Dollar Retention ("NDR")[(1)] of 130% compared to 118% year-over-year
- Net cash used in operating activities decreased 78% to $1.5 million from $7.1 million year-over-year
- EBITDA[(1)] improves by 59% year-over-year to a $1.9 million loss in Q2 2024 compared to a $4.6 million loss in Q2 2023

Calgary, Canada — June 13, 2024 **—** Blackline Safety Corp. ("Blackline", the "Company", "we" or "our") (TSX: BLN), a global leader in connected safety technology, today reported its fiscal second quarter financial results for the period ended April 30, 2024.

Management Commentary

"We achieved our highest quarterly revenue ever at $31.6 million, a 31% increase over the prior year's second quarter. This result, coupled with our highest gross profit at $18.0 million and highest gross margin at 57% demonstrate the strength of our hardware-enabled software as a service business model as the company scales," said Cody Slater, Blackline Safety Corp. CEO and Chair.

"Our record ARR of $56.5 million, up 33% year-over-year, and NDR at 130%, up from 118% twelve months ago, signals the value that our loyal customers see in the Blackline Platform, our unique hardware and software connected safety solution. Our ARR growth is driven by new customer acquisition and our NDR performance is fueled by our existing enterprise customers expanding their current contracts, as both see the value in adopting our products and services to protect their people," Slater added.

This record-breaking quarter was driven by rising demand from customers in over 70 countries around the world for Blackline's industry leading connected safety products and services, with Europe leading the year-over-year growth at 69%, Canada up 34% and the U.S. up 20%. The Company significantly grew its presence in a variety of verticals, including the utility and water and wastewater industries, fire and hazmat, and upstream and midstream energy sectors. This growth was a result of the contribution from the past investments in the Company's sales teams and supporting functions to enable Blackline to serve more customers across broader markets.

"An emerging driver of our robust financial performance is that we are now seeing customers standardize on our solutions to protect all their frontline workers. This is evidenced by our announcement earlier this week of our largest deal to date—$8.5 million—with a major North American midstream energy company, an expansion to their previously announced $3.5 million contract, whereby Blackline now protects their entire workforce," Slater continued.

Post quarter-end, the Company announced the successful closing of a bought deal financing and concurrent private placement, raising $34.6 million in gross proceeds strengthening its ability to finance its lease program into the future. Blackline ended the second quarter with total cash and cash equivalents of $13.2 million. The Company also has available capacity on its credit facility of $9.4 million and have renewed its lease securitization facility with CWB Maxium.

"Our additional capital, along with our cost optimization, margin expansion and revenue growth reinforces our trajectory towards exiting fiscal 2024 with positive quarterly Adjusted EBITDA and becoming a sustainable, free cash flow company as we lead the industrial connected safety market into the future," concluded Slater.

Fiscal Second Quarter 2024 and Recent Financial and Operational Highlights

- Total revenue of $31.6 million, a 31% increase over the prior year's Q2
- Service revenue of $16.8 million, a 30% increase over the prior year's Q2
- Product revenue of $14.8 million, a 32% increase over the prior year's Q2
- ARR [(1)] growth continues to be strong with 33% growth year-over-year to $56.5 million
- European market growth of 69% over the prior year's Q2
- Canadian market achieved 34% growth over the prior year's Q2
- United States growth continues to be strong with a 20% increase over the prior year's Q2
- Achieved product gross margin of 34%, up from 26% from the prior year's Q2
- Achieved service gross margin of 77%, up from 75% from the prior year's Q2
- Total Q2 expenses of $21.8 million, up $2.6 million year-over-year, an 11% decrease as a percentage of revenue
- Significant improvement in net cash used in operating activities to $1.5 million from $7.1 million over the prior year's Q2, a 78% decrease
- Generated gross proceeds of $34.6 million through a bought deal financing and concurrent private placement which closed June 12, 2024
- Renewed lease securitization facility with CWB Maxium for $15.0 million and USD $30.0 million
- Several large contract wins, including a $1.5 million contract with major U.S. utility provider in California, $1.7 million service upgrade with a U.S. upstream energy company in Texas and a $1.4 million deal with a water utility provider in Australia

(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 April 30, 2024	2023	% Change
Product revenue	14,824	11,202	32
Service revenue	16,756	12,893	30
Total Revenue	31,580	24,095	31
Gross profit	18,030	12,524	44
Gross margin percentage[(1)]	57%	52%	
Total Expenses	21,777	19,200	13
Total Expenses as a percentage of revenue[(1)]	69%	80%	
Net loss	(4,267)	(6,557)	(35)
Loss per common share - Basic and diluted	(0.06)	(0.09)	(33)
EBITDA[(1)]	(1,872)	(4,618)	59
EBITDA per common share[(1)] - Basic and diluted	(0.03)	(0.06)	50
Adjusted EBITDA[(1)]	(2,043)	(4,500)	55
Adjusted EBITDA per common share[(1)] - Basic and diluted	(0.03)	(0.06)	50

(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 second quarter was $31.6 million, an increase of 31% compared to $24.1 million in the prior year's quarter. Total revenue for each geographical market increased with the European markets leading the year-over-year growth at 69% while other regions also demonstrated strong growth with Canada up 34%, United States up 20% and Rest of World up 3%.

Service revenue during the fiscal second quarter was $16.8 million, an increase of 30% compared to $12.9 million in the prior year's quarter. Software services revenue increased 28% to $14.5 million. The increase in software services revenue is attributable to new activations of devices sold over the past 12 months as well as net growth within the existing customer base of $3.2 million which resulted in NDR of 130%. Rental revenue increased 42% to $2.2 million compared to $1.6 million in the prior year's quarter.

Product revenue during the fiscal second quarter was $14.8 million, a 32% increase compared to $11.2 million in the prior year's quarter. The increase in the current year period reflects the results of the Company's past investments in the global sales team and its targeted demand generation and sales development activities.

Overall, gross margin percentage[(1)] for the fiscal second quarter was 57%, a 5% 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 and continued cost optimization across the business. Product revenue comprised 47% of total revenue in the second quarter, compared to 46% in the prior year's quarter, while service revenue made up 53% of total revenue for the quarter, compared to 54% in the prior year's quarter.

Service gross margin percentage[(1)] increased to 77% compared to the prior year's quarter of 75%. This was primarily due to continued service revenue growth, through additional value-added features and scale absorbing more fixed cost of sales.

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Product gross margin percentage[1] for the fiscal second quarter increased to 34% from 26% in the prior year's quarter. The improvement reflects the increased volume of product sales year-over-year, wherein more fixed product costs of sales were absorbed, as well as the Company's focus on manufacturing line efficiency.

Total expenses for the second fiscal quarter were $21.8 million, an increase of $2.6 million compared to the prior year's quarter of $19.2 million, due to increases in sales and marketing expenses. General and administrative expenses and product research and development costs remained largely consistent in the current quarter compared to the prior year's quarter. However, Q2 total expenses as a percentage of revenue[1] decreased 11% year-over-year compared to prior year's Q2.

Net loss for the fiscal second quarter was $4.3 million, or $0.06 per share, compared to $6.6 million or $0.09 per share in the prior year's quarter. Net loss decreased due to an increase in total revenue and overall gross profit.

EBITDA[1] for the fiscal second quarter was $(1.9) million or $(0.03) per share compared to $(4.6) million or $(0.06) per share 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 second quarter was $(2.0) million or $(0.03) per share compared to $(4.5) million or $(0.06) per share in the prior year's quarter. The $2.5 million improvement in Adjusted EBITDA[1] is primarily due to the increase in total gross profit.

At the end of the fiscal second quarter, Blackline had total cash and cash equivalents on hand of $13.2 million and $9.4 million available on its senior secured operating facility and $54.4 million available on its lease securitization facility. There was a net increase in cash and cash equivalents in the fiscal second quarter of $1.8 million as compared to a net decrease in cash and cash equivalents in the prior year's quarter of $6.1 million. There was significant improvement in net cash used in operating activities which used $1.5 million of net cash compared to $7.1 million year-over-year. Investing activities provided net cash of $2.1 million for the fiscal second quarter compared to the prior year's quarter wherein investing activities used net cash of $7.3 million. This was slightly offset by a decrease in net cash provided by financing activities which is primarily due to net repayments from the lease securitization facility of $1.5 million during the quarter. Subsequent to the end of the period, the Company closed a bought deal financing and concurrent private placement, raising gross proceeds of $34.6 million.

Blackline's Interim Condensed Consolidated Financial Statements and Management's Discussion and Analysis on Financial Condition and Results of Operations for the three and six-months ended April 30, 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, June 13, 2024. Participants should dial 1-844-763-8274 or +1-647-484-8814 at least 10 minutes prior to the conference time. A live webcast will also be available at https://www.gowebcasting.com/13182. 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 1-855-669-9658 or +1-604-674-8052 and entering access code 0724.

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 232 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.

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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 the Company's 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. 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 April 30,		
(CAD thousands)	**2024**	**2023**	**% Change**
Net loss	(4,267)	(6,557)	(35)
Depreciation and amortization	1,875	2,058	(9)
Finance expense (income), net	279	(222)	NM
Income taxes	241	103	134
EBITDA	(1,872)	(4,618)	59
Stock-based compensation expense[1]	377	202	87
Foreign exchange loss (gain)	(548)	(1,226)	(55)
Other non-recurring impact transactions[2]	—	1,142	NM
Adjusted EBITDA	(2,043)	(4,500)	55

(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 in the condensed consolidated statements of loss and comprehensive loss.
(2) Other non-recurring impact transactions in the prior period 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.
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 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 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
- **"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, the Company's expectation that gross proceeds from the bought deal financing and private placement will strengthen its ability to finance the lease program into the future; Blackline's expectation that its additional capital, along with its cost optimization, margin expansion and revenue growth puts Blackline in an even stronger position to exit fiscal 2024 with positive quarterly Adjusted EBITDA and become a sustainable, free cash flow company; Blackline's expectation to lead the industrial connected safety market into the future; and Blackline's expectation that service revenue growth will continue through additional value-added features and its scale absorbing more fixed cost of sales. 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 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.