

Blackline Safety Reports Record Quarterly Revenue of \$33.7M up 36% Year-Over-Year and Positive EBITDA in Fiscal Third Quarter

2024-09-11

Gross profit jumps 48% to \$19.9 million in Q3 and Annual Recurring Revenue ("ARR") (1) reaches \$62.1M, up 32% year-over-year

Highlights

- 30th consecutive quarter of year-over-year top-line growth
- Record gross margin of 59%, up from 54% last year
- Record product margins of 38% (2) , up from 29% from Q3 2023
- Net Dollar Retention ("NDR") (1) of 128% compared to 125% last year
- Total expenses as a percentage of revenue (1) declines to 65% compared to 81% last year and 132% in Q3 2022
- Net cash used in operating activities decreased by \$4.6 million from \$5.5 million to \$0.9 million year-over-year
- The Company achieves positive EBITDA (1) of \$53 thousand, a significant improvement from a loss of \$4.8 million in Q3 2023
- Adjusted EBITDA (1) improves by \$4.6 million year-over-year from a loss of \$3.8 million to positive \$0.8 million

CALGARY, Canada--(BUSINESS WIRE)-- **Blackline Safety Corp.** ("Blackline", the "Company", "we" or "our") (TSX: BLN) a global leader in connected safety technology, today reported its fiscal third quarter financial results for the period ended July 31, 2024.

Management Commentary

Blackline Safety achieved another record quarter for revenue at \$33.7 million, an increase of 36% from last year. This is the 30 th consecutive quarter of year-over-year growth dating back 7.5 years. “We have achieved topline growth in every quarter since we launched the G7. The \$33.7 million reported this quarter is actually more revenue than we generated in the entire fiscal 2019, demonstrating the strong market acceptance of our connected worker solutions,” said **Cody Slater** , Blackline Safety Corp. CEO and Chair.

“Topline growth has been the story all along for Blackline but achieving positive EBITDA demonstrates that the Company is now truly reaching scale, and we have barely scratched the surface of what we can accomplish,” Slater continued.

Gross profit increased 48% to \$19.9 million and gross margins improved to 59% from 54% last year. “Gross profit for the year to date is nearly equal to that of the entire 2023 year with our single strongest quarter still to come,” Slater added.

“ARR is at a record level of \$62.1 million, up 32% year-over-year, demonstrating the power of our recurring revenue model. NDR for the quarter was 128%, up from 125% twelve months ago, which reflects our existing customers continuing to expand their current contracts,” noted Slater.

Third quarter total expenses as a percentage of revenue (1) declined to 65% compared to 81% from the prior year’s quarter and 132% from the third quarter of 2022. “This dramatic improvement demonstrates the cost discipline the whole Company has shown with every expense category reduced as a percentage of revenue,” commented Slater.

Demand for Blackline’s industry leading connected safety products and services led to strong revenue growth in every geography, with the U.S. up 34% year-over-year, Europe up 29%, Canada up 11% and the Rest of World (“ROW”) region growing an impressive 212%. Blackline continues to expand its presence globally with customers in over 75 countries around the world. The continued success of this expansion is evidenced by the recent announcement of a new energy client in South Africa, marking the Company’s first significant contract in Africa.

“The Blackline platform has become an invaluable tool for all our customers to protect their workers. An example of this is our recently announced \$3.9 million contract renewal with one of the largest utility companies in the United States, adding two more years of monitoring by Blackline’s Safety Operations Center (SOC) as well as push-to-talk services for the utility company’s 2,200 G7 devices,” noted Slater.

During the quarter, the Company closed a bought deal financing and concurrent private placement for gross proceeds of \$34.6 million. Blackline ended the third quarter with total cash and cash equivalents including short term investments of \$40.8 million. The Company also has \$14.8 million available on its senior secured operating

facility with a \$5.0 million accordion.

“The Company continues on its path towards cash flow positivity – we have seen net cash used in operations decrease from \$20.1M during the first nine months of 2023 to just \$2.9M in the same period in 2024. As this trend continues, we expect to see the Company reach another milestone and achieve cash flow positivity in the near future,” stated Slater.

“In Q3 2024, Blackline demonstrated strength in all aspects of the business, reaching the milestone of positive EBITDA and advancing us on our path to a Rule of 40 (3) company, the gold standard for SaaS businesses. Only two years ago, we were at negative 16 according to this metric—this quarter we reached 38 with our seasonally strongest quarter still ahead of us,” concluded Slater.

Fiscal Third Quarter 2024 and Recent Financial and Operational Highlights

- Total revenue of \$33.7 million, a 36% increase over the prior year's Q3
- Service revenue of \$18.2 million, a 34% increase over the prior year's Q3
- Product revenue of \$15.5 million, a 38% increase over the prior year's Q3
- ARR (1) of \$62.1 million, a 32% increase over the prior year's Q3
- United States revenue growth of 34% over the prior year's Q3
- European revenue growth of 29% over the prior year's Q3
- Canadian revenue growth of 11% over the prior year's Q3
- ROW revenue growth of 212% over the prior year's Q3
- Achieved product gross margin of 38%, up from 29% from the prior year's Q3
- Achieved service gross margin of 77%, up from 75% from the prior year's Q3
- Total Q3 expenses of \$21.9 million, up \$1.8 million from the prior year's Q3
- Total expenses as a percentage of revenue (1) declined in Q3 2024 to 65% compared to 81% from the prior year's Q3
- Generated gross proceeds of \$34.6 million through a bought deal financing and concurrent private placement
- \$3.9 million contract renewal with one of the largest utility companies in the U.S.
- \$1.5 million deal with a California utility provider
- \$1.9 million deal with a South African energy company
- \$8.5 million contract expansion for a major North American midstream company to protect an additional 1,025 workers

Financial Highlights

	Three-Months Ended July 31,			Nine-Months Ended July 31,		
	2024	2023	% Change	2024	2023	% Change
(CAD thousands, except per share and percentage amounts)						
Product revenue	15,476	11,255	38	41,735	31,881	31
Service revenue	18,210	13,575	34	49,856	38,090	31
Total revenue	33,686	24,830	36	91,591	69,971	31
Gross profit	19,884	13,422	48	52,493	36,328	44
Gross margin percentage (1)	59%	54%		57%	52%	
Total expenses	21,934	20,092	9	63,626	57,456	11
Total expenses as a percentage of revenue (1)	65%	81%		69%	82%	
Net loss	(2,469)	(6,842)	(64)	(12,527)	(21,092)	(41)
Loss per common share - Basic and diluted	(0.03)	(0.09)	(67)	(0.17)	(0.29)	(41)
EBITDA (1)	53	(4,849)	NM	(5,210)	(15,512)	66
EBITDA per common share (1) - Basic and diluted	0.00	(0.07)	NM	(0.07)	(0.21)	67
Adjusted EBITDA (1)	810	(3,760)	NM	(4,467)	(14,491)	69
Adjusted EBITDA per common share (1) - Basic and diluted	0.01	(0.05)	NM	(0.06)	(0.20)	70

1. Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this document for further detail.

NM – Not meaningful

Key Financial Information

Total revenue increased 36% to \$33.7 million in fiscal third quarter. Geographically, revenue was up in each region with the U.S. representing the largest contributor with \$15.8 million, up 34% year over year. The European region increased revenue by 29% to \$7.9 million, Canada grew by 11% to \$6.4 million and the ROW region grew by 212% to \$3.7 million. Revenue from ROW in Q3 2024 was greater than its contribution in the entire fiscal 2021.

Product revenue grew by 38% in the third quarter to \$15.5 million. This strong growth was made possible by the Company’s expanded sales network and past investments in our global sales team, especially within Europe and the ROW markets.

Software service revenue during the fiscal third quarter was up 34% to \$18.2 million compared to the prior year’s Q3 and was up 9% relative to last quarter. This quarter-over-quarter growth represents an acceleration compared to the 5% growth from Q4 2023 to Q1 2024 and the 5% growth from Q1 2024 to Q2 2024. This quarter’s growth was the result of new activations from devices sold to end users as well as the strong rental revenue which grew 101% to \$2.3 million from Q3 last year.

Gross margin percentage (1) for the third quarter was a record 59% compared to 54% in the prior year’s quarter. The improvement in gross margin percentage was aided by our highest ever product gross margin percentage (1) of 38% this quarter, up from 34% in Q3 2023 and more than double the product gross margin percentage (1) achieved two years ago. Service gross margin percentage (1) improved to 77% from 75% last year in Q3.

Total expenses were \$21.9 million, up 9% from last year. Total expenses as a percentage of revenue (1) were 65% - a significant improvement from last year which was 81% of revenue.

Net loss for the quarter was \$2.5 million, down from a loss of \$6.8 million in the prior year's third quarter. On a per share basis, net loss was \$0.03 compared with a loss of \$0.09 last year. The net loss was one-third of where it was a year ago due to higher revenue and stronger gross margins.

EBITDA (1) for the third quarter was \$53 thousand compared to a loss of \$4.9 million in the prior year's third quarter. On an adjusted basis, EBITDA was \$0.8 million, an improvement of \$4.6 million relative to the Adjusted EBITDA (1) loss of \$3.8 million last year.

As of July 31, 2024, Blackline had \$13.8 million in cash and cash equivalents along with \$27.0 million in short-term investments. The Company has \$14.8 million available on its senior secured operating facility and \$47.5 million available on its lease securitization facility. Cash and cash equivalents increased \$0.6 million during the third quarter through a combination of \$30.2 million increase from financing activities, a decline of \$29.9 million in investing (primarily from \$27.0 million invested in short-term investments) and a decline of \$0.9 million from operating activities.

Blackline's Interim Condensed Consolidated Financial Statements and Management's Discussion and Analysis on Financial Condition and Results of Operations for the three and nine-months ended July 31, 2024, are available on SEDAR+ under the Company's profile at www.sedarplus.ca. All results are reported in Canadian dollars.

Conference Call

A conference call and live webcast have been scheduled for 11:00 am ET on Wednesday, September 11, 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/13632>. Participants should join the webcast at least 10 minutes prior to the start time to register and install any necessary software. A replay will be available after 2:00 PM ET on September 11, 2024 through October 11, 2024 by dialing +1-855-669-9658 (Canada Toll Free), +1-877-344-7529 (USA Toll Free) or +1-412-317-0088 (International Toll) and entering access code 9016403.

About Blackline Safety: 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 250 billion data-points and initiated over eight million emergency alerts. For more information, visit **BlacklineSafety.com** and connect with us on **Facebook** , **X (formerly Twitter)** , **LinkedIn** and **Instagram** .

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, is upsold or downsold or is cancelled, 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

(CAD thousands)	2024	2023	% Change	2024	2023	% Change
Net loss	(2,469)	(6,842)	(64)	(12,527)	(21,092)	(41)
Depreciation and amortization	2,103	1,821	15	5,923	5,616	5
Finance expense (income), net	262	(16)	NM	727	(517)	NM
Income tax expense	157	188	(16)	667	481	39
EBITDA	53	(4,849)	NM	(5,210)	(15,512)	66
Stock-based compensation expense (1)	807	287	181	1,536	1,029	49
Foreign exchange (gain) loss	(645)	802	NM	(1,388)	(1,150)	21
Other non-recurring impact transactions (2)	595	-	NM	595	1,142	(48)
Adjusted EBITDA	810	(3,760)	NM	(4,467)	(14,491)	69

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 current period includes costs 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, management's expectation that the Company is now truly reaching scale and that the Company has barely scratched the surface of what we can accomplish; that Blackline continues to expand its presence globally and its related success of such expansion; the Company's expectation to continue on its path towards cash flow positivity and achieving such cash flow positivity in the near future. 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.

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- (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.
- (2) Hardware margins were the highest in the Company's history after Q4 2020 is adjusted to exclude COVID relief programs.
- (3) Rule of 40 is calculated as the sum of revenue growth and Adjusted EBITDA margin.

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