

Blackline Safety reports record Q3, posts \$8.1M in revenue

Revenue growth of 73% with third consecutive quarter of positive Adjusted EBITDA

Calgary, Canada — Blackline Safety Corp. (TSX Venture: BLN), a global leader of gas detection and connected safety solutions, announced record third quarter results for the period ended July 31, 2019.

“Blackline’s Q3 was another record, closing the quarter at \$8.1M in overall revenue — 73% up compared to the prior year,” said [Cody Slater, CEO and Chairman at Blackline Safety](#). “Leading businesses around the world are accelerating their adoption of Blackline’s award-winning safety wearables, direct-to-cloud connectivity and data analytics software. This success has driven European sales up 115%, followed by 94% growth in the United States and 31% in Canada.”

“Similar to last quarter, a prominent order for G7 wearables from another water utility resulted in a strong European finish. With twelve water/wastewater authorities in the United Kingdom, this is Blackline’s second major water industry win, displacing conventional monitoring equipment,” said Mr. Slater. “In Q2, Yorkshire Water adopted our G7 Insight gas detection program with the option to add real-time monitoring at a later time. This quarter, Welsh Water purchased G7 safety wearables for lone worker monitoring, with the option to add gas detection cartridges at a future point. Together, both orders highlight our G7 product line’s versatility, supporting current customer needs while presenting an upgrade path as their needs evolve over time. No other gas detection vendor in the world is able offer this level of field-expandable capability.”

Mr. Slater said, “In addition to our continued strong revenue growth, we finished the quarter with a strong position in cash and short-term investments of \$32.2M. With our ongoing momentum, the benefits and economies of scale of manufacturing in-house helped to increase our gross margin from 44% in Q2 to 49% this quarter. This is also our third consecutive quarter where we achieved a positive Adjusted EBITDA, a non-GAAP metric that we use to track our performance.”

“As we near the completion of G7 EXO area gas monitor development, we will see not only an expansion of our product lines but an evolutionary shift in our business as we expand beyond the employee wearable market, into the overall workplace,” said Mr. Slater. “With tens of thousands of live-connected safety wearables already deployed around the world, our cloud-hosted infrastructure has recorded 97 billion data points, 1.2 billion live-reported gas readings, 5.0 million live-monitored alerts and 795 thousand voice calls and messages. This deep base of experience proves Blackline’s leading position in the connected workplace — we have emerged not only as a connected safety company but also as a value-added data partner. In addition to keeping hard-working personnel safe in the field and throughout industrial facilities, we are delivering consulting and integration services with Fortune 500 companies, helping them find efficiencies within their business through data integration, visualization, machine learning and artificial intelligence.”

Highlights

- Tenth consecutive quarter of double-digit year-over-year revenue growth
- Third quarter total revenue of \$8.1M, a 73% increase over the prior year's Q3
- Third quarter service revenue, including lease revenue, of \$4.6M, a 64% increase over the prior year's Q3
- Third quarter product revenue of \$3.5M, an 87% increase over the prior year's Q3
- Third quarter total revenue grew by 115% in Europe, 94% in the United States and 31% in Canada over the prior year's Q3
- Overall gross margin percentage was 49% compared to 40% over the prior year's Q3
- Overall gross margin percentage was comprised of product and service margin percentages of 27% and 66%, compared to 1% and 66% compared to the prior year's Q3
- Third consecutive quarter of positive Adjusted EBITDA
- Total cash and short-term investments of \$32.2M
- Shipped a \$1.1M lone worker monitoring order to a second water/wastewater utility in the United Kingdom
- Continues development of its new G7 Exo area monitor product line

Financial Highlights

The subsequent values in this release are in thousands, except for percentages and per share data.

| | Quarter Ended July 31 | | | Nine-Months Ended July 31 | | |
|---|-----------------------|-----------|--------|---------------------------|-----------|--------|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| Revenue | \$8,108 | \$4,676 | 73% | \$22,525 | \$12,228 | 84% |
| Gross Margin | \$3,991 | \$1,875 | 113% | \$10,403 | \$5,227 | 99% |
| Gross Margin Percentage | 49% | 40% | 9% | 46% | 43% | 3% |
| Net Loss | (\$2,240) | (\$2,048) | (9%) | (\$7,001) | (\$6,558) | (7%) |
| Net Loss per Share | (\$0.05) | (\$0.05) | | (\$0.15) | (\$0.17) | |
| Net Loss excluding stock-based compensation expense | (\$2,103) | (\$1,862) | (13%) | (\$5,569) | (\$5,040) | (10%) |
| Adjusted EBITDA | \$112 | (\$179) | | \$398 | (\$419) | |
| Adjusted EBITDA per Share | \$0.00 | (\$0.00) | | \$0.00 | (\$0.01) | |

Key Financial Information

Third quarter revenue was \$8,108, an increase of 73% from \$4,676 in the comparable quarter of the prior fiscal year with significant revenue growth in Europe and the United States as these regions continue their strong growth momentum in fiscal 2019.

Product revenue during the third quarter was \$3,469, an increase of 87% compared to \$1,852 in the same period last year. The growth in revenues included a purchase of lone worker connected safety devices from a second water authority in the United Kingdom to adopt Blackline's G7c cloud-connected safety wearables. The Company also achieved an additional \$815 of Blackline G7 connected safety products delivered through the Blackline Complete leasing program as operating leases in this period, an equivalent of approximately \$253 in hardware sales. Had customers purchased these units rather than adopting Blackline's lease program, product revenue would have been approximately \$3,722, excluding the impact of price discounting.

Service revenue was \$4,639, an increase of 64% compared to \$2,824 in the same period last year, attributed to new service activations by end customers from product sales and increased adoption of the Blackline Complete leasing program with leasing revenues increasing 57% quarter-over-quarter.

Contracted future service revenue, representing the current value of future Blackline Complete lease commitments, was \$7,399 as at July 31, 2019, an increase of 40% compared to the same quarter, prior year.

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Gross margin percentage for the third quarter was 49% compared to 40% in the comparable quarter of the prior year, with the improvement driven by the growth of Blackline's product and service revenues quarter-over-quarter.

Blackline's unaudited condensed consolidated interim financial statements and management's discussion and analysis on financial condition and results of operations for the period ended July 31, 2019 are available at www.sedar.com. All results are reported in Canadian dollars. To learn more about Blackline Safety, visit www.BlacklineSafety.com and follow Blackline on Twitter [@blacklinesafety](https://twitter.com/blacklinesafety).

About Blackline Safety: Blackline Safety is a global connected safety technology leader. Providing comprehensive live-monitoring and wireless gas detection, we help teams working in hazardous environments respond to emergencies in real-time and manage efficient evacuations, accounting for everyone's safety along the way. With millions invested in technology research and development, Blackline Safety is recognized for quality and innovation. Our talented team of designers and engineers create and manufacture in-house — from wearable technology and personal gas detectors to cloud-hosted infrastructure and web-based interfaces for global industry. We deliver the world's first turn-key, work-anywhere, connected safety monitoring solution with gas detection, 3G wireless, satellite communications, two-way speakerphone, push-to-talk, location-enabled data analytics and live monitoring to meet the demanding safety challenges and increase productivity of organizations in over 100 countries. For more information, visit www.BlacklineSafety.com.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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