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Blackline Safety posts strong second quarter, G7c shipments begin

Revenue increased 30% compared to same period last year

Calgary, AB — Blackline Safety Corp. (TSX Venture: BLN), a leading manufacturer of connected worker safety monitoring solutions, announced record revenue in its results for the second quarter ended April 30, 2017.

"Despite challenges faced in obtaining the necessary certifications for our ground-breaking G7 safety monitoring system with wireless gas detection, we achieved solid revenue for the quarter," said Cody Slater, CEO and Chairman at Blackline Safety. "Heading into Q2, we expected softer numbers due to initial commercialization costs, some customers deferring purchases until G7 shipments began and a small drop in energy industry service renewals as this sector completes its restructuring. Yet, we saw a 30% increase compared to the same period last year due to strong sales of our current Loner product line, boosted by early sales of our G7c cellular-connected safety monitor with gas detection."

Slater added, "Initial G7c market response has been extremely strong and although we just achieved the last major approval for North America in May, Blackline and its growing network of distributors already have more field trials underway with customers from a wide variety of industries and geographies than at any time in the company's history. During the coming quarters, as these field trials lead to new customer orders, along with the upcoming launch of our G7x satellite-connected product, we look forward to a strong future as the leader in connected worker safety."

Highlights

- Total revenue of $2.52M, a 30% increase over the prior year's second quarter — a record for Blackline
- Service revenue of $1.7M, a 20% increase over the $1.5M in the prior year's second quarter
- Contracted future service revenue grew to $2.6M, up $2.0M compared to prior year's second quarter
- Completed two private placements that raised $16.5M in gross proceeds
- Completed initial G7c international intrinsic safety certifications
- Launched the G7c employee-worn connected safety device across all regions
- Launched the G7 Bridge portable satellite base station that supports current Loner 900 and upcoming G7x customers
- Tripled the number of international Blackline resellers compared to the same period last year
- G7c received an internationally-recognized Red Dot award for industrial design and innovation
- G7 Dock product development continued, to support G7c and upcoming G7x devices with gas sensor testing and calibration
- Developed improvements to core web-based safety monitoring infrastructure and Blackline Live user portal to better support organizations and their structure, grouping and user permissions

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Key Financial Information

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

Second quarter revenue was $2,524, an increase of $580 from $1,944 in same three-month period of the prior fiscal year. Service revenue increased 20% to $1,746 from $1,455 in the same period last year, attributed to new service activations by end customers. While service revenue grew, reduced staffing levels in the oil and gas industry resulted in several customers decreasing the number of overall devices renewed.

Product revenue was $779, an increase of 59% compared to $490 in the second quarter of the prior fiscal year. These increases were driven by customers adopting the Company's existing Loner safety monitoring solutions along with initial shipments of Blackline's new G7c product.

Contracted future service revenue, representing the discounted present value of future lease revenue commitments from the Blackline Complete program, was $2,623 as at April 30, 2017, up from $571 at Q2 FY2016. These increases were driven by customers adopting the Blackline Complete leasing program that eliminates upfront capital costs and provides customers with a comprehensive safety monitoring program for a monthly fee during a 36-month term.

Gross margin for the quarter was $972 compared to $996 in the comparable three-month period of the prior year. The resulting gross margin of 39% was lower than the 51% level achieved in the same quarter of FY2016 — a few factors contributed to this temporary decrease in gross margin:

- Initial costs associated with setting up the G7c manufacturing line
- A proportionally higher mix of heavily-discounted G7c sales kits sold through to reseller partners to facilitate field demonstrations
- A one-time product upgrade undertaken by the Company on Loner Bridge Systems in the field

During the quarter, Blackline incurred several initial production line and G7c manufacturing run costs that impacted product margin. The Company expects to see a similar impact in Q3 FY2017 as Blackline prepares for manufacturing of its new G7x product line.

Adjusted EBITDA was $(243) for the period ended April 30, 2017 compared to $(363) in the comparable period of the prior year. The improvement in the Adjusted EBITDA in the period is a result of a decrease in selling, general and administrative expenses offset by decreased gross margin quarter-over-quarter.

Financial Highlights

	Quarter Ended April 30			Six Months Ended April 30		
	2017	2016	Change	2017	2016	Change
Revenue	$2,524	$1,944	30%	$5,040	$4,007	26%
Gross Margin	$972	$996	(2)%	$2,223	$1,997	11%
Gross Margin Percentage	39%	51%	(25)%	44%	50%	(11)%
Adjusted EBITDA	($243)	($363)	33%	($434)	($501)	13%
Net Loss	($1,701)	($1,688)	(1)%	($3,766)	($3,027)	(24)%
Loss per Share	($0.06)	($0.07)		($0.13)	($0.12)	

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 April 30, 2017 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.

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 everything 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, two-way speakerphone and live monitoring to meet the demanding safety challenges of organizations in over 200 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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