blacklinesafety

# Blackline Safety Corp.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE-MONTH PERIODS ENDED JULY 31, 2024

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## Notice

This Management's Discussion and Analysis ("MD&A") should be read together with Blackline Safety Corp.'s ("Blackline Safety", "Blackline", the "Corporation", the "Company", "we", or "our") unaudited condensed consolidated interim financial statements and accompanying notes, prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), as set out in IAS 34 *Interim Financial Statements*, for the three and nine-month periods ended July 31, 2024. Additional information relating to the Company, including its audited consolidated financial statements for the year ended October 31, 2023, and its most recently completed Annual Information Form, is available on our website at www.blacklinesafety.com/investors/ and can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca under Blackline Safety Corp.

This MD&A is presented as of September 10, 2024. All financial information contained herein is expressed in Canadian dollars, the Company's presentation currency, unless otherwise indicated. All figures in the MD&A are reported in thousands, except for per share, stock option, common share, and percentages.

This MD&A presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company's performance. These measures do not have standardized meanings prescribed by IFRS Accounting Standards and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP financial measures, ratios and supplementary financial measures include EBITDA (earnings before interest expense, interest income, income taxes, depreciation and amortization), Adjusted EBITDA (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), EBITDA per common share, Adjusted EBITDA per common share, gross margin percentage and other supplementary financial measures. See "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further information.

This MD&A contains company names, product names, trade names, trademarks and service marks of Blackline and other organizations, all of which are the property of their respective owners. Solely for convenience, Blackline's trademarks and trade names referred to in this MD&A may appear without the ® or ™ symbols, or other applicable symbols, but such references are not intended to indicate, in any way, that Blackline will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

## Overview

Founded in 2004 and headquartered in Calgary, Canada, Blackline Safety is a hardware-enabled software as a service ("HeSaaS") technology company that is focused on bringing connected worker solutions to the global marketplace. Blackline develops, manufactures and markets a complete suite of safety devices and cloud-connected services to protect workers at their jobs and support businesses undergoing digital transformation.

Blackline's technology empowers businesses with real-time safety insights to manage emergency responses and evacuations, proactively manage gas detection compliance and increase operational efficiency. When seconds count, Blackline's connected technology enables a live monitoring team to deliver help directly to an employee in the shortest amount of time — to the worker's exact location.

Leveraging Blackline's ecosystem of connected safety devices and cloud software, businesses are empowered to increase operational performance through business analytics software and data science services known as Blackline Vision, adding value from the data generated by G6 and G7 safety wearables, G7 EXO area monitors and software. Productivity gains are achieved through employee movement pattern analysis, heat-mapping environmental gas leaks, viewing resource utilization, automating safety compliance reporting, wireless configuration management, evacuation management and interactive reporting.

Blackline's lineup of G7 safety wearables connect to the Blackline cloud using either cellular (G7c) or satellite (G7x) connectivity. Live-alerts are generated by monitoring personnel by pinpointing the employee's location on an interactive map using GPS or Blackline's proprietary location beacons. Blackline's monitoring teams efficiently manage incidents from alert to resolution using cloud-hosted software that provides employee messaging tools, the option for two-way voice calling and quick access to emergency contact escalation.

Blackline's G7c device features 4G direct-to-cloud connectivity with wireless coverage in over 100 countries and on over 350 mobile networks. For regions where cellular networks are not available, Blackline's two-part system with a G7x wearable and G7 Bridge satellite base station monitors workers in remote locations in North America, South America, Australia, New Zealand and Africa.

G7 wearables feature the industry's first expandable interface that enables customization to support each customer scenario and requirement. All products feature plug-and-play cartridges that are configured for lone worker and gas detection scenarios as required by the end customer. We offer one of four field-replaceable cartridges—a Standard Cartridge, a Single-gas Diffusion Cartridge, a Multi-gas Diffusion Cartridge or a Multi-gas Pumped Cartridge.

The Standard Cartridge is designed for evacuation management and lone worker monitoring scenarios. Single and Multi-gas cartridges support one to five gas configurations with a choice of 21 gas sensors, including combustibles, hydrogen sulfide, carbon dioxide, carbon monoxide, oxygen, volatile organic compounds, sulfur dioxide, ammonia and hydrogen.

Conventional gas detectors are either disposed of at the end of their service life, requiring new equipment to be deployed, or they are taken out of service and individual gas sensors are replaced. Removal and replacement of gas sensors is a time-consuming, technical process — businesses often require a third party to ease this burden. To address this problem, G7 offers field-replaceable cartridges that are pre-calibrated, ensuring that equipment stays in the field, maximizing up-time. Old cartridges can be sent to Blackline for remanufacturing, thereby ameliorating the overall cost of ownership and environmental footprint.

Businesses in energy, utilities, heavy industry and disaster response sectors use portable area monitoring equipment to monitor potential atmospheric hazards around tank farms and along fence lines, during facility maintenance or while containing spills. Until now, conventional area monitors suffer from short battery life, limited configurability and inadequate connectivity. Blackline's G7 EXO area monitor provides global businesses with new portable and semi-permanent gas detection monitoring options featuring drop and go deployment capabilities and the flexibility of four channel pump modules, as well as various power and mounting options and output port usage options. The G7 EXO also offers unlimited connectivity by directly connecting to the cloud via 4G or satellite so there are no range limits between monitors or maximum number of devices allowed on the network.

Blackline's G6 device is a single-gas cloud-connected gas monitor. The mass-market 4G-enabled, cloud connected single-gas monitor is a more cost effective device than the G7 series of connected safety monitors, requiring virtually no training for users to deploy. The long-lasting connectivity and market leading efficiency enables fast incident response time along with Blackline's leading safety and compliance. The total cost of ownership is reduced for G6 customers due to the G6's lifespan of up to 4 years, doubling that of disposable gas detectors. Connectivity allows for lower information technology infrastructure costs, reduced downtime and over-the-air updates. The G6 monitor is the first connected product designed specifically for industrial workers and is expected to drive further growth outside of North America and Europe for Blackline with its lower price point lowering customers' operating cost base. The G6 monitor holds enhancements to the service line known as "Protect" and "Protect Plus". These features enable the G6 to function with the same real-time connectivity as the G7 product line and includes an emergency SOS button as well as an expanded suite of data and analytics.

Blackline is launching the EXO 8, the new portable area monitor with direct-to-cloud area monitoring capable of detecting up to eight gases and gamma radiation, to the market in the fourth fiscal quarter of 2024. The EXO 8 contains enhanced features, including gas expansion module with the ability to add up to four additional sensors, optional integrated gamma radiation sensors, AlertLink capabilities and automatic bump and calibration service. The EXO 8 is targeted for large industrial organizations in the oil and gas, petrochemical, mining, water and wastewater sectors and is intended for organizations to be able to rapidly respond to incidents involving hazardous substances.

A significant portion of customers select Blackline's in-house, 24/7/365 Safety Operations Centre ("SOC"), although they have the option to self-monitor the safety of their personnel using the Blackline Live cloud-based software platform. Unlike a traditional call centre that often provides unrelated services such as telemarketing, technical support and answering services, Blackline's dedicated SOC focuses solely on safety monitoring. It delivers an immediate response, managing all safety alerts from receipt through to resolution according to each customer's customized emergency response protocol. Blackline's SOC provides customers with the option of centralizing the responsibility of monitoring lone workers within a highly specialized and trained emergency response centre. In regions not covered by Blackline's in-house SOC that provides 24/7 live monitoring, customers are able to access monitoring of their employees via an approved Blackline Alarm Receiving Centre partner. Blackline's SOC, together with its partner Alarm Receiving Centres in Europe, now monitor over 60,000 devices.

Blackline has developed and innovated a proprietary cloud-hosted safety monitoring infrastructure that runs on Amazon Web Services. Blackline has deployed tens of thousands of safety wearables and area monitors that connect to the Blackline Safety Cloud, continuously streaming status, environmental, location, gas readings and alerts. This information is stored via Amazon Web Services Cloud Servers and enables Blackline's data-driven services including analytics, emergency response management, notifications to users and more. To date, the Blackline Safety Cloud has stored over 250 billion data points, over 3.6 billion locations and over 8.7 billion location-enabled gas readings.

Blackline's revenues are comprised of product and service revenues, which are the two operating segments of the Company. Product revenues are generated from sales of Blackline's connected safety monitoring hardware devices and accessories to a variety of industries and geographic locations. Blackline has a broad customer base both in terms of industry and geographic reach and this diversified market helps to mitigate against dependence on and fluctuations in any one market space. For the three and nine-months ended July 31, 2024, product revenue was $15,476 and $41,735, accounting for 46% and 46% of total revenue, respectively (July 31, 2023: $11,255 and $31,881, accounting for 45% and 46% of total revenue, respectively).

Service revenues relate to software and support services that are provided to customers who purchase the Company's connected safety devices. Service revenues also include recurring revenues from existing customers who renew their services for their Blackline device as well as device rental and data consulting services. For the three and nine-months ended July 31, 2024, service revenue was $18,210 and $49,856, accounting for 54% and 54% of total revenue, respectively (July 31, 2023: $13,575 and $38,090, accounting for 55% and 54% of total revenue, respectively).

The Company also offers its products and services through a lease program with variable lease term commitments. These agreements are typically four years in length and considered to be a finance lease commitment with the hardware revenue component recognized up-front as product revenue with service and interest revenue recognized over the life of the contract. The Company entered into a renewable one-year lease securitization program with a Canadian chartered bank in April 2023 to sell tranches of lease receivables to provide increased financial flexibility and improved liquidity.

Cost of sales for the Company includes the costs of manufacturing its safety monitoring products as well as the costs of servicing those products. The cost of sales for products comprises raw materials, direct costs, direct labor, an allocation of overhead, freight charges, warranty, depreciation and scrappage. The cost of sales for services associated with those products is comprised of direct costs, direct labor for the SOC, partner alarm receiving centres, maintenance of the Blackline Live portal, communication costs for devices equipped with cellular and/or satellite technology, costs associated with rental equipment, and an allocation of overhead. For the three and nine-months ended July 31, 2024, Blackline's product cost of sales were $9,526 and $27,403, respectively (July 31, 2023: $7,973 and $23,772, respectively) and service cost of sales were $4,276 and $11,695, respectively (July 31, 2023: $3,435 and $9,871, respectively).

## Highlights

| | Three-Months Ended July 31, | | | Nine-Months Ended July 31, | | |
|---|---|---|---|---|---|---|
| (CAD thousands, except per share and percentage amounts) | **2024** | **2023** | **% Change** | **2024** | **2023** | **% Change** |
| 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 MD&A for further detail.

NM – Not meaningful

| (CAD thousands) | **July 31, 2024** | **October 31, 2023** | **% Change** |
|---|---|---|---|
| Cash and cash equivalents and short-term investments | 40,827 | 15,988 | 155 |
| Working capital(1) | 55,901 | 32,142 | 74 |
| Total assets | 143,363 | 109,120 | 31 |
| Non-current liabilities | 33,486 | 31,560 | 6 |
| Shareholders' equity | 57,497 | 33,198 | 73 |

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

## 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 Accounting Standards and cannot be reconciled to a directly comparable IFRS Accounting Standards measure. These key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

### Annual Recurring Revenue

Annual Recurring Revenue ("ARR") 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 rentals and 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. The increase in ARR is due to the service plans that have been added on new device sales as well as the expansion of existing contracts with our customers and indicates the continued strength in the growth of our business.

| | As at July 31, | | | As at October 31, | |
|---|---|---|---|---|---|
| (CAD thousands) | 2024 | 2023 | % Change | 2023 | % Change |
| Annual Recurring Revenue(1) | 62,081 | 47,008 | 32 | 51,117 | 21 |

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

### Net Dollar Retention

Net Dollar Retention ("NDR") 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. The growth in NDR is due to the net expansion of our existing contracts with our customers and offset by the customers who declined to renew their service plans which provides a fair measure of the strength of our recurring revenue streams and growth within our existing customer base.

| | As at July 31, | | | As at October 31, | |
|---|---|---|---|---|---|
| | 2024 | 2023 | Change | 2023 | Change |
| Net Dollar Retention(1) | 128% | 125% | 300 bps(2) | 129% | (100) bps(2) |

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

(2) Basis points ("BPS") is defined as one hundredth of 1 percentage point.

## Results of Operations

| | Three-Months Ended July 31, | | | Nine-Months Ended July 31, | | |
|---|---|---|---|---|---|---|
| (CAD thousands) | 2024 | 2023 | % Change | 2024 | 2023 | % Change |
| 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 Revenues** | 33,686 | 24,830 | 36 | 91,591 | 69,971 | 31 |
| Product revenue as a percentage of revenue(1) | 46% | 45% | | 46% | 46% | |
| Service revenue as a percentage of revenue(1) | 54% | 55% | | 54% | 54% | |
| **Total** | 100% | 100% | | 100% | 100% | |

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Total revenue for the three-month period ended July 31, 2024 was $33,686 which is an increase of $8,856 from $24,830 in the comparative period of the prior year. The 36% increase was driven by new hardware sales over the past twelve months and strong growth in recurring service revenues by customer upsell and expansion of service on existing devices.

Total revenue for the nine-month period ended July 31, 2024, increased $21,620 or 31% compared to the same period in the prior year. The increase was due to higher product sales and the continued growth in the Company's service revenues from its connected safety monitoring, analysis and compliance solutions.

### Product Revenue

For the three-months ended July 31, 2024, product revenue was $15,476, an increase of $4,221 or 38% compared to $11,255 in the prior year comparative quarter. The increase reflects the results of the Company's expanded sales network and past investments in our global sales team through their targeted demand generation and sales development activities.

During the nine-month period ended July 31, 2024, product revenue was $41,735, an increase of $9,854 compared to $31,881 in the prior year comparative period. The 31% increase was a result of the contribution of the past investments in our sales team and supporting functions, particularly in the Rest of World and European markets.

### Service Revenue

| | Three-Months Ended July 31, | | | Nine-Months Ended July 31, | | |
|---|---|---|---|---|---|---|
| (CAD thousands) | **2024** | **2023** | **% Change** | **2024** | **2023** | **% Change** |
| Software services revenue | 15,910 | 12,429 | 28 | 44,353 | 34,403 | 29 |
| Rental revenue | 2,300 | 1,146 | 101 | 5,503 | 3,687 | 49 |
| **Total service revenue** | 18,210 | 13,575 | 34 | 49,856 | 38,090 | 31 |
| Software services revenue as a percentage of service revenue(1) | 87% | 92% | | 89% | 90% | |
| Rental revenue as a percentage of service revenue(1) | 13% | 8% | | 11% | 10% | |
| **Total** | 100% | 100% | | 100% | 100% | |

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Total service revenue for the three-months ended July 31, 2024 increased $4,635 or 34% to $18,210 compared to $13,575 in the comparative period of the prior year.

Software services revenue for the third quarter was $15,910, an increase of 28% from $12,429 in the prior year comparative period. The increase is a result of the new activations of the devices sold to end-users over the past twelve months for customers utilizing the Company's monitoring, software and data services. Total increases in software services of $3,481 included newly activated device service revenues of $494 in the third quarter as well as net service revenue increases within our existing customer base of $3,522 compared to the prior year comparative period. This was partially offset by certain customers who declined to renew their service plans resulting in an impact of $535 in the same period.

Rental revenue for the three-months ended July 31, 2024 increased 101% to $2,300 from $1,146 in the previous comparative quarter as the Company continues to meet strong demand for our connected solutions in the industrial construction, turnaround and maintenance markets.

Total service revenue for the nine-month period ended July 31, 2024 increased $11,766 or 31% to $49,856 compared to $38,090 in the comparative period of the prior year.

Software services revenue for the nine-months ended July 31, 2024 was $44,353, an increase of 29% or $9,950 compared to $34,403 in the prior year comparable period. The increase is due to new activations over the previous twelve months, as well as expansion of services within the Company's existing customer base.

Rental revenue for the nine-month period ended July 31, 2024 increased 49% when compared to the prior year comparative period as a result of the Company's focus on the rental market.

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| Revenues from customers by country/ geographic area | Three-Months Ended July 31, | | | Nine-Months Ended July 31, | | |
|---|---|---|---|---|---|---|
| (CAD thousands) | 2024 | 2023 | % Change | 2024 | 2023 | % Change |
| Canada | 6,386 | 5,735 | 11 | 18,451 | 17,699 | 4 |
| United States | 15,755 | 11,798 | 34 | 44,225 | 32,708 | 35 |
| Europe | 7,885 | 6,125 | 29 | 21,336 | 15,147 | 41 |
| Rest of World | 3,660 | 1,172 | 212 | 7,579 | 4,417 | 72 |
| **Total revenues** | 33,686 | 24,830 | 36 | 91,591 | 69,971 | 31 |
| Canada as a percentage of revenue(1) | 19% | 23% | | 20% | 25% | |
| United States as a percentage of revenue(1) | 47% | 48% | | 49% | 47% | |
| Europe as a percentage of revenue(1) | 23% | 25% | | 23% | 22% | |
| Rest of World as a percentage of revenue(1) | 11% | 4% | | 8% | 6% | |
| **Total** | 100% | 100% | | 100% | 100% | |

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

The third quarter of fiscal 2024 saw our United States markets deliver strong new hardware sales and growth in our service contracts with existing customers particularly in the utility and energy sector, resulting in an increase of $3,957 or 34%. There was also strong growth within the Rest of World market, increasing by $2,488 or 212% due to the rapid expansion of the Company's sales presence in those global regions.

The Company’s Rest of World market is primarily in Asia, the Middle East, Australia, New Zealand and Africa and has not been directly impacted by the ongoing military conflict between Russia and Ukraine or between Israel and Hamas. The growth in revenue across these markets is a result of the presence of sales personnel in these regions and the strategic targeting of customers in specific industries including energy, water treatment and utilities.

### Lease Revenue

The Company leases certain of its safety monitoring equipment to customers through the Company’s lease program with monthly or quarterly payments.

The present value of the hardware revenue component of finance leases is recognized up-front as product revenue with service and interest revenue recognized over the life of the contract. The hardware component of the Company’s leases classified as finance leases is recognized in current and non-current other receivables on the condensed consolidated statements of financial position. The service component is recognized within trade receivables when the service is delivered.

The total undiscounted payments under non-cancellable finance lease contracts for the right to use the equipment and safety monitoring services of the Company are as follows:

| (CAD thousands) | July 31, 2024 | October 31, 2023 |
|---|---|---|
| Within one year | 21,079 | 17,758 |
| Later than one year but not later than five years | 27,010 | 21,878 |
| Total | 48,089 | 39,636 |

The 21% increase in undiscounted payments under non-cancellable finance lease contracts from October 31, 2023 is a result of new customers entering into finance lease agreements as well as existing customers renewing with leases rather than purchasing hardware upfront.

### Cost of Sales

| (CAD thousands) | Three-Months Ended July 31, 2024 | 2023 | % Change | Nine-Months Ended July 31, 2024 | 2023 | % Change |
|---|---|---|---|---|---|---|
| Product | 9,526 | 7,973 | 19 | 27,403 | 23,772 | 15 |
| Service | 4,276 | 3,435 | 24 | 11,695 | 9,871 | 18 |
| **Total cost of sales** | 13,802 | 11,408 | 21 | 39,098 | 33,643 | 16 |
| Product cost of sales as a percentage of segment revenue(1) | 62% | 71% | | 66% | 75% | |
| Service cost of sales as a percentage of segment revenue(1) | 23% | 25% | | 23% | 26% | |
| **Cost of sales as a percentage of revenue(1)** | 41% | 46% | | 43% | 48% | |

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

Cost of sales for the three-months ended July 31, 2024 totaled $13,802 compared to $11,408 in the prior year comparative period. This is primarily due to an increase in products sold in the period. There was also an increase in the service segment with costs expanding to support our growing customer base.

Cost of sales for the nine-months ended July 31, 2024 totaled $39,098 compared to $33,643 in the prior year comparative period which was primarily due to the increase in the cost of sales for the product segment as more products are sold in the period as well as growth in the service segment.

### Product Cost of Sales

Product cost of sales increased by $1,553 or 19% in the third quarter compared to the prior year comparative quarter primarily due to increases in materials cost as more products were sold in the quarter compared to the prior year comparative quarter. There were also increases in salaries and related benefits costs due to a higher headcount to be commensurate with increased production volume as we scale compared to the prior year comparative quarter. Warranty costs increased in the quarter compared to the prior year comparative quarter mainly due to the increase in products sold. These increases were slightly offset by lower unabsorbed material costs and lower scrappage costs.

Product cost of sales for the nine-month period ended July 31, 2024 was $27,403 compared to $23,772 in the prior year comparative period, an increase of $3,631, primarily due to an increase in material costs due to a higher volume of products sold in the period compared to the prior year comparative period. There were also increases in salaries and related benefits costs, scrappage costs and warranty costs due to the increased volume of products sold. The increase in material costs were partially offset by lower unabsorbed material costs and overhead costs due to ongoing efficiencies in the production process.

### Service Cost of Sales

Service cost of sales increased by $841 or 24% in the third quarter compared to the prior year comparative quarter. The increase is a result of higher connectivity and data costs driven by the increased user base and associated higher service revenue in the third quarter. There were also increases in costs of rental scrappage and depreciation on owned cartridges generating cartridge-as-a-service revenue and on rental equipment as the Company's rental program expanded globally. Salaries and related benefits costs also increased in the SOC team as additional headcount was added to support the increased user base.

Service cost of sales were $11,695 during the nine-months ended July 31, 2024, compared to $9,871 in the prior year comparative period, an increase of $1,824 or 18%. This increase is due to an increase in connectivity and data costs to improve the security and reliability of the Blackline Live portal. There were also higher depreciation charges on owned cartridges, costs of rental scrappage and salaries and related benefits costs in the SOC team to support the increased user base.

## Gross Profit

| (CAD thousands) | Three-Months Ended July 31, 2024 | 2023 | % Change | Nine-Months Ended July 31, 2024 | 2023 | % Change |
|---|---|---|---|---|---|---|
| Product | 5,950 | 3,282 | 81 | 14,332 | 8,109 | 77 |
| Service | 13,934 | 10,140 | 37 | 38,161 | 28,219 | 35 |
| **Gross profit** | 19,884 | 13,422 | 48 | 52,493 | 36,328 | 44 |
| Product gross margin percentage(1) | 38% | 29% | | 34% | 25% | |
| Service gross margin percentage(1) | 77% | 75% | | 77% | 74% | |
| **Gross margin percentage(1)** | 59% | 54% | | 57% | 52% | |

(1) Refer to "Non-GAAP and Supplementary Financial Measures" at the end of this MD&A for further detail.

Total gross profit for the third quarter was $19,884 compared to $13,422 in the prior year comparative quarter. This represented a total gross margin percentage of 59%, an increase as compared to 54% in prior year comparative quarter. The increase in total gross profit is due to a combination of higher sales volume, production line automation and cost management within our product and service segment.

Product gross margin percentage in the third quarter increased to 38% from 29% as the Company continued to focus on sales growth within the Rest of World, United States and European markets. The increase was also attributable to G7 EXO contributing a greater proportion of sales in the current quarter as compared to the prior year comparative quarter. The Company has also been able to automate more of its manufacturing line, better cost manage through improved supplier pricing, and improve the efficiency and throughput of its operations.

Service gross margin percentage in the third quarter increased to 77% from 75%. The increase reflects a higher penetration of Blackline's value-added services for which the Company realizes a higher margin. Continued growth and larger absorption of fixed costs as well as improvements to the Company's received pricing for connectivity and infrastructure also contributed to the improvement in gross margin percentage.

Total gross profit for the nine-months ended July 31, 2024, increased $16,165 or 44% to $52,493 from $36,328 in the prior year comparative period due to higher overall revenues, a shift to heavier weighting of service revenue and cost management within our service segment.

Product gross margin percentage was 34% for the nine-months ended July 31, 2024, an increase from 25% in the prior year comparative period due to higher overall product revenues and automation efforts across our manufacturing line and better cost management resulting in improved supplier pricing.

Service gross margin percentage was 77% for the nine-months ended July 31, 2024, increasing from 74% in the prior year comparative period due to growth of the Company's increased penetration of high value services, higher overall service revenue, more than offsetting the increase in cost of sales as the Company continued its efforts to optimize its connectivity and data costs.

## Expenses

| (CAD thousands) | Three-Months Ended July 31, 2024 | 2023 | % Change | Nine-Months Ended July 31, 2024 | 2023 | % Change |
|---|---|---|---|---|---|---|
| General and administrative expenses | 7,288 | 5,696 | 28 | 20,237 | 17,954 | 13 |
| Sales and marketing expenses | 10,381 | 9,343 | 11 | 30,051 | 25,754 | 17 |
| Product research and development costs | 4,910 | 4,251 | 16 | 14,726 | 14,898 | (1) |
| Foreign exchange (gain) loss | (645) | 802 | NM | (1,388) | (1,150) | 21 |
| **Total expenses** | 21,934 | 20,092 | 9 | 63,626 | 57,456 | 11 |
| General and administrative expenses as a percentage of revenue(1) | 22% | 23% | | 22% | 26% | |
| Sales and marketing expenses as a percentage of revenue(1) | 31% | 38% | | 33% | 37% | |
| Product research and development costs as a percentage of revenue(1) | 15% | 17% | | 16% | 21% | |
| **Total expenses as a percentage of revenue(1)** | 65% | 81% | | 69% | 82% | |

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

Total expenses for the three-months ended July 31, 2024 were $21,934 compared to $20,092 in the prior year comparative quarter, an increase of 9% or $1,842. The increase was primarily due to higher general and administrative expenses, sales and marketing expenses and product research and development costs, slightly offset by a foreign exchange gain. Total expenses as a percentage of revenue for the three-months ended July 31, 2024 decreased to 65% compared to 81% in the prior year comparative quarter.

During the nine-months ended July 31, 2024, total expenses were $63,626 compared to $57,456 in the prior year comparative period, an increase of 11% or $6,170. The increase was primarily due to higher sales and marketing expenses and general and administrative expenses, partially offset by a decrease in product research and development costs and a larger foreign exchange gain. Total expenses as a percentage of revenue for the nine-months ended July 31, 2024 decreased to 69% compared to 82% in the prior year comparative period.

### General and administrative expenses

General and administrative expenses are comprised of the salaries, benefits and stock-based compensation expense for the accounting and finance, business information technology, operational and quality assurance management as well as general management staff, the Executive Management Team and the Board of Directors of the Company. These costs also include professional fees, costs for internal and external systems supporting the Company's global operations, insurance costs, the costs of compliance associated with being a public company, depreciation of certain property and equipment and general corporate expenses.

General and administrative expenses increased by $1,592 or 28% in the third quarter to $7,288 from $5,696 in the prior year comparative quarter. There were increases in stock-based compensation due to a directors, officers and employees stock option grant in the current quarter and an increase in costs related to the departure of an officer. The Company also incurred higher subscription and licenses costs and salaries and related benefits expenses as the Company expanded administrative functions to support the scaling of the business. General and administrative expenses as a percentage of total revenue decreased to 22% from 23% for the third quarter compared to the prior year comparative quarter. Excluding the non-recurring expenses in the third quarter, general and administrative expenses were 20% of revenue.

During the nine-months ended July 31, 2024, general and administrative expenses increased by $2,283 or 13%, to $20,237 from $17,954 in the prior year comparative period, primarily due to higher salaries and related benefits expenses and subscriptions and licenses costs as the Company expanded administrative functions as the business grows. There were also increased costs related to the departure of an officer. The Company also incurred higher bank service charges related to the lease securitization facility bank fees over the full nine-month period as compared to the prior year comparative period, higher operating facility bank fees due to larger draw-downs and higher insurance costs due to the growth of the business. These increases were slightly offset by a decrease in consulting and legal expenses due to costs incurred in the prior year comparative period when the lease securitization facility was entered into. During the nine-months ended July 31, 2024, general and administrative expenses as a percentage of total revenue decreased to 22% from 26% compared to the prior year comparative period.

### Sales and marketing expenses

Sales and marketing expenses include the salaries, internal and external commissions, benefits and stock-based compensation expense of the sales, marketing, business development, customer care, client success, client implementation, and sales support staff as well as travel costs, direct marketing and distribution channel expenses and supporting contractors and consultants' professional fees.

Sales and marketing expenses for the third quarter increased $1,038 or 11% to $10,381 from $9,343 compared to the prior year comparative quarter. This was primarily due to increases in salaries and related benefits expenses and contractor fees to support the Rest of World sales teams with growing demand for our connected solutions in those regions. These increases were slightly offset by decreases to subscription and licenses costs from cost management efforts and lower legal expenses. Sales and marketing expenses as a percentage of total revenue decreased to 31% for the third quarter compared to 38% in the prior year comparative quarter.

During the nine-months ended July 31, 2024, sales and marketing expenses increased by $4,297 or 17% to $30,051 from $25,754 compared to the prior year comparative period. This was primarily due to increases in salaries and related benefits expenses as the sales team expanded to support increasing demand across various regions, contractor fees due to the expansion of sales personnel to support the demand in the Rest of World regions, recruiting costs and training and seminar costs. There were also increases in distributor commissions due to larger lease contracts referred through channel distributors and sales commissions due to sales growth. These increases were partially offset by decreases to subscription and licenses costs due to the Company's focus on cost management. Sales and marketing expenses as a percentage of total revenue for the nine-months ended July 31, 2024 decreased to 33% from 37% compared to the prior year period.

### Product research and development costs

Product research and development costs reflect Blackline's ongoing efforts to expand its product line while enhancing the capabilities of the current revenue-generating hardware and services. Product research and development costs include the salaries and benefits of the product research and development team, external consultants, materials used specifically for product research and development purposes, amortization of intangible assets and depreciation of certain property and equipment.

Product research and development costs increased to $4,910 in the third quarter compared to $4,251 in the prior year comparative quarter. The increase of $659 or 16% was largely attributed to an increase in salaries and related benefits expenses due to an increase in headcount in the third quarter compared to the prior year comparative quarter. There was also an increase in consulting costs as a result of new design services agreements to accelerate product development efforts. The third quarter product research and development costs as a percentage of total revenue decreased to 15% from 17% in the prior year comparative quarter.

During the nine-months ended July 31, 2024, product research and development costs remained largely consistent, only decreasing by $172 or 1% to $14,726 from $14,898 compared to the prior year comparative period. This was primarily due to a reduction in salaries and related benefits expenses from workforce reduction strategies and subscriptions and licenses costs as part of the Company's efforts to manage costs. This was offset by higher consulting costs as a result of a new design services agreement to boost our product development efforts. There was also an increase in stock-based compensation expenses from the impact of forfeitures in the prior year comparative period which offset the decrease in product research and development costs. Product research and development costs as a percentage of total revenue for the nine-months ended July 31, 2024 decreased to 16% from 21% compared to the prior year period.

### Foreign exchange gain

Total net realized and unrealized foreign exchange gain was $645 in the third quarter compared to a loss of $802 in the prior year comparative quarter. The Canadian dollar ended the third quarter at 1.38 USD/CAD, 1.49 EUR/CAD and 1.77 GBP/CAD compared to 1.32 USD/CAD, 1.45 EUR/CAD and 1.69 GBP/CAD at July 31, 2023. The average exchange rates of 1.37 USD/CAD, 1.48 EUR/CAD and 1.75 GBP/CAD in the third quarter were unfavorable compared to the prior year comparable quarter when it averaged 1.35 USD/CAD, 1.45 EUR/CAD and 1.69 GBP/CAD.

During the nine-months ended July 31, 2024 the average exchange rates of 1.36 USD/CAD, 1.47 EUR/CAD and 1.72 GBP/CAD were unfavorable compared to the prior year comparable quarter when it averaged 1.35 USD/CAD, 1.45 EUR/CAD and 1.66 GBP/CAD.

The foreign exchange gain or loss relates predominately to the impact of changes in the Canadian dollar on the Company's foreign currency denominated cash and cash equivalents, trade and other receivables, trade accounts payables and other accrued liabilities and securitization facility payables at the end of the period.

### Finance expense, net

Finance expense, net was $262 and $727 for the three and nine-months ended July 31, 2024. This is compared to net finance income of $16 and $517 in the comparable prior year periods. Finance expenses were higher for the three and nine-months ended July 31, 2024 due to the interest expense incurred on the amount drawn on the Company's senior secured operating facility, interest expense on the Company's lease securitization facility, and increases to prime lending rates, partially offset by interest revenue from finance leases and higher interest rates obtained on the Company's short-term investments.

## Net loss, EBITDA and Adjusted EBITDA

Net loss was $2,469 and $12,527 for the three and nine-months ended July 31, 2024 compared to $6,842 and $21,092 in the prior year comparative periods. The decrease in net loss in the three-month period was due primarily to the increase in revenue, increase in overall gross profit and higher foreign exchange gain compared to the prior year comparative period. This was partially offset by increases in general and administrative expenses, sales and marketing expenses, product research and development costs and finance expenses.

The decrease in net loss in the nine-months ended July 31, 2024 was due to the increase in revenue and overall gross profit, decreases in product research and development costs, a higher foreign exchange gain compared to the prior year comparative period. This was partially offset by increases in sales and marketing expenses, general and administrative expenses and higher net finance expenses.

EBITDA for three and nine-months ended July 31, 2024 was $53 and $(5,210), respectively, compared to $(4,849) and $(15,512) in the prior year comparative periods. The increase in EBITDA was primarily due to the increase in revenue and gross profit which contributed to the decrease in net loss compared to the prior year comparable periods.

Adjusted EBITDA for the three and nine-months ended July 31, 2024 was $810 and $(4,467), respectively, compared to $(3,760) and $(14,491), respectively, for the prior year comparative periods. The increase in Adjusted EBITDA was primarily due to the increase in revenue and gross profit which contributed to the decrease in net loss compared to the prior year comparable periods.

## Key Assets and Liabilities

| (CAD thousands) | July 31, 2024 | October 31, 2023 | % Change |
|---|---|---|---|
| Total assets | 143,363 | 109,120 | 31 |
| Total liabilities | 85,866 | 75,922 | 13 |

Total assets as at July 31, 2024 were $143,363 compared to $109,120 as at October 31, 2023. The increase in total assets is primarily due to increases in short-term investments, trade and other receivables and cash and cash equivalents, slightly offset by decreases in inventory.

Total liabilities as at July 31, 2024 were $85,866 compared to $75,922 as at October 31, 2023. The increase in total liabilities is primarily due to increases in deferred revenue and contract liabilities, partially offset by a decrease in securitization facility payable.

### Trade and other receivables

| (CAD thousands) | **July 31, 2024** | **October 31, 2023** | **% Change** |
|---|---|---|---|
| Trade accounts receivable | 37,029 | 32,123 | 15 |
| Other receivables – current | 9,143 | 7,816 | 17 |
| Other receivables – non-current | 10,498 | 8,625 | 22 |
| Loss allowance | (546) | (411) | 33 |
| Total | 56,124 | 48,153 | 17 |

Trade and other receivables as at July 31, 2024 totaled $56,124, compared to $48,153 as at October 31, 2023, an increase of $7,971 or 17%. The growth is predominantly due to the increase in trade accounts receivable of $4,906 due to the timing of collections and also from an increase in current and non-current other receivables of $3,200 primarily from increases in finance leases entered into in the period.

### Inventory

| (CAD thousands) | **July 31, 2024** | **October 31, 2023** | **% Change** |
|---|---|---|---|
| Parts | 11,270 | 11,861 | (5) |
| Finished goods | 4,851 | 5,212 | (7) |
| Total | 16,121 | 17,073 | (6) |

Inventory totaled $16,121 as at July 31, 2024 compared to $17,073 as at October 31, 2023. Overall, inventory decreased as the Company more effectively managed its supply chain and is continuously working towards improving its inventory turns.

### Contract assets and contract liabilities

| (CAD thousands) | **July 31, 2024** | **October 31, 2023** | **% Change** |
|---|---|---|---|
| **Contract assets** | | | |
| Current | 1,700 | 1,185 | 43 |
| Non-current | 1,214 | 1,506 | (19) |
| Total | 2,914 | 2,691 | 8 |
| **Contract liabilities** | | | |
| Current | 3,425 | 2,072 | 65 |
| Non-current | 1,076 | 1,614 | (33) |
| Total | 4,501 | 3,686 | 22 |

Total contract assets, consisting of current and non-current costs related primarily to the fulfillment of lease contracts, were $2,914 as at July 31, 2024 compared to $2,691 at October 31, 2023. The increase is largely due to the lease contracts sold through channel distributors in the period and the timing of recognition for distributor commissions related to the product component over the course of the contract term.

Total contract liabilities, which represent the Company's obligations to pay commissions to third-party distributors who assist with the fulfillment of certain contracts was $4,501 compared to $3,686 at the prior year end. The increase is due to lease contracts sold through channel distributors being added in the current period.

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### Property and equipment

| (CAD thousands) | July 31, 2024 | October 31, 2023 | % Change |
|---|---|---|---|
| Property and equipment | 14,184 | 13,541 | 5 |

Property and equipment increased by 5% or $643 at July 31, 2024 to $14,184 from $13,541 at October 31, 2023. There were additions of $2,326 for rental equipment as the Company's rental program expanded globally to meet the demand for our customers' diverse safety needs for short-term projects and $2,255 for cartridges. The additions were partially offset by amortization of $4,654 for the nine-month period ending July 31, 2024.

### Accounts payable and other accrued liabilities

| (CAD thousands) | July 31, 2024 | October 31, 2023 | % Change |
|---|---|---|---|
| Trade accounts payable | 8,844 | 10,453 | (15) |
| Other accrued liabilities | 12,053 | 10,897 | 11 |
| Total | 20,897 | 21,350 | (2) |

Accounts payable and other accrued liabilities decreased by 2% at July 31, 2024 to $20,897 from $21,350 at October 31, 2023 due to the timing of payment of the Company's expenditures at the end of each fiscal period. Other accrued liabilities includes the provision for potential taxes payable within individual states in the United States.

### Deferred Revenue

| (CAD thousands) | July 31, 2024 | October 31, 2023 | % Change |
|---|---|---|---|
| Current | 20,267 | 13,154 | 54 |
| Non-current | 15,298 | 13,583 | 13 |
| Total | 35,565 | 26,737 | 33 |

The Company’s deferred revenue increased by $8,828 due to payments in advance from customers for service contracts, partially offset by service revenue recognized in the period.

### Securitization facility payable

| (CAD thousands) | July 31, 2024 | October 31, 2023 | % Change |
|---|---|---|---|
| Current | 4,307 | 4,843 | (11) |
| Non-current | 4,368 | 5,354 | (18) |
| Total | 8,675 | 10,197 | (15) |

The Company has a lease securitization facility with a Canadian chartered bank to sell certain existing and future finance lease contracts, where there is an obligation to collect and remit payments associated with these contracts coincident with the Company’s provision of its connected safety devices and services over the duration of the underlying contracts. The net decrease in the total lease securitization facility payables of $1,522 is primarily due to repayments of $4,689 during the nine-months ended July 31, 2024, partially offset by new advances from the lease securitization facility of $2,647 and the impact of interest and foreign exchange effects.

### Bank indebtedness

| (CAD thousands) | July 31, 2024 | October 31, 2023 | % Change |
|---|---|---|---|
| Non-current | 9,296 | 8,610 | 8 |

The Company has a senior secured operating facility and as at July 31, 2024, bank indebtedness increased to $9,296 from $8,610 in October 31, 2023 as the Company had a net draw-down of $686 during the period. The draw down includes accrued interest expense on bank indebtedness in the period.

## Proceeds of Share Issuances

On June 12, 2024, the Company closed a bought deal short-form prospectus offering for an aggregate of 5,692,500 common shares at an issue price of $4.05 per common share for gross proceeds of $23,055. After deduction of broker and other fees, the net proceeds from the bought deal short-form prospectus were $21,477.

The Company concurrently completed a non-brokered private placement of 2,846,250 common shares at an issue price of $4.05 per common share for gross proceeds of $11,527. There were no issuance fees directly related to the non-brokered private placement since it was concurrently completed with the bought deal short-form prospectus. The net proceeds will be used primarily to fund its leasing program whereby the Company leases certain of its safety monitoring equipment which are not financed through the securitization facility to customers through the Company's lease program with monthly or quarterly payments and to support the application of artificial intelligence programs and platforms to exploit the Company's collection of industrial data, including through internally developed systems as well as retaining and using third party experts and products. The net proceeds will also be used for other general corporate and working capital purposes.

## Summary of Quarterly Results

The following table highlights total revenue, gross margin percentage, net loss, net loss per common share, EBITDA, EBITDA per common share, Adjusted EBITDA and Adjusted EBITDA per common share amounts for the eight most recently completed quarters ended July 31, 2024. These have been prepared in accordance with IFRS Accounting Standards, with the non-GAAP and supplementary financial measures captioned below and are presented in Canadian dollars, which is the presentation and functional currency of the Company.

| (CAD thousands, except per share amounts) | 2024 | | | 2023 | | | | 2022 |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Total revenue | 33,686 | 31,580 | 26,325 | 30,035 | 24,830 | 24,095 | 21,046 | 22,030 |
| Gross margin percentage(1) | 59% | 57% | 55% | 55% | 54% | 52% | 49% | 48% |
| Net loss | (2,469) | (4,267) | (5,791) | (4,455) | (6,842) | (6,557) | (7,692) | (9,940) |
| Net loss per common share | (0.03) | (0.06) | (0.08) | (0.06) | (0.09) | (0.09) | (0.11) | (0.14) |
| EBITDA(1) | 53 | (1,872) | (3,392) | (1,480) | (4,849) | (4,618) | (6,044) | (8,073) |
| EBITDA per common share(1) | 0.00 | (0.03) | (0.05) | (0.02) | (0.07) | (0.06) | (0.08) | (0.12) |
| Adjusted EBITDA(1 & 2) | 810 | (2,043) | (3,234) | (1,829) | (3,760) | (4,500) | (6,231) | (7,653) |
| Adjusted EBITDA per common share(1 & 2) | 0.01 | (0.03) | (0.04) | (0.03) | (0.05) | (0.06) | (0.09) | (0.11) |

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

(2) In the fourth fiscal quarter of 2022, Management updated the non-GAAP composition to remove the adjustment of product research and development costs and included the adjustment for foreign exchange losses or gains. Comparative periods have been restated to reflect this change.

### Fiscal Year 2024

The increase in revenue in the third quarter of fiscal 2024 is a result of increases in both product and service revenues. Similarly, product and service gross margin percentages also increased compared to the prior quarter resulting in the increase of overall gross margin percentage. The decrease in net loss, improvement to EBITDA and to Adjusted EBITDA in the third quarter of fiscal 2024 compared to the previous quarter was primarily due to increased quarterly revenue, increased gross profit and lower sales and marketing expenses and product research and development costs. This was slightly offset by increases in general and administrative expenses. Although general and administrative expenses was higher, the expense as a percentage of revenue were effectively the same.

The increase in revenue in the second quarter of fiscal 2024 is a result of both increased product and service sales. The second quarter of fiscal 2024 also saw an increase in gross margin percentage compared to the first quarter of fiscal 2024 which was a result of higher product and service gross margin percentages. The decrease in net loss and improvement to Adjusted EBITDA in the second quarter of fiscal 2024 compared to the first quarter of 2024 was primarily due to increased quarterly revenues, resulting in higher overall gross profits, which were slightly offset by increases in overall expenses and higher net finance expenses. Although sales and marketing and product research and development expenses were higher in the second quarter as compared to the first quarter of fiscal 2024, the expenses as a percentage of revenue were all lower in the second quarter as compared to the first quarter.

The decrease in revenue in the first quarter of fiscal 2024 compared to the fourth quarter of fiscal 2023 of 12% or $3,710 relates to lower product revenues as well as marginally lower service revenues. Due to the seasonality of the business wherein results are stronger in the latter half of the fiscal year, the revenue in the first quarter of fiscal 2024 decreased expectantly compared to the fourth quarter of the fiscal year, however increased compared to the other quarters of fiscal 2023. The gross margin percentage in the first quarter of fiscal 2024 compared to the seasonally strong fourth quarter of fiscal 2023 remained the same as service revenue made up a higher proportion of total revenue, partially offset by slight decreases in product and service margin percentage compared to the fourth quarter of fiscal 2023. The increase in net loss and decrease in Adjusted EBITDA in the first quarter of fiscal 2024 compared to the fourth quarter of fiscal 2023 was a result of lower total revenue and higher overall expenses. Sales and marketing expenses decreased but were offset by higher general and administrative and product research and development expenses. Overall, the general and administrative and product research and development expenses as a percentage of revenue increased, while sales and marketing expenses as a percentage of revenue decreased.

### Fiscal Year 2023

The increase in revenue in the fourth quarter of fiscal 2023 compared to the third quarter of fiscal 2023 relates to higher product and service revenues. The increase in gross margin percentage in the fourth quarter of fiscal 2023 compared to the third quarter of fiscal 2023 was due to a 3% increase in product gross margin and a 2% increase in service gross margin. The decrease in net loss and increase in Adjusted EBITDA in the fourth quarter of fiscal 2023 compared to the third quarter of fiscal 2023 was a result of higher gross margins as well as lower product research and development costs and a foreign exchange gain as opposed to a loss in the third quarter of fiscal 2023. Although general and administrative expenses were marginally higher in the fourth quarter as compared to the third quarter, the expenses as a percentage of revenue decreased. Similarly, despite sales and marketing expenses being higher in the fourth quarter as compared to the third quarter, the expenses as a percentage of revenue remained effectively the same.

The increase in revenue in the third quarter of fiscal 2023 compared to the second quarter of fiscal 2023 relates to higher product and service revenues. The increase in gross margin percentage in the third quarter of fiscal 2023 compared to the second quarter of fiscal 2023 was due to higher product and service gross margins. The increase in net loss in the third quarter of fiscal 2023 compared to the second quarter of fiscal 2023 was a result of higher sales and marketing expenses and  foreign exchange losses. The increase to Adjusted EBITDA in the third quarter of fiscal 2023 compared to the second quarter of fiscal 2023 was a result of higher gross margins as well as lower general and administrative expenses and lower product research and development costs. The general and administrative expenses and product research and development costs as a percentage of revenue were lower in the third quarter compared to the second quarter. Although sales and marketing expenses were higher in the third quarter, the percentage of revenue was approximately the same for sales and marketing in the third quarter compared to the second quarter.

The increase in revenue in the second quarter of fiscal 2023 compared to the first quarter of fiscal 2023 relates to higher product and service revenue. The increase in gross margin percentage in the second quarter of fiscal 2023 compared to the first quarter of fiscal 2023 was due to higher product and service gross margins. The decrease in net loss and increase in Adjusted EBITDA in the second quarter of fiscal 2023 compared to the first quarter of 2023 was a result of higher gross margins as well as lower project research and development costs and a larger foreign exchange gain. Although general and administrative expenses and sales and marketing expenses were higher in the second quarter as compared to the first quarter, the expenses as a percentage of revenue were approximately the same for general and administrative expenses, but lower for sales and marketing expenses.

The decrease in revenue in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022 relates to lower product revenues, partially offset by increased service revenue. The increase in gross margin percentage in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022 was due to service revenue making up a higher proportion of total revenue as well as higher service margin percentage and was offset by a lower product margin. The decrease in net loss and increase in Adjusted EBITDA in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022 was a result of higher total gross margin and lower overall expense. Sales and marketing expenses decreased but were offset by higher general and administrative and product research and development costs. Although general and administrative and product research and development costs were higher, the expenses as a percentage of revenue were approximately the same.

## Liquidity and Capital Resources

The Company's primary requirements for capital are for general working capital requirements and to fund the development of enhanced product offerings. The Company finances these activities primarily through short-term investments, cash flows from operations, funds from equity financing, funds from brokered and non-brokered private placements, bought deal short-form prospectuses, its operating facility with a Canadian financial institution and a lease securitization facility with a Canadian chartered bank.

Total cash and cash equivalents were $13,827 as at July 31, 2024. Cash and cash equivalents increased $2,339 compared to October 31, 2023.

| | **Three-Months Ended July 31,** | | | **Nine-Months Ended July 31,** | | |
|---|---|---|---|---|---|---|
| (CAD thousands) | **2024** | **2023** | **% Change** | **2024** | **2023** | **% Change** |
| Cash provided by (used in) operating activities | (919) | (5,455) | (83) | (2,874) | (20,089) | (86) |
| Cash provided by (used in) financing activities | 30,151 | 2,074 | NM | 32,335 | 8,687 | 272 |
| Cash provided by (used in) investing activities | (29,892) | (2,088) | NM | (28,770) | (1,535) | NM |
| Effect of foreign exchange | 1,255 | 1,170 | 7 | 1,648 | 3,423 | (52) |
| **Total net increase (decrease) in cash and cash equivalents** | 595 | (4,299) | NM | 2,339 | (9,514) | NM |

NM – Not meaningful

Operating activities during the three and nine-months ended July 31, 2024 used $919 and $2,874 of cash, respectively (July 31, 2023: used $5,455 and $20,089, respectively). The decrease in cash used in operating activities was primarily the result of a lower net loss for the period and changes in non-cash working capital of $(1,620) and $1,438 respectively, for the three and nine-months ended July 31, 2024 (July 31, 2023: $(985) and $(5,905), respectively).

Changes in non-cash working capital for the three-months ended July 31, 2024, compared to the prior year quarter were primarily due to the increase in trade and other receivables of $4,147 (July 31, 2023: increase of $4,266) and decrease in accounts payable and other accrued liabilities of $1,196 (July 31, 2023: increase of $229). Offsetting the changes in the current quarter were increases in current and non-current deferred revenue of $3,767 (July 31, 2023: increase of $1,596).

For the nine-months ended July 31, 2024, improvements to changes in non-cash working capital were primarily due to the increase in the current and non-current portion of deferred revenue of $8,446 (July 31, 2023: $4,628). These were mainly offset by current and non-current trade and other receivables that increased by $7,824 during the period (July 31, 2023: increase of $10,908).

Financing activities for the three and nine-months ended July 31, 2024 provided $30,151 and $32,335 of cash, respectively (three and nine-months ended July 31, 2023 provided $2,074 and $8,687 of cash, respectively). This was mainly due to proceeds from the bought deal short-form prospectus offering and private placement and other proceeds from option exercises of $33,671 and $34,389 during the three and nine-months ended July 31, 2024, respectively, compared to $485 and $897 in the prior year comparative periods. For the same periods of this fiscal year, there were also advances from securitization facility of $2,081 and $2,647 (July 31, 2023: $2,600 and $10,865). These increases to cash provided from financing activities were offset by net repayments on the operating facility of $3,603 for the three-months ended July 31, 2024 and repayments on securitization facility of $1,729 and $4,689 for the three and nine-months ended July 31, 2024 (July 31, 2023: repayments of $809 for both prior year periods).

Investing activities for the three and nine-months ended July 31, 2024 used $29,892 and $28,770 of cash, respectively (three and nine-months ended July 31, 2023 used $2,088 and $1,535 of cash, respectively). This was primarily due to the purchases of short-term investments of $27,000 in the three and nine-months ended July 31, 2024 compared to purchases of $nil and $12,500 in both comparable periods of the prior year. There were no redemptions of short-term investments for the three-months ended and redemptions of $4,500 for the nine-months ended July 31, 2024, compared to redemptions of $nil and $16,500, respectively in comparable periods of the prior year.

During the three and nine-months ended July 31, 2024, the Company incurred capital expenditures of $2,810 and $6,567, respectively, primarily for property and equipment additions of rental equipment and cartridges used in Blackline's cartridge-as-a-service plans (three and nine-months ended July 31, 2023: $1,449 and $5,456, respectively).

Total short-term investments held at July 31, 2024 amounted to $27,000 compared to $4,500 as at October 31, 2023.

| (CAD thousands) | July 31, 2024 | October 31, 2023 | % Change |
|---|---|---|---|
| Current assets | 108,281 | 76,504 | 42 |
| Current liabilities | (52,380) | (44,362) | 18 |
| **Working capital**[(1)] | 55,901 | 32,142 | 74 |

(1) Refer to “Non-GAAP and Supplementary Financial Measures” at the end of this MD&A for further detail.

Working capital at July 31, 2024 was $55,901 compared to $32,142 at the prior year end, an increase of $23,759. The increase was mainly due to higher short-term investments, trade and other receivables and cash and cash equivalents. This was offset by increased deferred revenue and contract liabilities.

The Company has a two-year $25,000 senior secured operating facility ("operating facility" or "facility") with a Canadian financial institution (the "lender"). The facility includes a $5,000 accordion feature to increase the size of the facility. The loan facility borrowing base is derived from the Company’s monthly recurring revenue and bears interest at the Canada prime rate plus 2.00% for CAD advances or U.S. base rate plus 2.00% for USD advances. The facility matures on October 31, 2025. The Company had available capacity on its operating facility of $14,783 as at July 31, 2024 (October 31, 2023: $13,239).

The operating facility includes financial covenants, principally a quarterly liquidity to cash burn ratio, as defined in the agreement with the lender, of not less than 6.0 to 1.0. The Company was in compliance with all covenants as at July 31, 2024.

The securitization facility is a renewable one-year $15,000 and USD $30,000 securitization facility with Blackline Safety SPV Seller Corp. ("SPV") and a Canadian chartered bank (“the Purchaser”) to sell tranches of lease receivables from safety wearables and area gas monitoring contracts. Under the securitization facility, leases are sold to the Purchaser on a fully serviced and non-recourse basis, at a discount equal to the yield on a Government of Canada Bond or US

Treasury Bond with a term to maturity that most closely matches the term of the relevant lease contracts forming part of the tranche plus 375 basis points ("Purchase Rate"). The tranches of lease receivables are calculated as the present value of combined scheduled payments from the eligible contracts using the Purchase Rate. The securitization facility was renewed on May 27, 2024 for an additional year to March 31, 2025.

The securitization facility includes both financial and performance covenants, including maintaining a tangible net worth of at least $18,000 and an unrestricted cash balance of $250 tested quarterly, as defined in the agreement with the Purchaser. As at July 31, 2024, the Company was in compliance with the covenants. The Company had available capacity on its securitization facility of $47,468 as at July 31, 2024 (October 31, 2023: $53,160).

On June 12, 2024, the Company closed a bought deal short-form prospectus offering and issued 5,692,500 common shares at an issue price of $4.05 per common share for aggregate gross proceeds of $23,055. The Company concurrently completed a non-brokered private placement of 2,846,250 common shares at an issue price of $4.05 per common share for gross proceeds of $11,527.

## Capital Management

Management's objective is to maintain sufficient cash and cash equivalents and short-term investments to finance operations and minimize dilution to shareholders. The Company's ongoing development program also requires funding for wages, tooling and product certifications during the development process. To meet these capital requirements, in addition to the operating facility, securitization facility and focusing on improving cash flow from operating activities, the Company continues to consider multiple levels of equity and debt financing, government grants and funding arrangements. Such arrangements can assist the Company in meeting its liquidity objective.

Management believes they have sufficient funds to support the growth of the Company and to fund its development activities. No assurance can be given that the Company will achieve all or part of its liquidity objective, that sufficient funds will be generated internally or that financing from outside sources, if needed, will be available.

There are no significant capital expenditure commitments as at July 31, 2024 other than the manufacturing of rental equipment and owned modular cartridges used in the G7 connected suite of technologies which generate service revenue for the Company. These budgetary commitments will be funded primarily through cash flows from operations, funds from brokered and non-brokered private placements, bought deal short-form prospectuses, the Company's operating facility and the lease securitization facility.

## Contractual Obligations

| | **Less than 1 year** | **1-3 years** | **Thereafter** | **Total** |
|---|---|---|---|---|
| (CAD thousands) | **$** | **$** | **$** | **$** |
| Finance lease obligations | 989 | 1,816 | 657 | 3,462 |
| Purchase commitments | 4,435 | 16,755 | 2,469 | 23,659 |
| Securitization facility commitment | 4,612 | 4,311 | 504 | 9,427 |
| Total | 10,036 | 22,882 | 3,630 | 36,548 |

Contractual obligations relate to various lease obligations, raw materials purchase commitments, business information technology commitments and payments under the lease securitization facility.

The Company has various commitments to minimum inventory purchases and has contracted for the services of certain third parties. Other than the addition of the obligation to repay funds under the lease securitization facility, there were no material changes in the specified contractual obligations during the period ended July 31, 2024.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet financing arrangements.

## Related Party Transactions

There were no transactions between the Company and related parties for the three and nine-month periods ended July 31, 2024 and 2023.

## Critical Accounting Judgments and Estimates

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company's critical accounting judgements and estimates can be found in the notes to the annual consolidated financial statements and MD&A for the year ended October 31, 2023. There were no changes to or additional use of critical accounting judgments and estimates for the period ended July 31, 2024.

## Changes in Accounting Policies Including Initial Adoption

### New Accounting Policies Adopted by the Company

There were new or amended standards that became applicable and were adopted by the Company for the period ended July 31, 2024.

*International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)*

The amendment to IAS 12 *Income Taxes* ("IAS 12"), provides a temporary exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The relief is effective immediately upon release of the amendments and should be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8"), while the disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023.

The amendment did not have any significant impact on the condensed financial statements.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

The amendment requires entities to recognize deferred tax assets and liabilities on transactions that on initial recognition give rise to equal amounts of taxable and deductible differences (e.g., leases and decommissioning liabilities). The deferred tax impact will need to be recognized at the beginning of the earliest comparative period presented. The cumulative effective effect of recognizing the deferred tax adjustment is recognized in retained earnings or other components of equity at that date. This amendment is for application for annual periods beginning on or after January 1, 2023.

The amendment did not have any significant impact on the condensed financial statements.

*Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*

The IASB amended IAS 1 *Presentation of Financial Statements* to require companies to disclose material accounting policies rather than significant policies. The amendment clarifies what qualifies under material accounting policies and states that immaterial accounting policy information does not need to be disclosed. The amendment is effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted.

There was no significant impact upon adoption of this amendment to IAS 1.

*Definition of Accounting Estimates (Amendments to IAS 8)*

The amendment to IAS 8 clarifies changes in accounting policies from changes in accounting estimates. The amendment is effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted.

There is no significant impact upon adoption of this amendment to IAS 8.

### New Accounting Policies Not Yet Adopted by the Company

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the July 31, 2024 reporting period and have not been early adopted by the Company.

## Internal Controls and Procedures

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have, as at July 31, 2024, designed or have caused to be designed under their supervision, disclosure controls and procedures and internal control over financial reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings. The objective of this instrument is to improve the quality, reliability and transparency of information that is filed or submitted under securities legislation. The CEO and CFO designed our disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes.

There were no changes in our internal control over financial reporting during the period beginning on May 1, 2024 and ended July 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The Company's disclosure and internal controls procedures can only provide reasonable assurance that the objectives of the control system will be met.

## Financial Instruments

Blackline held the following financial instruments as at July 31, 2024 fiscal period end:

### Financial Assets

The financial assets held by the Company consisted of cash and cash equivalents and trade and other receivables. These financial assets are initially measured at fair value and subsequently measured at amortized cost. The carrying amounts of these financial assets are not considered to be significantly different to their fair values due to the instruments' short-term nature.

### Financial Liabilities

The financial liabilities held by the Company consisted of accounts payable and other accrued liabilities, bank indebtedness, contract liabilities, lease liabilities and the payments due under the lease securitization facility. These financial liabilities are initially measured at fair value and subsequently measured at amortized cost. The carrying amounts of these financial liabilities are not considered to be significantly different to their fair values due to the instruments' short-term nature.

The Company's risk exposure associated with these financial instruments and the strategies used to manage these risks are disclosed in Note 3 (b) of the July 31, 2024 condensed consolidated interim financial statements of the Company. The amounts, timing and certainty of future cash flows associated with those financial instruments are also disclosed in this note. Blackline does not have any financial assets or liabilities that are measured subsequently at fair value, either through other comprehensive income or through profit or loss, or derivative financial instruments used for hedging.

## Outstanding Share Data

Blackline had 81,665,723 common voting shares issued and outstanding as at September 10, 2024. The following share options were outstanding at that date:

| Share Option Exercise Price | Share Options Outstanding |
|---|---|
| $1.75 | 1,080,000 |
| $2.75 | 608,833 |
| $3.04 | 40,000 |
| $3.35 | 554,000 |
| $3.47 | 75,000 |
| $4.25 | 698,251 |
| $4.64 | 1,324,400 |
| $5.26 | 437,500 |
| $6.05 | 77,500 |
| $6.55 | 100,000 |
| $8.00 | 540,000 |
| $8.50 | 259,000 |
| $8.93 | 75,000 |
| **Total** | 5,869,484 |

## Risk Factors and Uncertainties

A discussion of material risk factors that may affect Blackline's business, operations and financial condition or future performance can be found under the section entitled “Risk Factors” in the Company's most recent Annual Information Form filed on SEDAR+ under the Company's profile at www.sedarplus.ca, which section is incorporated by reference herein. As at July 31, 2024, there are no changes to the material risks that may affect Blackline's business, operations and financial condition or future performance than those described in the Company's Annual Information Form.

## Outlook

Blackline has a comprehensive portfolio of connected safety wearables and area monitors which provide access to our unique monitoring portal – designed and developed in-house – to meet the connected safety needs of diverse industrial workplaces around the world. Our customers come from a broad range of sectors spanning utilities, energy and petrochemical, telecommunications, consumer packaged goods, transportation, manufacturing and emergency response. They rely on our technology for real-time safety insights to manage emergency responses and evacuations, proactively manage gas detection compliance, and increase productivity. With turnkey solutions that protect people operating in hazardous locations across urban, suburban, rural, and remote settings, our products and services are as versatile and easy-to-use as they are robust. Our customers continue to select Blackline over older technologies as our solution prevents fatalities by providing visibility and direct help to workers who are isolated or in extremely hazardous environments.

Throughout the third quarter of fiscal 2024, the Company’s previous investments in its manufacturing and sales and marketing capabilities allowed Blackline to grow its revenue 36% year-over-year. We expect sales momentum and a strong growth trajectory for the rest of the 2024 fiscal year to continue in fiscal 2025. The third quarter of fiscal 2024 marks the first quarter that we have achieved positive EBITDA and positive Adjusted EBITDA. Net Dollar Retention of 128% along with new activations has pushed the Company’s Annual Recurring Revenue to above $62,000 and will 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.

The Company constantly assesses strategic opportunities in the current market conditions and 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 growing our positive Adjusted EBITDA and free cash flow as part of a successful sustainable financial business model.

We believe we are well-positioned to grow our market share with our comprehensive suite of connected safety products and services. With the addition of the G6 and launch of the new EXO 8 in the fourth fiscal quarter of 2024, Blackline is now able to fully meet the gas detection and compliance requirements of thousands of new customers globally. We look forward to expanding our work with leading brands around the world – who share our purpose to ensure every worker has the confidence to get the job done and return home safe – to harness the power of data-driven safety to optimize their performance, increase their competitiveness and empower their people.

## Non-GAAP and Supplementary Financial Measures

Non-GAAP and supplementary financial measures, including non-GAAP ratios not recognized under IFRS Accounting Standards are provided where management believes they assist the reader in understanding Blackline's results. The calculations of the non-GAAP and supplementary financial measures are consistent, except where described, with the prior year comparable periods. The Company utilizes the following terms for measurement within the MD&A that do not have a standardized meaning or definition as prescribed by IFRS Accounting Standards and therefore may not be comparable with the calculation of similar measures by other entities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

### 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 MD&A 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 on a basis which excludes the impact of certain non-operational items. EBITDA refers to 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.

Readers should be cautioned, however, that EBITDA and Adjusted EBITDA should not be construed as an alternative measure to net loss determined in accordance with IFRS Accounting Standards.

| **Reconciliation of non-GAAP financial measures** | **Three-Months Ended July 31,** | | | **Nine-Months Ended July 31,** | | |
|---|---|---|---|---|---|---|
| (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

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## 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 MD&A 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 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 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 MD&A are as follows:

- **"Gross margin percentage"** represents gross profit as a percentage of revenue
- **"Working capital"** represents current assets minus current liabilities
- "**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 revenue as a percentage of revenue"** represents product revenue as a percentage of total revenue
- **"Service revenue as a percentage of revenue"** represents service revenue as a percentage of total revenue
- **"Software services revenue as a percentage of service revenue"** represents software services revenue as a percentage of service revenue
- **"Rental revenue as a percentage of service revenue"** represents rental revenue as a percentage of service revenue
- **"Canada as a percentage of revenue"** represents revenues generated in Canada as a percentage of total revenue
- **"United States as a percentage of revenue"** represents revenues generated in the United States as a percentage of total revenue
- **"Europe as a percentage of revenue"** represents revenues generated in Europe as a percentage of total revenue
- **"Rest of World as a percentage of revenue"** represents revenues generated in countries other than Canada, United States and Europe as a percentage of total revenue
- **"Product cost of sales as a percentage of segment revenue"** represents product cost of sales as a percentage of product revenue
- **"Service cost of sales as a percentage of segment revenue"** represents service cost of sales as a percentage of service revenue
- **"Cost of sales as a percentage of revenue"** represents cost of sales as a percentage of total revenue
- **"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
- **"General and administrative expense as a percentage of revenue"** represents general and administrative expenses as a percentage of total revenue
- **"Sales and marketing expense as a percentage of revenue"** represents sales and marketing expenses as a percentage of total revenue
- **"Product research and development costs as a percentage of revenue"** represents product research and development expenses as a percentage of total revenue
- **"Total expenses as a percentage of revenue"** represents total expenses as a percentage of total revenue

## Forward Looking Statements

Certain statements included in this MD&A constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as ''anticipate'', ''believe'', "continue", "could", ''estimate'', ''expect'', "intend", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "targeting", "will" and other similar expressions. All forward-looking statements are based on beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on expectations regarding Blackline's business plan and focus; the results, including but not limited to Blackline's expectation of launching the EXO 8 to the market in the fourth fiscal quarter of 2024 and its related effects; Blackline's expectations of the securitization facility providing increased financial flexibility and other benefits; that ARR indicates the continued strength in the growth of Blackline's business; Blackline's efforts to expand its product line while enhancing the capabilities of the current revenue-generating hardware and services; the Company continually working towards improving its inventory turns; Blackline's expectations for the use of net proceeds from the non-brokered private placement; Blackline's expectation that it will continue to pursue multiple levels of equity and debt financing, government grants and funding arrangements and the results thereof; management's belief that the Company has sufficient funds to support the growth of the Company and to fund its development activities; the expected funding of budgetary commitments through cash flows from operations, funds from brokered and non-brokered private placements, bought deal short-form prospectuses, the operating facility and the lease securitization facility; the Company's expectation that it will continue sales momentum and strong growth trajectory for the rest of the fiscal year and into fiscal 2025; that Net Dollar Retention growth will continue to drive strong growth in the high margin service revenue as the Company pursues the transformation of the industrial workplace into a connected one; Blackline's expectations regarding managing its capital structure and liquidity risk to result in strong revenue and margin growth while further growing positive Adjusted EBITDA and achieving consistent free cash flow; and the belief that Blackline is well-positioned to grow its market share with its comprehensive suite of connected safety products and services and will expand with leading brands around the world. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from those anticipated in such forward-looking statements. Although the forward-looking statements contained in the MD&A are based upon what the Corporation believes to be reasonable assumptions, no assurance can be given that these expectations will prove to be accurate and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These forward-looking statements are made as of the date of this MD&A. The Corporation does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Factors which could cause future outcomes to differ materially from those set forth in the forward-looking statements include, but are not limited to: (i) the ability to obtain sufficient and suitable financing to support operations, development and commercialization of products, (ii) the ability to execute partnerships and corporate alliances, (iii) uncertainties relating to the regulatory approval process, (iv) the ability to develop plant lines and manufacturing processes that result in competitive advantage and commercial viability, (v) the ability to develop enhanced products and software in a cost-effective and timely manner, (vi) the impact of competitive products and pricing and the ability to successfully compete in the targeted markets, (vii) the ability to attract and retain key personnel and key collaborators, (viii) the ability to adequately protect proprietary information and technology from competitors, (ix) market and general economic conditions, and (x) the impact if a significant disruption to its information technology were to occur. See also risks identified in our Annual Information Form and our Annual MD&A as at October 31, 2023. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

With respect to the forward-looking statements and FOFI (as defined below) contained in this MD&A, management has made assumptions regarding, among other things: our ability to enter new markets and industry verticals; our ability to attract, develop and retain key personnel; our ability to maintain and expand geographic scope; our ability to raise additional capital and to execute on our expansion plans; timeline for new product launches, our ability to continue investing in infrastructure and implement scalable controls, systems and processes to support our growth; our ability to successfully integrate the companies we have acquired or companies we may acquire and to derive the benefits we expect from the acquisition thereof; seasonality in our business and in the business of our customers; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards.

Any financial outlook or future oriented financial information (in each case "FOFI") contained in this MD&A regarding prospective financial position is based on reasonable assumptions about future events, including those described above, based on an assessment by management of the relevant information that is currently available. The actual results will likely vary from the amounts set forth herein and such variations may be material. Readers are cautioned that any such FOFI contained herein should not be used for purposes other than those for which it is disclosed herein. Such information was made as of the date of this MD&A and the Company disclaims any intention or obligation to update or revise any such information, whether as a result of new information, future events, or otherwise, unless required pursuant to applicable law.

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