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Blackline Safety Corp.
Second Quarter 2025 Results
Conference Call Transcript

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Time: **11:00 AM ET**

Speakers:

Jason Zandberg
Director, Investor Relations

Cody Slater
Chief Executive Officer & Chair

Robin Kooyman
Chief Financial Officer

Sean Stinson
President & Chief Growth Officer

Operator:
Hello and welcome to Blackline Safety's Second Quarter Results Conference Call.

This conference is being recorded, and I would now like to turn the conference over to Jason Zandberg, Director of IR. Please go ahead.

Jason Zandberg:
Welcome and thank you for joining us.

On this call today, we will be discussing our fiscal results for the second quarter ending April 30, 2025, which were released earlier this morning.

With me today is Cody Slater, CEO and Chair of Blackline Safety Corp., Blackline's CFO Robin Kooyman, and Sean Stinson, President and Chief Growth Officer. I will turn the call over to Cody for an overview of our second quarter 2025 results, and Robin will then discuss the financial highlights.

I'd like to remind everyone that an archive of this webcast will be made available on the Investors section of our website.

I would like to note that some of the information discussed on this call is based on information as of today and contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those set forth in these statements. For a discussion of these risks and uncertainties, please review the forward-looking statement disclosure in the earnings news release, as well as in the Company's SEDAR+ filings.

During this call, there will be a discussion of IFRS results and non-GAAP financial measures, non-GAAP ratios, and supplementary financial measures. A reconciliation between IFRS results and non-GAAP financial measures is available in the Company's earnings news release and MD&A, both of which can be found on our websites at blacklinesafety.com and on SEDAR+.

All dollar amounts are reported in Canadian dollars, unless otherwise noted.

With that, I will now hand the call over to Mr. Slater.

Cody Slater:
Thank you, Jason.

Good morning, everyone, and welcome to Blackline Safety's Second Quarter 2025 Conference Call.

I am pleased to report record Q2 results as we extend our streak to 33 consecutive quarters of year-over-year growth and navigate the dynamic macroeconomic environment. Second quarter revenue was $35.9 million, up 14% from last year, and our Adjusted EBITDA was $1 million compared to a loss of $2 million a year ago.

Looking at the first half results, revenue grew by 27% to $73.6 million compared to the same period last year, reflecting the strength of our Connected Safety solutions and our expanding market presence.

In the second quarter, net dollar retention stood at 128%, the eighth consecutive quarter above 125%. This consistently high retention rate demonstrates the value customers placed on Blackline's Connected Safety solutions. Expansion from our current customers, along with our ability to secure new customers, helped drive our annual recurring revenue up 33% year-over-year to a record $75.2 million by the end of the quarter.

Service revenue in Q2 increased 31% year-over-year, fuelled by strong device activations and sustained rental demand for our connected products. Product revenue, however, declined by 5% year-over-year as our customers were impacted by geopolitical instability and trade policy shifts, which dampened business confidence globally and particularly in North America, leading to a more cautious investment environment.

When looking at Q1 and Q2 together, product revenue for the first half of 2025 rose by 21% compared to the same period last year, underscoring the strength of our continued momentum into the second half of the year.

Building on the successful launch of our EXO 8 area monitor, this quarter we introduced a version equipped with gamma radiation detection. We generated strong initial demand from customers, including 21 new orders on the day of launch. This product strengthens Blackline's offering in the fire and hazmat and emergency response markets, offering further opportunities for growth.

I wanted to take a moment to address our experience with the U.S. tariffs in Q2. We incurred a tariff expense of $351,000 on inventory shipped to the United States despite our best efforts to navigate this volatile environment. Shortly after these tariffs were incurred, the U.S. administration changed its policy on USMCA-compliant products. While this expense did not have a large impact on our financial performance, our experience highlights the uncertainty all businesses, including our customers, are facing when it comes to cross-border trade. We believe this uncertainty led to a slowdown on purchases in April, which had a negative impact on our sales momentum in the quarter. Fortunately, as of today, our devices are not subject to tariffs currently in place on goods shipped to the United States from Canada, as they are USMCA-compliant.

In our Q1 earnings call, we outlined a plan to assemble products in our Houston location. Given the current trade policy landscape, specifically the exemption for USMCA-compliant products, at this stage, we have adapted our plan to continue to manufacture and assemble out of our Calgary location. As we have mentioned before, because we manufacture our own products, we have the flexibility to respond and adjust as needed.

Looking back at Blackline's historical performance, since the second quarter of 2022, revenue has more than doubled and gross profit has more than tripled, while operating expenses have only increased by 17% over the same period. This not only demonstrates the strong demand for our Connected Safety products but also the disciplined manner in which we run our business.

I would like to now turn the call over to our CFO, Robin Kooyman, to go over the financials for the quarterly results in more detail.

Robin Kooyman:
Thank you, Cody.

Blackline Safety delivered a solid performance in the second quarter of fiscal 2025. Total revenue for the quarter reached $35.9 million, marking a 14% increase year-over-year. Product revenue for the quarter was $14.1 million; a 5% decrease compared to the prior year. In the second quarter, geopolitical uncertainty and trade policy shifts negatively impacted both international and North

American markets, dampening business confidence and leading to a cautious investment environment. Declining oil prices also impacted investment plans amongst our energy sector customers.

Product revenue increased 21% for the first half of 2025 compared to the same period in the previous year, underscoring the strength of our continued momentum into the second half of the year.

Service revenues continue to be a key driver of our performance. In Q2, service revenue reached $21.9 million, up 31% from $16.8 million in the prior year. Our Software Services segment grew by 32% to $19.2 million, reflecting new activations and expanded services among our existing customer base. Rental revenue also saw a healthy 20% growth, supported by strong demand across industrial, construction, and maintenance markets.

Looking at regional performance, we saw notable gains in rest of world with revenue up 78% in Q2 compared to the prior year. This robust growth underscores the continued expansion of our sales network and targeted initiatives in key areas such as the Middle East. In Canada and Europe, revenue grew by 23% and 14%, respectively, while the U.S. saw a modest 1% increase, reflecting investment slowdowns.

We reported record overall gross margins of 63%. On a trailing 12-month basis, our gross margins exceeded 60% for the first time, which marked the twelfth consecutive quarter of expanding gross margin on a rolling 12-month basis.

Our Product margins were strong at 39% despite being negatively impacted by a small window of tariffs on our U.S. bound inventory. Our Service gross margins reached a record 79%, reflecting the scale of our annual recurring revenue. Our strong margins in Q2 produced an all-time high gross profit of $22.7 million, up 26% year-over-year, surpassing our previous high in Q1 of this year.

Total operating expenses as a percentage of revenue were 70% compared with 69% in the prior year quarter, as Blackline continued to invest in its operational infrastructure initiatives. General and administrative expenses were 23% of revenue this year compared to 21% in Q2 2024, driven by investments to support the Company's previously disclosed scalability initiatives. Sales and marketing expenses declined to 32% of revenue from 33% last year, and product research and development expenses decreased to 15% of revenue from 16%.

Adjusted EBITDA for the quarter was $1 million, a significant improvement from a $2 million loss in the prior year's quarter. This marks the Company's fourth consecutive quarter of positive adjusted EBITDA, demonstrating the increasing scalability and resilience of Blackline's business model. The adjustment to EBITDA this quarter includes certain tariffs imposed on inventory shipped to the United States.

Net loss for the quarter narrowed to $3.7 million, a 13% improvement from Q2 last year, reflecting higher gross profit and improved operational leverage.

Blackline's cash and short-term investments totalled $52.6 million at the end of the quarter, a 22% increase from year-end fiscal 2024. Our securitization facility was fully paid down and not renewed during the quarter. The Company had available capacity on its senior secured operating facility, including its accordion feature of $17.5 million as of April 30, 2025, for total available liquidity of $70.1 million.

Our second quarter performance underscores Blackline's ability to adapt and thrive in the challenging macroeconomic landscape.

Looking ahead to Q3, we acknowledge that ongoing trade policy uncertainty could continue to affect the global investment environment. Our devices are USMCA-compliant and currently exempt from tariffs on goods shipped from Canada to the United States, positioning us well to continue to grow our business.

On a personal note, I recently attended the Energy Safety Canada Conference and met with several of our customers and distributors. The feedback was energizing, as customers see real value in the connected nature of our safety products and services. While current economic uncertainties are likely to fade over time, our proven business model has consistently demonstrated durability, and we remain confident in our ability to drive growth and expand the Connected Safety market.

With that, I will turn it back over to Cody to discuss our outlook and provide closing remarks.

Cody Slater:
Thank you, Robin.

As we report another record quarter, I want to reflect on the incredible progress Blackline has made. Since launching our first Connected Safety product in 2017, we have achieved over $0.5 billion in sales, a clear testament to the strong adoption of our product portfolio as we redefine industrial safety with our connected solutions.

As we look toward the rest of fiscal 2025, we remain steadfast in our goal of achieving positive Adjusted EBITDA for the year, a significant milestone that speaks to the scalability and power of our business. The robust performance of our first two quarters demonstrates that we are well on the way to achieving this milestone.

Looking beyond 2025, we see the Company moving from strength to strength, as we continue to focus on our core goal to ensure every worker has the confidence to get the job done and return home safe.

I'd like to express my appreciation to our customers for their continued trust, our partners for their collaboration, and our employees for their tireless efforts. With a strong financial position, a dedicated team, and a suite of award-winning solutions, we are uniquely positioned to capture the growing demand for Connected Safety technology and continue our mission to protect more workers in more industries worldwide than ever before.

Thank you for your continued support. I'll now turn it over to the Operator for questions.

Operator:
Thank you. We will now begin the analyst question-and-answer session. To join the question queue, you may press star, then one, on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star and then two. We will now pause for a moment as callers join the queue.

Your first question today will come from Amr Ezzat with Ventum Capital. Please go ahead.

Amr Ezzat:
Good morning. Thanks for taking my question, and congrats on the strong print.

On the product revenues, it's been an unusual two, three quarters, Q1 surpassing both Q4 and Q2, which I think you guys telegraphed well, but I'm wondering how should we be thinking about product revenues over the next couple of quarters? Are you seeing a rebound since that April weakness that you spoke to in your prepared remarks, or do you continue to see client hesitation, especially in the U.S.?

Cody Slater:
Hey Amr, it's Cody here. You're right. It's been an interesting start to the year but if you look at the overall numbers on the first half, we're basically exactly where we felt we'd be; it's just been a little more weighted to the Q1 and then obviously low in Q2. I think we'll probably see a little bit of volatility for the next while as well, too, but product acceptance is exactly where we want it to be. Pipelines are strong and the long-term outlook is exactly where we feel it should be. Still, there's still that uncertainty, I think its still affecting some of the marketplaces, but that will settle down, is our view.

Amr Ezzat:
Understood. On the EXO 8 Gamma, can you share early market feedback? You mentioned 21 new orders. Is that 21 units? Or can you give us the number of units associated with these orders?

Cody Slater:
Yes. I mean the acceptance has been—the Gamma—compared to what is currently the industry standard in the market, it's a product that has just a much higher specification level, a much higher capability level than what the customers are used to so when you talk about acceptance, it's been excellent, is really the way to say it.

It is a niche market but it's an entry point for us into that emergency response and hazmat marketplace and that's really the key to it. The orders we're seeing are mostly ones and twos for devices, so the unit counts aren't exceptionally large, but it's a very high-margin product and I think the key to keep in mind there is it's really the entry into that emergency and hazmat marketplace.

We ,very soon, will be announcing another upgrade to the EXO 8 series and that's the expansion module for additional gases on it. That will allow those same kinds of customers to have modules to respond and add an additional four gases to the device to respond to different kinds of emergencies, whether it be a battery fire, a chemical plant fire, just further strengthening, I think, EXO's opportunities in that market.

Amr Ezzat:
Great. Thanks. Maybe a couple of questions on margins, and I'm not sure how much you'll tell us, but I seem to recall when you guys launched it, you were saying that the Gamma is much higher margin. What sort of numbers are we talking about?

Then another one on gross margin. The $350,000 incurred during the quarter, I just want to confirm that's on your cost of sales for product, i.e., the 39% margin you guys reported on product this quarter would have been higher, if I ex out that one timer, correct?

Robin Kooyman:
Hey Amr, it's Robin. You're correct on that. If you had excluded tariffs from our cost of goods sold, our product margin would have been higher this quarter. Then on EXO 8, we don't talk about product margins specifically, but like Cody said, it is a really strong margin product for us.

Amr Ezzat:
Fantastic. Then on G&A expenses, it rose to $8 million this quarter after several quarters where it was bouncing between $6 million and $7 million. Just wondering, what drove this increase? Is it mostly related to any growth investments? Are there one-time or timing factors involved there?

Robin Kooyman:
Hey Amr, Robin again. As I said in my prepared remarks, the increase in G&A spending is really reflective of the investments and scalability for the business that we've been talking about all year.

Amr Ezzat:
Okay. So that's a new run rate that we should use?

Robin Kooyman:
Yes.

Amr Ezzat:
Okay. Fantastic. Thanks. I'll pass the line.

Operator:
Your next question today will come from Doug Taylor with Canaccord Genuity. Please go ahead.

Doug Taylor:
Thank you. I just want to ask a couple more questions about the tariffs and the USMCA-compliance. Thank you for confirming that; obviously, a bit of a head fake. Understanding that you've changed your manufacturing plans in the near term, I did want to revisit the capacity discussion, as I believe some of the reason you were evaluating an expansion in the U.S. was also to handle the need for some additional capacity. What can you tell us about where you currently sit with respect to that?

Cody Slater:
Yes. Sure, Doug, it's Cody here. You're right. We are looking at expanding the capacity of our manufacturing, just given the growth and some new products that are being introduced in the near future here. We'll be managing that within the facility here right now, so we've got a good outlook and plan as to how we handle that for the next couple of years. It's basically going to be adding some additional space here. Not from the manufacturing standpoint, but more from material storage, if that makes sense. Moving some of our material storage offsite so that we'll have more manufacturing footprint in the core facility here in Calgary.

Keeping it here in Calgary is definitely the preferred option because it just allows us to have that one primary source for quality control, for order flow, and everything else like that. This is a better place for us to be.

Doug Taylor:
Okay. I appreciate that. Then another question as it relates to the broader impact on your market and your competitive dynamics as it relates to tariffs as I believe one of the mitigating factors you'd mentioned last quarter was that a lot of your U.S.-based competitors would have had input cost inflation related to tariffs. I think, as I'm reading it right now, they still will have that, and yours will be—you'll have less of an impact. Can you maybe talk about whether that assumption is true, and

maybe you could put that in the context of the broader pricing environment out there for the core G7 product?

Cody Slater:

Yes, Doug. It’s Cody here, again. I think the real thing to think about there is it’s just so volatile right now. I think our competitors are in a similar position as we talk about with some of our customers or ourselves. As things change; Chinese tariffs go up, go down, this changes. Europe's in, Europe’s out. I don't really think it's settled to a point where people are starting to make market adjustments to their product base at this point in time. It's a bit more of a wait and see if this stabilizes.

Doug Taylor:

Okay. Appreciate the colour. I’ll pass the line.

Cody Slater:

Thanks.

Operator:

Your next question today will come from Sean Jack with Raymond James. Please go ahead.

Sean Jack:

Hey, good morning, guys. There's obviously some mention regarding tariffs impacting the amount of sales that hit in the quarter. Also, a bit of a mention on lower oil prices affecting that as well. I wanted to see if you guys could quantify a little bit, just kind of what the split was. Maybe kind of bucket what the different—how much the different macroeconomic factors affected the quarter?

Sean Stinson:

Yes. Sean Stinson here. I wouldn't have put any of the slowdown we saw in late Q2 on the oil prices yet. That was pretty late in the quarter. I do see going ahead, as we look at that, we keep our eyes on that because it's a portion of the U.S. market for us in the upstream oil and gas market. Really, what we saw was, I would just call it purchase anxiety. What we normally see at the end of the quarter is an increased velocity of orders coming in, and that velocity didn't increase as much as it normally does. We saw that mainly in the U.S., but we saw it a little bit in Europe as well.

Looking at that, the lack of increase in velocity without really strong reasons from customers, we weren't hearing that customers were putting things on hold, but we understand that their cost base is uncertain. We were hearing comments from customers about an uncertain cost base. That's what we attributed it to.

Now, going forward, obviously, we have to be cognizant of the lower oil prices, and we're putting in place the strategies to mitigate our pipeline against that right now.

Sean Jack:
Okay. Great. Kind of a broader question now. With all these different macro uncertainty factors considered, are you guys seeing a lesser propensity for existing clients to increase their services at all? Is upselling being affected on the service side?

Sean Stinson:
No, we're not seeing any impact there. Our value proposition is extremely strong. Our ability as a company to retain and support and serve customers is extremely strong. Although you could argue that there could be a desire in the market to lower pricing, I don't expect that to impact us because we have such a strong value proposition, and we are so strong at retaining clients. I don't expect any service issues there.

Sean Jack:
Okay. Perfect. Yes, that’s all from me, guys. Thanks.

Operator:
Your next question today will come from Martin Toner with ATB Capital Markets. Please go ahead.

Martin Toner:
Thanks for taking my question. I want to talk a little bit more about the U.S. I know you just discussed it, but when I look at U.S. revenue down sequentially $3.7 million, my assumption is that the impact on product was quite significant. Coming out of April, was there a snapback in that U.S. product revenue? Just how would you characterize what the pipeline looks like now and how you think things will play out from here?

Sean Stinson:

We have a very strong pipeline. I wouldn't say that there was a snapback. The deal velocity in Q2 is consistent throughout the quarter, and we're maintaining that consistent deal flow even right now. You are right—and this sort of goes to the previous question as well about service revenue—that the U.S. service revenue was very strong. Where we saw the impact there was on product, and it was just a deal velocity issue. We're not losing deals. The pipeline is still strong. We're going to double down on our strategy to meet our end-of-year goals now.

Martin Toner:

Okay. That's great. I guess maybe same question for Europe. Europe was a small sequential decline, and obviously product revenues can be lumpy. Just talk about the general environment there and how it's been impacted by the current situation.

Sean Stinson:

I would attribute it to the same sort of, I call it purchase anxiety that we saw in the U.S., but it's a little bit different. In the U.S., what we saw was a very uncertain cost base as tariffs were impacting companies. As we know, it is the U.S. market that pays the tariffs. We didn't see a lot of cost absorption from suppliers going into the U.S., so we did see a slowdown in the buying behaviours in the U.S. market. What I think is partly happening in Europe is that it's also a revenue issue that there are some people that we work with that export into the U.S., and I think in that case, it's not so much a cost-based uncertainty in Europe, but it's a revenue uncertainty. But at any rate, it was the same effect that we saw. Really, where we saw it was just in the final three to four weeks of the quarter, when normally we have a significant uptick in deal velocity, and we didn't see that uptick.

We didn't have a long advanced warning of what we are seeing there, but we did see it near the end of the quarter. But like I said, in this quarter now, the deal velocity is consistent and strong.

Robin Kooyman:

Martin, I'll just jump in and add a bit of colour as well. Both of those regions, if I look at them on a first half basis, as Cody said, for overall product sales and approximately where we expected them to be, so overall product sales are up 21% first half over first half of the prior year. As well, what that's going to continue to drive is that consistent Service revenue for us as well and I think that's the important one to keep an eye on there for us.

Martin Toner:

Fantastic. Thanks. How has the channel behaved over this period? Have they exacerbated the impact, or have they cushioned it? Remind me if there's any of these geographies where the channel is not a factor.

Sean Stinson:

Channel hasn't been a factor. We don't push stock into our channel, so we tend to have virtually no inventory in the channel. The channel starts deals for us and concludes deals, but we don't push stock into the channel. We don't have the—I mean, it's a blessing and a curse, I suppose. I think some manufacturers can push products into the channel at the end of the quarter; we never do that. We are directly feeling the market, and I think that's why it was fairly unfiltered for us.

Martin Toner:

Perfect. Thank you very much. Appreciate it. That's all for me.

Operator:

Your next question today will come from David Kwan with TD Cowen. Please go ahead.

David Kwan:

Good morning. Could you comment on what the lease mix was this quarter? You guys had another strong growth again in the undiscounted lease contracts. I was just wondering whether you're seeing a change in customer behaviour because of what's going on. Just maybe customer is being a little bit more CapEx sensitive.

Robin Kooyman:

Hey David, thanks for the question. The lease program this quarter was a lower percentage of revenue than it has been in previous quarters. You know that number can jump around from anywhere like 20% all the way up to over 30%; it was at the bottom end of that range this quarter. The way I would think about that is probably reflecting more of the geographic mix of our sales and less customers necessarily preferring one way of selling over the other.

David Kwan:

That's helpful. Thanks. Thanks, Robin. Maybe a question for Sean, or maybe if Cody wants to jump in. Just in terms of what's going on in the U.S. as it relates to kind of softer demand, people concerned about costs and whatnot. Is that softer demand that you saw—I guess especially towards the end of the quarter, at least—not as strong as what you had expected, was that kind of across the board? Or was there some markets that were holding up better than others? If so, which ones?

Sean Stinson:

It was generally across the board. But what I would say is that with our fire and hazmat business we saw consistent demand there. I just attribute that to being basically public money , it is always more consistent. It doesn't go fast, and it doesn't go slow; it just always tends to go at the same rate. We saw more of the uncertainty was really just coming from corporations versus municipalities buying fire department equipment and things like that.

David Kwan:

That's helpful. Thanks, Sean. One last question for me. Just on the gross margin side, I think last quarter you were talking about it potentially coming down a bit just as you were planning to move more manufacturing assembly capacity into the U.S. Given that's not going to play out here and your products being USMCA-compliant, should we be expecting the gross margins to continue to rebound back up into potentially the low 40 percent-ish range?

Cody Slater:

Yes. I'd say we're still targeting a 40 number in the gross margin on product. I think if you're looking longer term, post this year into next year, we'll be starting to look at seeing—we can now start to see that move into the mid-40 range. But for this year, I'd stick with the 40 number.

David Kwan:

That's helpful. Thanks everyone.

Operator:

Your next question today will come from John Shao with National Bank Financial. Please go ahead.

John Shao:

Hey, thanks for taking my question. Given the pause on your U.S. expansion plan, could you maybe remind us of your current capital allocation priorities? Maybe also an update on your capital expenditure for the rest of the year.

Robin Kooyman:

Thanks for the question, John. As we think about capital allocation in the business, we're obviously focused on channelling that capital to the highest returns for us, and so that's really thinking about what we can do to enable organic growth. We're lucky that this is a relatively capital-light business and so in the quarter, the investments in CapEx that you saw are specifically related to cartridges and rental equipment, and those really help drive sales for the business. As we look through the remainder of the year, we have some investments to continue to enable our manufacturing business, and then additional investments in cartridges and rental equipment, and that will be the main sources of investment on the CapEx line.

John Shao:

Thanks for the colours. For Q2, we reported $2.7 million rental revenue, and as we go into the busy summertime, should we expect a sequential pickup in that number?

Robin Kooyman:

As we think about our rental revenue over the course of the year, there is a little bit of seasonality that we expect over the summertime. You're right in our expectations there.

Sean Stinson:

Yes. It tends to really pick up in the fall. We'll see a consistent drive here and then in Q4, we expect the rental revenue to pick up again. Really, the highest two seasons for rental revenue tend to be early February/March/April and September/October. That's really driven—this sounds really basic, but that's driven by the temperature outside, that tends to be when it's a nice time to do work; it's not too hot and it's not too cold.

John Shao:

Great. Thank you. I'll pass the line.

Operator:
Your next question today will come from Gabriel Leung with Beacon Securities. Please go ahead.

Gabriel Leung:
Hi. Good morning, and thanks for taking my questions. Congrats on the progress. Just a couple of questions, follow-ups for me. First, can you talk a little bit about the pipeline that's building in the rest of world segment and whether you've seen any sort of similar demand softness in that segment, in those particular segments, and just how things are building overall there?

Sean Stinson:
Yes. It's really consistent growth in our rest of world segment. For us, this is South America it's Africa, it's the Middle East, it's Australia, it's Southeast Asia, and it's India. India is definitely a challenging market for us. The rest of the markets, we're seeing very consistent growth with the Middle East being the strongest growth market for us.

I'd say globally, the Middle East is, on a percentage basis, will be one of our strongest growth markets. Just straight on a percentage basis, not necessarily on a dollar basis, but by percentage it will be very strong for us. We are seeing strength everywhere, like I said, but India I would say, India is the most challenging; Middle East is the nicest for us right now.

Gabriel Leung:
Perfect. Thanks for that. Just one more question around gross margin, specifically services margins. Obviously strong this quarter. I'm curious if you've got a sense of what the ceiling on that service margin might be over the near term and at what point we might see a check back, as you might make investments maybe into the operating center infrastructure?

Robin Kooyman:
Thanks for the question, Gabriel. We expect steady strength in that Service gross margin. I wouldn't expect anything dramatic in the short term, but we'll be continuing to think over the long term about where we could take that.

Gabriel Leung:
Thanks for the feedback.

Operator:
This concludes the question-and-answer session. I would like to turn the conference back over to Mr. Cody Slater for any closing remarks.

Cody Slater:
Thank you, Operator.

I'd just like to thank everyone for their attention today. Again, as we said, it was our 33rd quarter of year-over-year growth and record revenue. We look forward to talking to everybody again in our Q3 and updating you on where the Company is and where we're going next.

Once again, thank you all for your attention today, and we wish you all a good day.

Operator:
This concludes today's conference call. You may now disconnect your lines. Thank you for participating, and have a pleasant day.