



# **Blackline Safety Corp.**

## **Third Quarter 2025 Results**

### **Conference Call Transcript**

**Date:** Thursday, September 11, 2025

**Time:** 11:00 AM ET

**Speakers:** **Jason Zandberg**  
Director, Investor Relations

**Cody Slater**  
Chief Executive Officer & Chair of the Board

**Robin Kooyman**  
Chief Financial Officer

**Sean Stinson**  
President & Chief Growth Officer

**Operator:**

Welcome to Blackline Safety's Third Quarter Results Conference Call.

The conference is being recorded.

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 third quarter ending July 31, 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 third quarter 2025 results; Robin will then discuss the financial highlights before turning the call back to Cody for closing remarks.

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 in 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, 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 website, [blacklinesafety.com](https://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 Third Quarter 2025 conference call.

I am pleased to report record Q3 results as we extend our streak to 34 consecutive quarters of year-over-year revenue growth. In the third quarter, revenue reached \$37.6 million, up 12% from last year, and our Adjusted EBITDA was \$1.3 million compared to \$0.8 million a year ago.

Looking at the first nine months of fiscal 2025, revenue was \$111.2 million, up 21%, and Adjusted EBITDA was \$3.9 million compared to negative Adjusted EBITDA of (\$4.5) million from the same period in the prior year. This performance demonstrates that Blackline has firmly entered a phase of sustainable profitability.

We are especially proud of the continued strength of our Annual Recurring Revenue, which surpassed \$80 million this quarter, up 29% from the prior year. A strong recurring SaaS revenue base is a cornerstone of our business model, providing both visibility and stability as we continue to scale.

Another key performance metric for us is Net Dollar Retention, which came in at 128% in Q3. This marks the ninth consecutive quarter above 125%, demonstrating the enduring value our customers see in Blackline's connected safety solutions and the consistent expansion of their deployments over time.

On a trailing 12-month basis, our gross margin reached 62% and has increased every quarter for the past 13 quarters. These improvements reflect both the operating efficiencies we've built into the business and the benefits of greater scale as our customer base and service revenues expand.

Last year at this time we introduced our EXO 8 area monitor, and over the past 12 months we've expanded the platform with new configurations including gamma radiation detection. EXO 8 successfully replaced our previous generation EXO area monitor and it has opened up new addressable markets such as homeland security, while also accelerating growth in markets like fire & hazmat and emergency response.

Last week, the EXO 8 portable area monitor won two New Product of the Year awards from Occupational Health and Safety. In total, the EXO 8 has won seven product awards in the last year, including the internationally renowned Red Dot Design Award and the Preventica Paris Innovation Award. With seven major awards and growing interest and adoption, EXO 8 is cementing its leadership in the advancement of worker and public safety.

I'm also pleased to highlight a recent major milestone in our international growth strategy. In late August, Blackline announced a multi-year purchase agreement with ADNOC, one of the world's leading energy producers, for up to 28,000 of our connected safety devices and associated services. This agreement expands Blackline Safety's footprint in the Middle East and demonstrates how leading global enterprises are choosing our technology to safeguard their frontline workers while driving operational excellence.

I'll now invite our CFO, Robin Kooyman, to take you through the financial results and key drivers for the quarter.

**Robin Kooyman:**

Thank you, Cody.

Total revenue in Q3 2025 was \$37.6 million, up 12% year-over-year driven by strong service growth. Service revenue rose 27% to \$23.2 million, with software services at \$20.4 million, up 28%, and rentals at \$2.8 million, up 22%. Product revenue declined 7% to \$14.4 million as some customers deferred purchases in light of current trade policy uncertainty.

Regionally, Canada delivered 21% year-over-year growth, Europe was up 16% and U.S. sales grew 12%. We are particularly encouraged by the improvement in the U.S. where growth rebounded from 1% growth last quarter. Sales in Rest of World declined 17%, reflecting a strong 2024 comparative period. The recent announcement of our long-term purchase agreement with ADNOC in the Middle East is expected to strengthen revenue in Rest of World in future quarters.

Gross margin reached a record 64% in Q3 2025, up from 59% in the prior period, resulting in record gross profit of \$23.9 million, up 20% year-over-year. Service margins climbed to an all-time high of 81% compared to 77% last year, reflecting scale efficiencies, customer growth and lower costs for connectivity and infrastructure. Product margins softened to 35% versus 38% in Q3 last year,

primarily due to entering the third quarter with elevated finished goods inventory to help manage ongoing trade uncertainty, leading to lower production and higher unabsorbed costs in the quarter.

Total expenses as a percentage of revenue, excluding foreign exchange, were 67%, equal to the 67% in Q3 last year as Blackline continued to invest in its operational and sales growth initiatives. General and administrative expenses were 21% of revenue compared to 22% in Q3 2024, sales and marketing decreased to 30% of revenue from 31% a year ago, while product research and development increased to 16% of revenue from 15% of revenue, driven by higher consulting and staffing to accelerate product development.

Adjusted EBITDA improved 64% to \$1.3 million compared to \$0.8 million in Q3 2024, reflecting the underlying strength of recurring revenues and gross profit expansion. This marks the Company's fifth consecutive quarter of positive Adjusted EBITDA, demonstrating the increasing scalability and resilience of Blackline's business model. The adjustment to EBITDA this quarter includes \$0.1 million of certain non-recurring items.

Net loss of (\$3.2) million for the quarter compared to a net loss of (\$2.5) million last year, reflecting a foreign exchange loss and higher expenses, partially offset by stronger revenue and gross profit.

Blackline's cash and short-term investments totaled \$48.7 million at the end of the third quarter, up 13% from year-end fiscal 2024. The Company had available capacity on its senior secured operating facility, including its accordion feature, of \$19.9 million as of July 31, 2025, for total available liquidity of \$68.6 million.

Our third quarter results underscore the strength of our high-margin SaaS platform, which continues to perform well despite a challenging macroeconomic environment.

Looking ahead, while uncertainty around tariffs and global trade dynamics may persist, we remain confident in our ability to expand market share and deepen relationships with enterprise customers worldwide. A prime example of this momentum is our recently announced long-term purchase agreement with ADNOC. This agreement is a clear testament to the growing global demand for our connected safety solutions.

We remain firmly committed to delivering positive Adjusted EBITDA for the full fiscal year 2025. Our strong ARR growth, consistent gross margin expansion and disciplined approach to managing operating expenses have positioned us well for sustained profitability.

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

**Cody Slater:**

Thank you, Robin.

As we close out another record quarter, I want to take a moment to look at our progress since we introduced the world's first cloud connected gas detection product in 2017. In just eight years, we have grown into a global leader with trailing 12-month revenue of nearly \$150 million, an annual recurring revenue base of more than \$80 million, and 34 consecutive quarters of year-over-year revenue growth. In fact, we have generated half a billion dollars in revenue from connected safety solutions since the launch of the G7.

Today, Blackline protects the workforces of some of the world's most recognized organizations across energy, industrial and consumer goods sectors. This journey underscores the strength of our vision to create a safer, more connected industrial workplace. With more than 2,250 customers in over 75 countries and 165,000 workers protected, our solutions are trusted by leading global brands to safeguard their people and optimize operations.

Innovation has been central to Blackline since the launch of our first connected gas detection product. Since then, we've built an award-winning product portfolio that, combined with our cloud-hosted software and 24/7 monitoring, define the connected safety market we pioneered and built from the ground up.

While we're proud of how far we've come, we're even more energized by what's ahead. Our teams are actively advancing new innovations that build on our proven successes, and we are looking forward to introducing new products in the coming year that will further strengthen our competitive lead and expand our market opportunities.

As we continue to push the boundaries of what's possible in connected safety and data-driven innovation, I'm thrilled to welcome Vasi Philomin to our Board. Vasi recently joined Siemens as Executive Vice President and Head of Data and Artificial Intelligence. Prior to that, he led Generative

AI at Amazon Web Services, where he played a pivotal role in developing foundational models and launching AWS Bedrock. Over his career, Vasi has held senior leadership roles at Amazon and Philips, earned a PhD in Computer Science along with multiple advanced degrees, and holds more than 100 patents.

With over two decades of experience at the forefront of AI, computer vision and enterprise innovation, Vasi brings invaluable experience to Blackline. We're especially excited about the perspective he'll offer as we look to harness our more than 300 billion data points and advance our AI strategy.

In closing, I want to highlight the strong financial foundation we've built. With consistent topline growth, steady improvements in gross margins and multiple quarters of positive Adjusted EBITDA, Blackline is demonstrating the power and resilience of our business model. This momentum positions us well as we look ahead to fiscal 2026 where we see the Company moving from strength to strength as we continue to deliver value to our customers, our employees and our shareholders.

I am deeply grateful to our customers for their trust, to our employees for their dedication and innovation, and to our shareholders for their continued confidence. Thank you all for your ongoing support.

I'll now turn the call back to the Operator for questions.

**Operator:**

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, then two.

The first question comes from Doug Taylor with Canaccord. Please go ahead.

**Doug Taylor:**

Yes, thank you. Good morning and congratulations on the quarter and on the recent ADNOC win. I know there was a lot of work that went into that, so it's a great result.

Let me start there. It's only been a couple of weeks since that rollout was announced and probably too early to talk about how it's going, but I mean, I'll phrase a question about what milestones we should be looking for to understand your progress with such a large potential footprint and vision there over time. Can you help us with that?

**Sean Stinson:**

Yes. Doug, this is Sean here. Yes, it's a really important win for us, and it is the result of years and years of a lot of hard work and investment in that territory and something we're very proud of.

Going forward, we talked about the potential for the LTPA, which isn't—it's not contracted that there's a requirement for ADNOC to buy a certain number of instruments, but it allows them to buy up to a certain number at a protected price. So, in the future, I think as we make significant progress along milestones, we'll probably have some releases that go out to let the market know how we're doing against that contract. But it continues to be good right now.

We've done some rental business with ADNOC in the past, so the initial experience that they've had with our products has been very good so we have a lot of faith that the continued rollouts will be done very well. We've got some people in the region already that we've hired that will ensure that the rollout is strong and that the initial support that they receive is very good to keep things moving in a positive fashion.

**Doug Taylor:**

Okay. Then maybe as a follow-up, has that announcement since it has been made public, woken up any other opportunities for similar size or scale deployments, either in the region or perhaps with other NOCs globally?

**Sean Stinson:**

Yes. Word spreads in the industry, so before the press release came out, other players in that market knew that we were very far along the path with ADNOC and that has spurred a lot of interest and that's what we want. We've kind of talked about it before how part of our growth strategy is to find Tier 1 clients in different industries and other companies look to the leadership of those businesses, and ADNOC is just like that. There are a few players in that region that are really looked upon by the other businesses in the territory and they take note of how ADNOC invests in safety. So this is a very important strategic win for us, and we are seeing the results of that in terms of the interest we're getting from other state oil companies and other businesses in the region.



**Doug Taylor:**

Okay. Then if we step back from that large and important win, you've had this infrastructure spending impact—I think you've referred to it as a trade policy uncertainty. It's impacted at least a couple of months of this fiscal year. I know it's hard to paint the whole market with one brush, but for Cody and/or Sean, I mean, how do you feel about how things sit today here in terms of pipeline velocity, outside of ADNOC?

**Sean Stinson:**

Yes. The U.S. is the most affected market I would say, by some of these. There's a little bit of effect in others, but it's really something that we see in the American market, and it's actually twofold. The price of oil being below \$70 presents a bit of a headwind. And then we have the uncertainty in the cost base with a lot of our industrial clients which stems partly from tariffs, but I think there's other factors that play there as well. So, those two present some type of headwinds, and then our job is to overcome those headwinds. I think you see some of that result in the Q2 and Q3 product sales. You can see quantitatively what we're at there. But the pipeline is very strong. We have a very deep pipeline. The team is good at managing that pipeline and our job is really to just try to detect any risks in deals a bit sooner than we have in the past and try to mitigate them and try to push them along and in some cases, get creative with what we're doing with our customers to make sure that they can still adopt our solutions and that it fits into their budgets and their ability to deploy.

**Doug Taylor:**

All right. Thank you, Sean. Let me just sneak one last one in — probably for Robin.

Gross margins really stood out here, particularly in the services side. I think you talked about scale, some lower connectivity costs, things like that. Those seem like permanent improvements. Anything that should stop us from journaling 80% plus gross margins in the services business in our models? Any comments there?

**Robin Kooyman:**

Hey Doug, thanks for the question. I think we're always looking at ways that we can optimize the business and I think that was a great example of success this quarter. I always want to be conservative when I'm thinking about how we're running the business, but we're really pleased with the outcome we saw in that margin this quarter.

**Doug Taylor:**

Thanks. I'll pass the line.

**Operator:**

The next question comes from David Kwan with TD Cowen. Please go ahead.

**David Kwan:**

Good morning. The rental revenue was pretty solid this quarter. It was up sequentially and what I think is typically a seasonally weaker quarter. Given the macro headwinds faced by many of your customers, are you seeing more customers actually looking to rent devices as opposed to buying devices and kind of waiting until conditions hopefully improve before they might pull the trigger?

**Sean Stinson:**

No, we tend to not see that type of flow between rentals and purchase. I would say that — to speak specifically about how the rentals business works, it's very project specific. Rentals is typically driven by—in the oil and gas business- it's driven by maintenance work on large facilities, so turnarounds and things like that. There's other places where the rentals are really popular, but a lot of it is driven by rentals work on chemical assets, oil assets, things like that. What we find—and I'm not seeing this right now, but what we might see in a very tight market is that projects are delayed. What that looks like is the company might delay a turnaround for another year, and then that would create a softened demand for rentals.

When we started to see the headwinds back in, I would say, February/March, I started to sense that there might have been some headwinds in the market. We started asking our rental clients if they were slowing down projects or anything, and they all came back and said, "No, we're not delaying projects right now." So we're still seeing strong demand in rentals despite the uncertainty in the cost base; companies are still carrying forward with their maintenance projects. But that area, that rentals business would be another leading indicator for me, so I continue to keep my eyes on that. And if we see rental projects delayed, then that would send a signal to me that there might be a further tightening in the market for us.

**David Kwan:**

That's great colour, Sean. Maybe would it also be just the investments that you've been making in building up the inventory for the rentals business that helped this quarter as well?

**Sean Stinson:**

Yes. We're always trying to manage the inventory in that and get good asset utilization, so we track our asset utilization, but it is a business where we need to put in inventory in order to rent it out. We think we've got good return on the invested capital in that business. It does provide a profit to the business and we continue to be very strategic about how we invest in that. Because it's also a great way for customers to experience what Blackline is—our product, the way we take care of our customers, the whole business. So, it is a very good way for us to build business with customers that haven't experienced us yet. We talk about it being a lead gen program as well, so there's a lot of reasons why we do it.

**David Kwan:**

That's helpful.

Robin, just on the gross margin side, I know Doug asked about the services side. How about on the product gross margin side? You talked about the decline there just due to, amongst other things, lower production as you had a higher finished goods inventory heading into the quarter. I saw the finished goods inventory drop this quarter, and given also Q4 tends to be a seasonally stronger quarter for you guys, should we expect those gross margins to improve?

**Robin Kooyman:**

Hey David, it's Robin. Thanks for the question. Finished goods inventory declined 2% from year-end 2024, by over \$1 million sequentially. So, look, we remain committed to optimizing our working capital and proactively addressing the trade policy uncertainty, and with that comes balancing product margins. So, we'll be very keenly looking at the different factors as we work through Q4 here.

**David Kwan:**

All right. Thanks. Then maybe just one last question. There were a couple of large deals that slipped from Q4 last year. I think you had expected that they were going to hit in Q4 this year. Is that still the case?

**Sean Stinson:**

Well, one of them came in. The other one, David, is one that the client has extended further, so it was a large renewal contract. What we saw was they are extending their service with the current

product that they have and so we're expecting that now to be a renewal, likely around the beginning of our fiscal Q2 of next year.

Maybe I'll just kind of go back to your question about rentals. You asked the question about do we see demand shifting from purchase to rentals in a tight market. What we actually see more of is customers just delaying the renewal by a few months. So, we still get service revenue from that, but the hardware deals in the pipeline might stretch a little bit.

**David Kwan:**

That's great. I'll leave it there. Thanks.

**Operator:**

The next question comes from Amr Ezzat with Ventum Capital. Please go ahead.

**Amr Ezzat:**

Good morning. Thanks for taking my question.

Just wanted to go back on your comments on U.S. products rebounding this quarter, and I'm wondering if you can give us more colour on how you feel customer behaviour is evolving into Q4. Would you still characterize the environment as cautious, or do you feel good that we continue to sort of see that rebound?

**Sean Stinson:**

Yes. I would still say it's cautious. The amount of the rebound is small enough, and I would say that it's sort of in the noise. Like to me, it doesn't present a significant change one way or the other, although it is—by the numbers, it is a rebound, but we're still seeing some cautious behaviour out there. Like I mentioned, it's coming both from the cost base uncertainty, which in part is driven by tariffs. I think there's now some concern about recession and so we're seeing a bit of nervousness on that front. Then with the energy base, you've got the lower oil price. So, a few headwinds there.

But again, the product is best in class. We have a very passionate customer base. We have a very deep pipeline. So, really what I see it affecting is velocity, but not necessarily sort of business fundamentals, if you want to think of it that way.

**Amr Ezzat:**

Understood. I mean, there are a couple of moving parts with the ADNOC deal and some cautious behaviour, so I'm wondering, going into Q4 product sales, we shouldn't expect that to revert to the usual seasonal strength because there are still factors like the ones you've described that might impact that. Is that a fair statement?

**Cody Slater:**

It's Cody here, Amr. I'd still say Q4 is always our seasonally strongest quarter. We still expect to see that this year. To Sean's point, is some of that headwinds we're seeing going to reduce that? That's entirely possible. I'd be a little cautious with those numbers. But having said that, none of that really impacts the longer term and we still expect to see Q4 being our strongest quarter for the year.

**Amr Ezzat:**

Understood. Understood. That's very helpful.

Then I'm just wondering with the recently rolled out updates that you guys announced ahead of NSC, on Blackline Live. Are these features included in existing service tiers, or should we think of them as services that would be monetized separately? I guess more broadly, should we think of them as ARPU drivers, or really features that are meant to deepen customer stickiness over time?

**Sean Stinson:**

It's a bit of both. First off, they're not individually monetized. They are included in some of the higher-level service plans we have, so that will increase the ability to drive sales into the higher level of service plans, so they will indirectly be ARPU drivers. They are designed to both increase velocity of new sales and stickiness. They're really, I think, sophisticated connected safety-type features that put us ahead of the competition even further and the type of things that we can leverage going forward in combination with other new features that we have planned over the next few years.

**Amr Ezzat:**

Great. Fantastic. I'll pass the line.

**Operator:**

The next question comes from Frederic Bastien with Raymond James. Please go ahead.

**Frederic Bastien:**

Good morning everyone and congrats on the solid execution so far this year.

A lot of the questions have been asked, but I just wanted to build on the one around revenues in Q4 and recognizing that this is typically your seasonally strongest quarter, but also acknowledging that we've seen a couple of consecutive quarters of negative growth. Is it fair to assume you could land somewhere in between? Like, we could see positive revenue growth, but maybe in the single digits?

**Cody Slater:**

Yes. I mean, it's fair to say that, Frederic. One thing I'd point out when you look at, firstly, our growth has been strong in every quarter, the product revenue you're referring to there. One thing I think should keep in mind with product is that for us it's really about the new customer acquisition. It's about how many new units we've sold that will continue to drive that ARR going forward. And really to compare that number, you have to compare what we were selling four, five years ago. Four or five years ago, we were selling \$3 million, \$4 million worth of product a quarter. At that \$14 million, now \$15 million over these last couple of quarters, that still is showing that we're gaining market share every single quarter. So to answer your question, we're seeing the Q4 is always our strongest and there's lots of seasonality aspects to that. The announcement of things like ADNOCs will help those. You'd still have a little bit of caution to some of the headwinds as to what the top line number is but builds on the prior year. But again, I think a real focus should be is the continued gain in market share that the Company is generating every quarter.

**Frederic Bastien:**

Thanks, Cody. Just curious—I think I know the answer, but over the next three years, which region excites you the most?

**Sean Stinson:**

It's a tough one Frederic because—for the employees on the phone, all of them excite me. There's different challenges in every region. Really, it is true that there's a different challenge and a different excitement level. I think the Middle East, though—on a percentage basis, the Middle East has the greatest ability to grow. That's definitely new frontier for us. We have an incredibly strong team that we've built out there and that we're continuing to build, so that one is, I think, really, really interesting. But I'm looking forward to some other regions that we're in right now, really probably taking off starting in two years. So, all really good.

I think we're going to experience strong growth everywhere, but that Middle East region is exciting. And partly that's just because it's brand new for us. It's a new territory and there's some really big deals out there that are going to be really impactful to the Company's future.

**Frederic Bastien:**

Thanks, Sean. ...

**Cody Slater:**

I was just going to add to that. I can't resist to add something to that.

From our end, I think the other exciting things is looking at new verticals. Like, the Fire & Hazmat we've talked about. I mean, the growth in there has been extreme. We have lots of things coming down the pipe that we think is going to accelerate that as well as petrochemical is going to be a bigger portion of our play. So, it's both geographies and verticals that are the opportunities going forward for that growth.

I think as Sean says, it's anything that's new is always a bit exciting because it means new challenges for the whole company. Every customer has different requirements, every customer has different values they're looking for from what we bring to the table, so we're learning something every time we get into a new geography, a new vertical, a new market, and that's always exciting.

**Frederic Bastien:**

Awesome guys. That's great colour, and good on you, Sean, for staying diplomatic. Thanks. Bye.

**Operator:**

Next question comes from John Shao with National Bank Financial. Please go ahead.

**John Shao:**

Hey, good morning, guys. Thanks for taking my questions.

I have a question on macro. I understand uncertainty still impacts some of your customers' decision-making, but going forward, what do you think needs to happen in order to get those customers back to the table? Is it new product cycle, new compliance requirement or even AI and data?

**Cody Slater:**

I think the core thing when we're talking about what's happening in the market right now, as Sean mentioned, most of what we're seeing in customers is that, renewal side or just the delay in purchase, and that's just a timing element. Like just these things stretch out; they take a little longer. Some of that can be sped up with new products, new enhancements, new capabilities, give more value prop to the customer to make that decision sooner. But, what we really see happening in most of these cases is just simply people putting off those decisions for a period of time. And eventually, you have to make that decision. At the end of the day, the products that they have are getting too old, they need to replace them, it's time to move on. But for sure, as we're adding new products, new capabilities to what we do, we're giving them just more reasons to choose Blackline over somebody else.

**John Shao:**

Got it. I have one more question specifically on the compliance environment. I had discussed this one with one of the investors out there. Do you get a sense that because data is everywhere now that compliance might need to adapt and include connectivity as one of the requirements. If so, I can imagine it's going to be a big tailwind, so where are we in terms of that journey today?

**Cody Slater:**

I think those kinds of changes in the structure, particularly if there are regulatory changes, take a long time, John. I do think they're going to go down that path. That's sort of how that whole OSHA world has developed over the years, but I wouldn't say that it's something that's going to happen really quickly.

**John Shao:**

Okay. Thanks for the colour. I'll pass the line.

**Operator:**

The next question comes from Martin Toner with ATB Capital Markets. Please go ahead.

**Martin Toner:**

Good morning and thanks for taking the question. Any evidence of competitors taking price increases? Can you kind of just give us an update on your strategy with pricing to date and going forward?



**Sean Stinson:**

Yes. Our competitors tend to raise prices sort of in the 5% band every year. I'd say it's just keeping up with inflation typically is what people are trying to deal with there. That's what we've seen to date.

Our pricing strategy is we price what we think the value of what we provide is. We are a premium product, but we're constantly looking at market pressures to understand what the market can bear. We want to be an innovative solution, and we want to offer it at a fair price. At our pricing strategy, it's value-based, but it's always—there's no equation for these things, so it's a lot of gut feel and trying to understand what the market can bear.

Does that answer it, Martin? I feel like it's a bit of a short answer to your question.

**Martin Toner:**

No, that's a good answer. One reason I asked the question was it appears that the tariff burden on U.S. devices for U.S. manufacturers would exist. And I guess, I was wondering if that created some increased level of price taking.

**Sean Stinson:**

I would say some of our U.S. competitors might have a bit more of a challenge than we do because of the tariffs on Chinese components going into the United States. A lot of the electronic components that are used in these devices have come through China. They come from China. So, I think some of our U.S. competitors will have a harder time protecting their margins than we will. We haven't seen them increase prices drastically; I think they're probably in a bit of a wait-and-see mode, trying to understand if the tariffs will stick long term. And, given that if your cost base goes up by 55% on your COGS, that's an enormous amount of price you have to increase in the market in order to maintain your margins. And I think that could be very detrimental to their sales.

I feel like I don't know what's going on in their boardrooms, but I imagine there are some conversations about where do we move pricing and how long are the tariffs going to last and how much margin erosion can we bear? We don't have to have those conversations.

**Robin Kooyman:**

Yes. Just as a reminder—I'm sure you know this, Martin. Nearly all of our products are compliant with USMCA. So, they're currently exempt from tariffs for goods going from Canada into the U.S. right now.

**Cody Slater:**

And to Sean's point, when you look at our competitors, they all—our core U.S. competitors manufacture in the U.S., but there's a portion of their product—there's a portion of the material in their product that definitely has to come from China and other tariff-bearing entities. But, I think in most of those cases they're going to play a bit of a wait-and-see game before they do anything from a pricing standpoint.

**Martin Toner:**

Perfect. Yes, I think that's an important dynamic to understand.

You mentioned in the press release that the Rest of World decline was impacted by global economic uncertainty. Can you kind of characterize what customers in that geographic segment are kind of thinking? To what extent do you think that pressure will alleviate and to what extent is there pent-up demand built-in?

**Cody Slater:**

I think one thing I'd add in that Rest of World segment is it's still one of our lumpy segments. It's because it's early in its penetration. You have a good quarter with a couple of big sales in it and then you have a lower quarter. I think that's probably a little bit more of what we saw in Q3 was comparable with a strong quarter from prior. But, I think that as an overall market, it's really about that build and that establishment that we've been doing that I think you're seeing in the Middle East now, and you'll start seeing going forward from there.

I look at the variance between the 2 Qs as being more impacted by some large orders and success in the prior period.

**Martin Toner:**

Makes sense. Fantastic. Last one for me. Do you expect any significant working capital changes next year?

**Robin Kooyman:**

Hey Martin, thanks for the question. We've talked a little bit on this call about product margin and what we're doing on the inventory front, and that's really helping us just address some of this trade policy uncertainty. But, finished goods inventory has declined, so we'll be looking to sort of

proactively manage and balance both the product margin side of things and then the trade policy uncertainty.

Additionally, we're always looking at optimizing working capital. I would say it's gone up a little bit in this period versus other periods in fiscal 2025. Some of that is the result of us paying off current liabilities, such as related to the securitization facility. So, we'll just keep that sort of put and take in mind as you look at that number.

**Martin Toner:**

Great. Thank you very much. That's all for me.

**Operator:**

This concludes the question-and-answer session. I would like to turn the conference back over to Cody Slater for any closing remarks. Please go ahead.

**Cody Slater:**

Thank you, Operator. I'd just like to thank everyone today for their attention. We look forward to talking to you again in a few months as we finish our 2025 and enter 2026. Thank you again.

**Operator:**

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