Blackline Safety Corp.
Fourth Quarter 2025 Results
Conference Call Transcript

Date: January 15th, 2026

Time: 9:00 AM MT / 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 Fourth Quarter 2025 Results conference call. The conference is being recorded.

I would now like to turn the conference over to Jason Zandberg, Director Investor Relations. Please go ahead.

Jason Zandberg:
Welcome and thank you for joining us. On the call today, we'll be discussing our fiscal results for the fourth quarter ending October 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 fourth quarter and year-end 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, 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 Fourth Quarter and Fiscal 2025 conference call.

I'm very pleased to report that Blackline delivered another strong quarter and capped off a record fiscal year, highlighted by record annual recurring revenue, strong net dollar retention and our sixth consecutive quarter of positive Adjusted EBITDA.

For the fourth quarter, revenue reached a record $39.3 million, marking our 35th consecutive quarter of year-over-year top line growth. For the full fiscal year, revenue reached $150.5 million, an all-time high. Adjusted EBITDA for the fourth quarter was $2.2 million. Adjusted EBITDA for the full year reached $6.1 million compared to a loss of $2.4 million in fiscal 2024, clearly demonstrating our ability to generate full-year positive Adjusted EBITDA.

Annual Recurring Revenue reached a record $84.5 million at year end, up almost 30% from last year, providing strong visibility and a solid foundation for future growth. This performance continues to validate the demand for our hardware-enabled SaaS business model.

Net Dollar Retention remained extremely strong at 128% in the fourth quarter, reflecting ongoing expansion within our existing customer base as customers continue to see value in our hardware and services, adding devices, services and functionality to their deployments. Our NDR figure has been above 125% for 10 consecutive quarters now.

Our connected safety product portfolio continues to resonate across a broad range of industries. Demand for our EXO 8 area monitor remains strong, as did demand for our G7 and G6 products, particularly in the Middle East as our long-term purchase agreement with ADNOC starts to scale. We not only delivered the initial 1,000 devices stated in our press release in August, but deployed almost 2,500 devices in the fourth quarter, an excellent start on our path to fulfill our multi-year purchase agreement with ADNOC, which could see up to 28,000 devices deployed with associated services.

As a flagship customer in this region, we have already seen an expanded interest from other leading companies in the Middle East. The growth in the Middle East region will be supported by the previously announced new international office in the UAE, providing localized training, rentals and service.

We did face some near-term headwinds in the fourth quarter in product revenue due to global trade uncertainty and overall economic conditions impacting our energy and industrial sector customers. The U.S. government shutdown also impacted our business with the funding disruption slowing purchase activity among fire and hazmat customers. As the U.S.

government shutdown ended in November, we believe funding will begin flowing again in the near term, supporting our strong pipeline in that industry vertical.

On Tuesday, we announced the G8, our next-generation connected safety wearable and the most advanced product we've built to date. G8 brings together gas detection, lone worker protection and real-time communication in a single rugged, intrinsically safe device, all connected to the cloud through Blackline Live. It builds on the strong foundation of our G7, but with meaningful enhancements, including a larger full colour display, expanded connectivity and integrated communications so workers can stay connected without needing multiple devices.

Importantly, we see the G8 as an inflection point for Blackline Safety. With over four years in development, the G8 represents a technological leap over the G7, which defined the category since 2017. The G8 is designed as a true platform that will become a hub for workforce productivity, hosting applications to enable teams to streamline workflows, reduce downtime and maintain compliance in the field, all of which we believe will increase the service revenue associated with each device. We're currently taking orders with our first commercial shipments expected to begin in February 2026.

I will now turn the call over to Robin to review our financials in more detail.

Robin Kooyman:
Thank you, Cody, and good morning everyone. I'll start with a review of our fourth quarter results and then provide a summary of full-year fiscal 2025 performance.

Total revenue in the fourth quarter was $39.3 million, up 10% year-over-year. This growth was driven by a 30% increase in Service revenue, which reached $25.5 million. Within services, software services revenue grew 26% to $21.5 million, while rental revenue increased 55% to $4 million, reflecting strong demand in industrial turnarounds, maintenance and project-based environments.

Product revenue in the quarter was $13.8 million, down 14% year-over-year as customers continued to exercise caution on capital purchases amid global trade and macroeconomic uncertainty, the U.S. government shutdown and a delay in certain customer hardware refreshment activity.

Gross profit in the fourth quarter increased 21% to $26.3 million, and gross margin improved to 67% compared to 61% in the prior year quarter. Service margins remained strong, reaching a record 82%, benefitting from scale efficiencies, optimized connectivity and infrastructure costs, while Product margins rebounded to 40% from 35% in Q3.

Total quarterly operating expenses represented 68% of revenue, excluding one-time charge reported in general and administrative expenses and foreign exchange. Within this, G&A expenses accounted for 20%, sales and marketing for 32%, and product research and development costs represented 16%. The one-time charge relates to a U.S. sales tax assessment for prior periods.

EBITDA for the quarter was $1.4 million and Adjusted EBITDA was $2.2 million, reinforcing the scalability of our operating model.

Turning to the full year, total revenue for fiscal 2025 was $150.5 million, up 18% year-over-year. Service revenue increased 30% to $90.5 million, while Product revenue increased 4% to $60 million.

Gross margin improved to 63%, up from 58% in fiscal 2024, driven by favorable revenue mix, pricing discipline and operating leverage.

Total operating expense for the year represents 67% of revenue, consistent with the prior period and reflected continued cost discipline as the business scales.

Adjusted EBITDA improved significantly to positive $6.1 million compared to a loss of $2.4 million in fiscal 2024.

We ended the year with $46.6 million in cash and short-term investments. We have available capacity on our senior secured operating facility, including its accordion feature of $29.8 million as of October 31, 2025, for total available liquidity of $76.4 million. This compares to $60.4 million at the end of fiscal 2024.

Our fiscal 2025 results reflect the strength of our recurring Service revenue base, expanding margins and disciplined execution in a dynamic global environment.

On a personal note, I'll be temporarily stepping away from Blackline Safety for maternity leave effective February 2nd. I'm proud to do so at a time when the Company has achieved record revenue, ARR and has a very strong balance sheet. I have full confidence in Chris Curry, our VP, Finance and Accounting, to work as interim CFO with the strong team at Blackline to continue delivering ever greater results while I spend time with my growing family.

With that, I'll turn the call back to Cody for closing remarks.

Cody Slater:
Thank you, Robin. We wish you and your family all the best.

As we close out fiscal 2025, I'm extremely proud of what the Blackline team has accomplished. We've delivered record total revenue, record Annual Recurring Revenue and sustained positive Adjusted EBITDA, all while continuing our track record of innovation and global expansion, redefining the connected worker category.

Today, Blackline protects workers across more than 75 countries, supporting customers in energy, utilities, industrial, infrastructure and emergency response. Our growing recurring revenue base, strong customer retention and expanding global footprint position us well as we enter fiscal 2026.

To close, we're particularly excited about the opportunities ahead as we launch the G8. We believe G8 represents a meaningful step forward for connected workers, both in terms of the value it delivers to customers and the long-term growth potential it creates for Blackline.

The G7 created the connected industrial safety market and has taken Blackline from a company of $12 million in revenue to over $150 million today. The G8 will redefine the connected industrial worker market and be the key driver to accelerate our trajectory as we continue on our path to connect the global industrial workforce. Creating a modern, more efficient workplace while ensuring more workers have the tools to get their job done and return home safe at the end of the day.

I am deeply grateful to our customers for their trust, to our employees for their dedication, 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:
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're 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 Martin Toner with ATB Capital Markets. Please go ahead.

Martin Toner:
Thank you very much for taking my question and congrats on a great start to the year and congrats to Robin too.

Robin Kooyman:
Thanks, Martin.

Martin Toner:
My first question: maybe you can help us get our head around the timing of G8 revenues. How long does it take to ramp sales efforts? How easily are you able to move customers in the pipeline for the G7 over to the G8? And then, what kind of near and long-term impact do you think the G8 can have on service revenue and service revenue growth? Thank you.

Sean Stinson:
Hey Martin, this is Sean here. I will address those in sequence.

First off, how quickly can we start to realize G8 revenue? We anticipate the G8 shipping in late February. What we've modelled is a roughly two to three quarter transition between G7 to G8. So what I expect is that if customers have very tightly budgeted and inspected the G7, they may be more likely to stay with the G7. We'll start to introduce G8 to everybody, but I don't believe that the entire pipeline will flip over to G8 right away. Part of that will be because of budgetary requirements. The price of the G8 will be a little bit higher on hardware, but we do anticipate a full switchover within about two quarters.

I think that's kind of related to your second question about how do we move people over to the G8. Is it a significant improvement in the G7? It's clearly the same concept. It's one of the only instruments in the world that can actually save a life. It's a voice-powered, extremely sophisticated device that helps people save lives in the case of an accident and helps them deliver proactive safety. Behind that, it's a platform that will deliver years of continued expansion.

We will see—initially, I think the biggest impact on services will come from the PTT growth. The G8 has a very significantly improved push-to-talk experience and that's a crucial tool for people who work in the industries that we serve, both in terms of collaboration to get a job done, which is, I would say, more productivity than safety, but also safety and productivity are very much linked. So if there is any communication that needs to happen in order to properly assess the situation for safety, that can happen much more easily, so we expect that to be a significant pickup. If you've followed Blackline for a while, you know that the G7 has roughly an 11% attach rate on PTT; we see that going significantly higher.

I think I got them all, Martin. Did I miss any in there? You dropped three questions.

Cody Slater:
Maybe Martin, I'll just throw in an add—it's Cody here. The other difference with the G8 is that with the G7, what we've seen is that customers acquire a certain stack of service, meaning on the refresh, we might move them up a service tier or so, but usually, they're pretty good at picking those safety elements. The G8 is a platform for more productivity, more workforce efficiency, more other elements—think about them like apps that we'll be starting to add through '26 and beyond, and that will give us a base—if the unit goes in the field - that gives us really a base of customers to service new opportunities, new value to drive that service revenue growth through the lifecycle of the product rather than at the refresh points. So, a really significant difference in the business model for the Company.

It's a difference for our customers too because everything we're talking about here is something that will make their jobs easier and safer.

Martin Toner:
That's great. Thank you very much. So, you have two interesting forces colliding here: macro-driven caution and an exciting new product. How do you see that playing out in numbers in 2026?

Cody Slater:

Yes. We've surfaced the G8 to a number of core customers over the last period of time, so I will say the response has been excellent across the board. That's going to push some near-term work into renewals or refresh units into the second quarter as we start shipping G8's in the second quarter, so maybe a bit of a headwind in Q1, but starting to really see that flow through from Q2 forward.

The nice thing is, as Sean mentioned, the G8 is a phenomenal technological leap above the G7, but it's — the idea of connected safety is no longer new. When we launched the G7, it was entirely new; no one had done anything like this before. A lot of caution in customers adopting the tech. This is just something that they're going to see as a significant improvement and can see that visibility of what they could do with it in the future. So, we're not going to see that kind of a challenge.

We will see some customers wanting to do trials or tests to get it in their hands before they deploy. It's always a bit of noise on the launch of a new product of this scale. But the trajectory will be exceptionally strong, we feel, throughout the year, particularly throughout the second half of the year.

Martin Toner:

Super. That's great. Thank you. Why don't I pass the line.

Operator:

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

Doug Taylor:

Thank you. Good morning. I'll ask a couple more questions on the G8; it's an exciting milestone. Now that it's official, can you speak a little bit more on how we should think about the manufacturing cutover from the G7 as the current plan stands; what we should think about in terms of the overlap. I mean, is the G7 going to continue to be produced for some of those more cost-conscious customers for a period of time? Can you talk about the mechanics of that a little bit and inventory and working capital mechanics as it relates to that?

Cody Slater:

Sure, Doug. It's Cody here. I mean we anticipate a full shift over, as Sean has mentioned, from the G7 to the G8 by the end of the fiscal year here. So, scaling down the G7 manufacturing while we're scaling up the G8 manufacturing. Already you've seen from some of our inventory numbers, and investment in the G8 inventories. We will continue to support the G7 customers, so there'll be nominal manufacturing G7 for a number of years as we go forward, but what you're going to see is a shift over, over the next three quarters to be fully G8. During that time, I will say there's usually introduction of a new product that could put some downward pressure on hardware margins for those first introductory periods, and your output, your throughputs are going to just scale up as we've seen that over time with the G7. It's designed to be exceptionally manufacturable. But again, we'll have some caution as we're entering into the new manufacturing of the new line.

We will be, as we expand down the line, expanding our manufacturing capacity as well. We'll be adding a second surface mount line to the production. Timing on that is probably late this fiscal year. There is some capital investment there, but not significant in the overall, particularly given the strength of the balance sheet here. So yes, ramp up over the next three quarters, shift over a bit of time.

The other thing I think you'll see with the G8 is when you talk from the hardware standpoint is we're going to see more accessory sales with the G8. Sean has mentioned the pickup we anticipate in PTT. One of the really cool features with the G8 is it has a custom, what is called, remote speaker mic or RSM, the kind of thing you see a fireman or police officer having on their lapel; that really makes the PTT experience even greater. So things like that will actually probably accelerate a little bit of the accessory revenues as well, too.

Robin Kooyman:
Yes. Hey Doug, I'll just jump in with one more point. On that investment in our manufacturing facility, you can think about that as single digit millions later this year.

Doug Taylor:
That's fantastic colour. So when you're launching the product here, the G8 next month, I mean, are all variants, all the different gas configurations and the PTT and the related service, the speaker mic, all that, are they all going to be available or is that kind of staggered over the course of the year?

Cody Slater:
No, 100% of everything is available Day 1.

One of the real advantages of our product system is in our design, is the cartridge base that you're familiar with, I think, with the G7. The gas cartridges are really where a lot of the flexibility in the device comes from, whether it be multi 5-gas, 4-gas, pumped instruments, unpumped instruments, everything works with the G8, everything is approved in all the regions that we're functioning and working in around the globe. The speaker mic is in production. The multiple charger docks, the rest of the stuff, everything is ready to go.

What you are going to see with the G8 though is those new service apps that I'm talking about, those will start to roll out later this year. Those will be something that we'll be able to talk a bit more about later in the year. But that's the real—one of the real keys with the G8 is this new platform with this big full colour screen and the additional interface access to it through the different side buttons that will allow customers to do a lot more on the device.

Those are things that we're going to be able to just keep adding as customer demand and as we focus in different areas from the software side.

But to your point from the hardware end, everything is available Day 1 on the G8.

Doug Taylor:
Okay. Thanks for that. One further question from me – maybe just to back into the quarter that you just reported and talk about that a little bit. Because the services revenue certainly stood out and how resilient the growth and that has been in all market conditions, but also the margins. So I just wanted to touch on that a little bit. Is the margin expansion there a function of the rental growth? Currency? Can you just help us as we think about modelling that into the start of this year and as the G8 rolls out and becomes a bigger part of the mix?

Robin Kooyman:
Thanks, Doug. It's a great question. One of the biggest drivers of the Service gross margin this quarter is really the scalability initiatives that we've been focused on achieving in the business, and we're really pleased with the results this year, over 80% as you think forward from here. Just keep in mind that gains, while still very much available, are probably generally smaller, so we're going to continue to focus on optimizing things like connectivity services and data expenses. But as always, when you launch a new product, I think it's important just to keep in mind that there can be a little bit of variability.

Cody Slater:

The other thing I'd just add on the Services growth is one of the core drivers of the lower hardware numbers is the slower refresh rate. A lot of our customers are just taking longer to replace their fleets. The devices are working. Capital is a bit constrained. Why would I replace them at this point in time? So even though that hardware number has been lighter, what you're seeing is still a lot of new customer adoption and that's what's driving that growth there as well.

From our standpoint, frankly, there's some real positive in that because as those customers who've delayed their refresh, we'll be refreshing on a platform that we can - over the next five years - continually add new services to. That's been part of the driver of the growth of the services, that new customer adoption, really.

Doug Taylor:

Okay, thanks. Before I pass the line, I'll echo the congratulations, Robin, on the upcoming addition to your own family product line, so to speak.

Robin Kooyman:

Thanks, Doug.

Operator:

The next question comes from Sean Jack with Raymond James. Please go ahead.

Sean Jack:

Good morning, guys. Just wanted to hop on and ask again about the G8. Wondering if you guys can give a bit of colour on how we should expect service gross margin to change now with the G8. Just keeping in mind some of the more kind of like technical and data analytics-based things that are probably going to be enabled by this device, should we expect to see prices move meaningfully upwards? Any sort of colour would be great.

Cody Slater:

Sure. First, I'd say for 2026, I think you're going to see a pretty similar model. As we start adding some of these new services—think about them again like apps on the devices. In fact, those will carry a good strong margin because we already have the data channel, we already have the connectivity, we already have a lot of the back end so it's not adding as much load as additional features might—as the base does, if that makes sense in that context.

So, long term, I think there'll be some upward pressure on the margins, upward movement on the margins. But again, to Robin's point, in the shorter term, I think I'd be looking at something pretty similar to where we're at.

The other point is that when you talk about costs, the base costs are all staying the same. The different service features we have now are all the same price. What we're really going to be able to do is add new features like permitting on site or different apps that we can add and those will be individually priced and priced based on the value proposition to the customer. But again, they're not ones that are going to really add a lot of additional costs from our standpoint, so it should be high-margin elements.

Robin Kooyman:
Yes. Then, Sean, just to jump in—it's Robin here. The other thing I'd keep in mind is I wouldn't be necessarily just analyzing Service gross margin in a vacuum, right? One of the key messages today is that we see the G8 as a product that's going to unlock more Service revenue over time. And so that overall gross margin is an important one to think about there, too.

Sean Jack:
Okay. Perfect. I know that we've never really talked about specific guidance with you guys or anything, but just kind of headed back to margin, I have a few questions. There are these kinds of two conflicting forces here. Like, can you give us kind of any sort of sense of how we should expect product sales headed into the first half of the year here? Are you guys very confident with the pipeline that you set up in front of the G8? Any sort of extra detail would be great.

Cody Slater:
I think that we're very confident in where we see this year, particularly. Again, as I mentioned, we announced the G8 two days ago. Customers have been seeing it now for a few weeks. That's definitely going to shift some of the business we'd expect in Q1 into Q2, I would say. And then strength going from Q2 throughout the rest of the year.

Sean Jack:
Okay. Perfect. I appreciate all the colour, guys. Thanks.

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

Amr Ezzat:
Thank you and good morning. Robin, first and foremost, congrats and all the very best to you and your family.

If we could zoom in on product revenues, I think last quarter you guys had flagged that Q4 would be sort of weakish, but I still expected a small increase, nonetheless, Q-on-Q. I think you spoke to a couple of factors. First, on the U.S. government shutdown impacting fire and hazmat, are these orders simply delayed? Is that the way to think about it? Then, can you size it for us? Are we talking about $1 million, $2 million, $3 million? Maybe more? Maybe less?

Cody Slater:
Sure. Yes, these orders are just delayed. When you're looking at that marketplace, that's a market that three years ago for us didn't really exist. Today, it's one of our fastest-growing markets. You are talking single-digit millions here in the low end as far as the fire and hazmat pipeline for what we would have expected to be in Q4, and I'd expect to see that sort of coming through Q2, Q3.

I think the bigger for us, we've talked a little bit about some of the different headwinds, but as I mentioned before, the other thing really is we have some of the lowest refresh rates that we've ever seen in the last, really two quarters, where customers would normally refresh their hardware every four years, and they're just extending that out. Is some of that because they know the G8 is coming? Probably. But some of it's also because the unit is functioning, working and it's the services that give that real value.

You can see by the Net Dollar Retention, it's not that we're losing customers. It's that they're just taking longer to refresh their hardware. That's probably been the biggest headwind for us. The teams are still acquiring new customers. And again, as I mentioned earlier, that's what's driving that ARR growth and the Services growth.

Amr Ezzat:
I suspect as you launch the G8 as a sort of platform technology where you could add apps and so on into it, you'll have that refresh headwinds more and more going forward. Do you feel the same way?

Cody Slater:

Well - actually, for the mid-term, Amr, I'd actually say I think the G8 will be a tailwind to the refresh. I always use the analogy of the iPhone. Like right now for our customers, with the G7, we're selling an iPhone 11. They bought it four years ago. We're still selling an iPhone 11. Why would I refresh the device? Now we're moving from an 11 to a 17. The G8 is going to give our current installed base reason to look to accelerate that refresh rate, so for the next couple of years, I think it's actually a tailwind for us on the G8.

Amr Ezzat:

I guess, I thought I was talking about moving out of the G8 eventually.

Cody Slater:

Into the G9? We'll leave that discussion for a little while. Our tech teams have spent four years on what is the biggest technological leap in this industry, I'd say. I'm going to leave them a couple of months before we start talking about the G9.

Amr Ezzat:

I'm sure it's well-deserved.

Now, did I hear you correctly, Cody? Are we currently at 3,500 devices in total sold to ADNOC in the fiscal year?

Cody Slater:

That would be 2,500. The first order was shipped in Q4 as well, too, so there was a total of 2,500 shipped as of Q4. We continue to see orders coming from ADNOC, so that number just keeps growing and growing. We'll keep some visibility on that, partially just because of the scale, but I do think ADNOC really exemplifies the kind of customer we see becoming more and more a part of our standard business, where it's a company who's just simply said, “We're converting entirely to this platform.” They're doing it not only for safety, but for efficiency and operations, and that's what's really exciting about ADNOC. As we start adding more logos in that same context, that'll be a big driver for us going forward.

Amr Ezzat:

Can you give us the split of these 2,500 between G6 and location beacons? Is this all G6?

Cody Slater:
The numbers there, the 2,500 are all body-worn devices, so it's a mix of G7s and G6s. It's not including the beacons. Those are only Service revenue generating devices.

Amr Ezzat:
Okay. Then one last one on the ADNOC. The number of devices you potentially spoke to is 28,000, correct?

Cody Slater:
That's correct, yes.

Amr Ezzat:
Is that a number that's an internal estimate or is it validated with Al-Masaood Group or ADNOC?

Sean Stinson:
That's validated directly with ADNOC, Amr.

Amr Ezzat:
Fantastic. Any sort of colour you could give us on the pace of follow-on orders? Is that over four years? Five years? Two years? Best guess?

Sean Stinson:
Yes. My best guess is that it'll roll out over about the next two years. We're seeing continued velocity. ADNOC is such a large organization and so we're looking at it operating unit by operating unit, by plant by plant, and working very closely with them to make sure that the units are properly deployed and that everybody's happy as we move along. There's some integrations behind the scenes there as well. We're integrating with the software package that they have so it'll be a really best-in-class solution when it's all fully deployed.

Amr Ezzat:
Fantastic. Then maybe one last one on the product gross margin. I was very surprised to see it's over 40% despite lower hardware volumes this quarter. Anything in particular happening there that's a one-off?

Robin Kooyman:

I wouldn't say anything particular that's a one-off. Product gross margin has a number of factors in it, including how busy the factory is. Obviously, you would have seen inventories grown a little bit this quarter as well as we prepare for the launch of the G8. So, a few different factors just contributing to the strength.

Amr Ezzat:

Fantastic. Congrats again and I'll pass the line.

Robin Kooyman:

Thanks.

Cody Slater:

Thanks.

Operator:

Once again, if you have a question, please press star, then one.

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

David Kwan:

Good morning. Maybe just on that last question as it relates to the product gross margins, you talked about it - sounds like there might be some weakness here just as you kind of of ramp up the G8, similar to kind of a weakness in product gross margins when you've launched other products. Where do you think the product gross margins could go to in the coming quarters as you ramp up the G8?

Cody Slater:

We're not talking massive differences, but a few points drop is a good potential to look at. Again, so many things, as Robin mentioned, impact that: product mix, all kinds of other aspects. I would expect to see—if you're modelling it, David, I'd say model a little bit of a drop for a couple of quarters and then getting back to the 40%. Then, long term, we still believe there's opportunity to see the hardware margins move north of that, but I think that's more going to be a late '26, maybe more like a '27 story.

David Kwan:

That's helpful. Thanks, Cody.

Then on the services gross margins, it sounds like you've done almost as much as you can do in terms of kind of cost optimization. So, maybe see a lot more measured or steady, hopeful, increases. But I was wondering on the PTT side, I guess my understanding was I think as the G8 launched and hopefully you see some significant pick-up in that uptake and adoption rate of PTT, that there could be some notable incremental upside on the services gross margin. I was wondering if you could talk about that.

Cody Slater:

No, I wouldn't look at PTT as carrying a higher gross margin than the other core services, really. There's so many factors that impact that, whether it be data, whether it be backend storage because we store all the data for the customers in the PTT base. So the cost base on the PTT isn't—maybe a better way to phrase it, I don't believe the expansion of the PTT is going to be a real upward pressure on the margins.

What will be long term, I would say, is more of the kinds of app-like services we're talking about adding, because a lot of those are ones where we don't really do—some of them are even realistically SDKs tying into another company's systems. Those will be ones that I think we can talk more about towards the end of the year, about their higher margins themselves. But the PTT, I think will be—is in a similar context to where we're at with our other margins.

I think the other thing to think about the PTT, though, is how much stickier you become with this customer. This is now their core safety device, but it's now also their core communication device. What Sean has mentioned on that, how they work on their sites, how they communicate their operations, we just become an even stickier product at the end of the day.

Robin Kooyman:

David, just to jump in, the other thing I want to reiterate is while maybe push-to-talk doesn't necessarily come with a higher gross margin, the more services we can sell for every dollar of product that we sell is really impactful to the overall gross margin of the business, and that's part of the reason we're so excited about the G8.

David Kwan:

Yes, so just more of a revenue mix benefit, it sounds like.

Robin Kooyman:

Exactly.

David Kwan:

I guess, last question: the MD&A referenced some weakness in the U.S. due to the lower energy prices. I assume that was just customers extending the life of their devices that Cody mentioned earlier and/or renewing but for fewer devices, similar to what I think we saw in the last downturn. I just wanted to confirm that, number one. And then number two, are you seeing any signs of similar behaviour amongst your Canadian customers?

Sean Stinson:

Yes, we were seeing similar patterns in both Canada and the U.S. Really, it was the upstream clients that were heavily affected. That's a lot of our core energy customer profile in Canada. Years ago, the satellite product that we came out with, which was the first really industrial-grade satellite lone-worker device on the market, that established a lot of our early Canadian energy companies in the upstream market.

So what we're seeing is it's a bit of a double whammy in that case, David. It's like renewals are sliding out a little bit, and then it's harder to acquire clients in the upstream market right now. Good conversations in the pipeline, just it stretches it out a little bit more. Like, in a lot of cases we've got companies saying they're going to buy, but they're just stretching out their buy timeline. So you might see the pipeline extending from a six-month sales cycle up to an eight- or a nine-month sales cycle; ultimately close them in the end, but that stretch out is something that ultimately you have to backfill that by more leads in the pipeline. That's something that we focused on a lot going forward, is just really working on the pipeline strength. That's kind of the only way you can counteract a slower market. That's what we're really focused on for ’26.

David Kwan:

That’s helpful, Sean. Are you seeing a similar dynamic in the Middle East? Obviously, you’ve got the ADNOC win. That seems like it's going quite well and it looks like there's some good future potential there, but just curious to see the dynamic in the Middle East, if that's also maybe pushing out sales cycles.

Sean Stinson:

No, it's very strong in the Middle East. I do believe that a lot of that has to do with the lower incremental costs of production in the Middle East. I believe ARAMCO has published numbers—like, this is a few years ago so look this up before you quote me on it, but at some point I think they quoted that their cost of production per barrel of oil is $19 and that's significantly higher in North America. I view the Middle Eastern energy market as a hedge to the North American market, just as I view the downstream refining market as a hedge to upstream.

We're making significant inroads in refining. Typically when the price of energy is low - refining will still buy; upstream might suffer a little bit. So, we look at ways to naturally hedge the business by getting into different vertical markets. And just like I said, even a geographical split can help us, even when you're in the same vertical.

David Kwan:

That's great colour. Thanks, Sean. That's it for me.

Operator:

We have a follow-up question from Martin Toner with ATB Capital Markets. Please go ahead.

Martin Toner:

Thanks, folks. At what point would G8 shipments run into capacity issues, if at all?

Cody Slater:

Our ops teams are so strong we just don't see that as a challenge. We're planning for growth and we're planning for capabilities there to meet whatever demand we see.

Martin Toner:

Perfect. Thank you very much. That's it 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. Thank you everyone for your attention and your time today. I look forward to talking again throughout 2026 as we launch the G8 and take the next steps on connecting the industrial workforce. Thanks again everyone.

Operator:

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