



## This Niche Venture Stock Has Sextupled in 5 Years

### Description

The Toronto Venture Exchange isn't exactly a fertile ground for average investors. Most of the stocks listed on the exchange turn out to be duds that either fail to perform or languish with negligible trading volume. However, [a handful of venture stocks](#) manage to break through and deliver phenomenal returns for savvy investors.

Calgary-based **Blackline Safety** (TSXV:BLN) seems like the perfect example of this. Launched in 2004 and publicly listed in 2007, Blackline's stock struggled to gain traction for the initial few years. Then it hit an inflection point in 2014 and has delivered a jaw-dropping 500% gain to date. The stock now trades at \$5.85.

The company currently employs 175 people across offices in four countries and generated over \$17.8 million in revenue over the past year. According to their investor presentation, over 100 companies rely on their devices and ongoing services. Its success is based on management's ability to focus and completely dominate an industry so niche that most investors would have no idea it even existed.

Blackline provides wireless gas-detection devices that help keep employees who work under hazardous conditions safe. The company's flagship G7 line of products have several features that detect gas leaks, detect the employee's motion (or lack thereof), provide instant alerts to the corporate monitoring station, and a two-way communication channel based on mobile network connectivity.

Their devices replace the traditional "beep-and-flash" gas monitors and allow companies to deploy an integrated, internet-enabled safety solution for all their employees. This makes coordinating rescue efforts and employee monitoring easier, potentially saving lives and millions of dollars in costs.

According to the company's latest quarterly report, these devices are used by some of the largest manufacturing and industrial companies in the world, including **Royal Dutch Shell**, **ExxonMobil**, and **Heineken**. Most of the company's clients are oil and gas giants, which may make the stock correlated with the market price for oil.

Gabriel Leung of Beacon Securities took a closer look at the company and estimated that the market for these gas-detection devices (which are usually leased for \$55 a month) could be worth \$3.5 billion in potential annual recurring revenues. However, these lofty expectations have pushed the company's valuation to an all-time high.

The stock currently trades at 11 times annual revenue and six times net book value. The company is still cash flow negative and lost \$9.25 million on sales of \$24 million over the past year. Nonetheless, the company does have \$33.6 million in cash, which could fund future acquisitions and product developments to drive growth.

## Bottom line

Blackline's employee safety innovations are commendable and are probably saving a lot of lives already. Investors who bought this niche stock early and held on for the past five years have been rewarded handsomely.

But the company's lack of profitability, limited market size, and lofty valuation make it a highly speculative asset. Investors seem to be betting that the company can continue to grow at its current pace (doubling revenue every year) for the foreseeable future. But there's no way to predict this growth with certainty. That's what makes BLN a highly speculative opportunity.

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