Looming CEO Change Doesn't Slow BlackLine

FINANCE: Analysts praise Tucker's management style for the transition.

By MARK R. MADLER Staff Reporter

The big news about Blackline Inc., during the second quarter was that founder and Chief Executive Therese Tucker announced she would step down from the head position effective at the start of next year.

The day before Tucker made the announcement on Aug. 6, the Woodland Hills accounting software developer's share price hit a 52-week high of $94.06, a price that has since been eclipsed early this month.

Rob Oliver, an analyst with Robert W. Baird & Co. Inc., who follows Blackline, said in an interview with the Business Journal the rise in stock price speaks well to the job that Tucker has done.

A typical problem with small to medium sized business led by their founder is that they don’t want to share responsibility and delegate authority, Oliver said, adding that a chief executive needs to be confident in bringing on talented executives.

“Therone has brought in a tremendous amount of talent into the company over the past two years … from a chief technology officer to a chief marketing officer to a chief customer success officer,” Oliver said.

Also brought on was Tucker’s designated successor, former NetSuite executive Marc Huffman, who currently serves as president and chief operating officer. After the switch, Tucker will remain as executive chair of the Blackline board.

Recruiting on so many talented executives speaks to Tucker’s legacy as chief executive, the company’s position going forward and the attractiveness of working for Blackline, Oliver said.

In looking at a chart of Blackline’s stock price, one could rightly ask what has changed, he continued.

“Some of the manifestations of those initiatives that Therese has implemented are part of the reason,” Oliver added.

The new chief executive announcement came on the same day as the company revealed its second quarter earnings.

The company reported on Aug. 6 a adjusted net income of $11.9 million (20 cents a share) for the quarter ending June 30, compared with adjusted net income of $6 million (10 cents) in the same period a year earlier.

Revenue grew 20 percent to $85.3 million.

Blackline’s share price has skyrocketed since the start of the year with an 87 percent increase through Oct. 15 and flirting with the $100 range. On Oct. 21 the share price closed at $97.72.

In a conference call with analysts to discuss the second quarter earnings, Tucker said the change in top executives was part of a succession plan the company has been working toward for some time.

“I’m so pleased with all the work that Marc has done to help scale and grow our company since he joined BlackLine in 2018. He’s fantastic,” Tucker said in the call. “This change will allow me in the executive chair role to focus on my passion, product and customers. I’m excited about BlackLine’s future and look forward to this next phase.”

Nice numbers

Oliver and other analysts who follow the company were pleased with the quarterly results, although some showed some hesitation.

Koji Ikeda, an analyst in the San Francisco office of Oppenheimer & Co. Inc., said in a research note that while it was positive that second quarter results beat Wall Street estimates, the reintroduced 2020 guidance came in below what the analysts expected.

“(It) implies a meaningful (second half) step-down in growth, which may be an indication that some of the disruption in BlackLine’s end-market could last longer than expected in software categories,” Ikeda wrote in the note.

He added that there was some suggestion of conservatism built into the 2020 guidance.

For the full 2020 year, the company expects revenue in the range of $336 million to $339 million, net income in the range of $27.5 million to $29.5 million at $45 to 40 cents on a per share basis.

According to Ikeda, the consensus estimate for revenue was $338 million while the earnings estimate was 42 cents a share or just below the guidance amount.

For the third quarter, Oliver said expectations will be modest.

With a quarter of the company’s sales coming from partner SAP SE, a German multinational software company that resells BlackLine software around the world, it is prudent for BlackLine to be cautious about its partner closing any big deals going forward, he added.

“BlackLine has been clear that they do not expect a lot from SAP in the fourth quarter, which would typically be a quarter when they would get a lot from SAP,” Oliver said.

Italian Outplacement Firm Enters U.S. Via Valley

STAFFING: Acquisition the first step toward ‘global reach’ from Burbank.

By ANDREW FORCH Staff Reporter

The outplacement division of human resources technology firm CareerArc in Burbank has rebranded as Inmo USA after being acquired in June by Italian staffing firm Gi Group.

Financial terms of the acquisition were not disclosed.

The transaction represents an entry into the U.S. market for Gi Group, a major player in Europe, and the internationalization of the former CareerArc unit.

Inmo makes B2B software that helps HR providers provide career coaching to employees transitioning out of the organization or moving from one internal job to another.

That includes assistance constructing resumes and cover letters, interview preparation, access to job boards and an on-demand chat interface with career specialists.

Inmo will remain headquartered in Burbank and employees there and in a satellite office in Boston will retain their positions, but the company will be able to serve businesses in more than 55 countries using Gi Group’s resources and relationships.

New Inmo Chief Executive Vair Riemer, formerly president of career transition services at CareerArc, described the company’s software as a virtual career center that “helps organizations protect their brand” by ensuring smooth transitions for employees changing roles.

Riemer told the Business Journal Gi Group is in the middle of an aggressive growth campaign and pushing to double its current revenue — reported at $2.6 billion in 2019.

According to a statement from Gi Group Chief Executive Stefano Colli Lanzi, establishing a presence in the U.S. will help propel the company towards that goal.

Riemer explained CareerArc’s relationship with Gi Group began after a $30 million fund-raising round led by PeakEquity Partners, in Radnor, Pa., in December 2018.

“All almost our business was domestic. We wanted to expand internationally,” he said.

Former Chief Executive and CareerArc founder Robin Richards facilitated the introduction with Gi Group, Riemer said, and Gi CareerArc’s placement in Gi Group’s Star Group, a referral network comprising about 40 outplacement companies around the world.

Riemer said having prior involvement helped both companies feel more comfortable moving forward with the acquisition during a time when face-to-face meetings weren’t happening and paperwork was filed remotely.

When the transaction closed, Richards, a longtime Valley entrepreneur, became the chief executive of Gi Group’s global outplacement executive post at CareerArc.

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“In three to five to seven years, everyone is going to deliver the way Inmo does,” he said.

Part of what makes the company’s new-found global reach so important, he added, is that people whose jobs have been affected by the pandemic aren’t as limited by geography in their hunt for a new position.

“It opens us up to servicing the world,” he said.

That goes two ways: the Inmo team can help U.S.-based employees find work overseas if they’re struggling to rebound in a tight local job market, and can help non-U.S. employers give workers access to a global opportunities.

He noted that it’s not uncommon for staffing firms to service international markets, but doing so comes with challenges related to navigating local employment laws and taxation.

“In that regard, Gi Group’s support is crucial,” he said.

“They bring us all the background on local customs and local laws, all the specifics in each of those locales,” he explained. “We’re emphasizing the global reach, but we’re building on the foundation of a company founded in Burbank.”