

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the unaudited interim consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of BlackBerry Limited for the three and six months ended August 31, 2021, included in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as the Company's audited consolidated financial statements and accompanying notes and MD&A for the fiscal year ended February 28, 2021 (the "Annual MD&A"). The Consolidated Financial Statements are presented in U.S. dollars and have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). All financial information in this MD&A is presented in U.S. dollars, unless otherwise indicated.

Additional information about the Company, which is included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2021 (the "Annual Report"), can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

### Cautionary Note Regarding Forward-Looking Statements

This MD&A contains forward-looking statements within the meaning of certain securities laws, including under the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws, including statements relating to:

- the Company's plans, strategies and objectives, including its intentions to increase and enhance its product and service offerings;
- the Company's expectations with respect to the potential sale of a portion of its patent portfolio;
- the Company's expectations with respect to the impact of the ongoing COVID-19 pandemic and related cost reduction measures and governmental assistance on the Company's business, results of operations and financial condition on a consolidated basis, including its liquidity position;
- the Company's expectations with respect to its revenue and billings in fiscal 2022,
- the Company's estimates of purchase obligations and other contractual commitments; and
- the Company's expectations with respect to the sufficiency of its financial resources.

The words "expect", "anticipate", "estimate", "may", "will", "should", "could", "intend", "believe", "target", "plan" and similar expressions are intended to identify forward-looking statements in this MD&A, including in the sections entitled "Business Overview - Strategy", "Business Overview - Products and Services", "Business Overview - COVID-19", "Non-GAAP Financial Measures - Key Metrics", "Results of Operations - Three months ended August 31, 2021 compared to the three months ended August 31, 2020 - Revenue - Revenue by Segment" and "Financial Condition - Debenture Financing and Other Funding Sources". Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, including but not limited to, the Company's expectations regarding its business, strategy, opportunities and prospects, the launch of new products and services, general economic conditions, the ongoing COVID-19 pandemic, competition, and the Company's expectations regarding its financial performance. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risk factors discussed in Part I, Item 1A "Risk Factors" in the Annual Report.

All of these factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. Any statements that are forward-looking statements are intended to enable the Company's shareholders to view the anticipated performance and prospects of the Company from management's perspective at the time such statements are made, and they are subject to the risks that are inherent in all forward-looking statements, as described above, as well as difficulties in forecasting the Company's financial results and performance for future periods, particularly over longer periods, given changes in technology and the Company's business strategy, evolving industry standards, intense competition and short product life cycles that characterize the industries in which the Company operates. See the "Strategy" subsection in Part I, Item 1 "Business" of the Annual Report.

The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

### Business Overview

The Company provides intelligent security software and services to enterprises and governments around the world. The Company secures more than 500 million endpoints including more than 195 million vehicles. Based in Waterloo, Ontario, the Company leverages artificial intelligence ("AI") and machine learning to deliver innovative solutions in the areas of

cybersecurity, safety and data privacy, and is a leader in the areas of endpoint security, endpoint management, encryption, and embedded systems.

### ***Strategy***

The Company's strategy is to connect, secure and manage every endpoint in the Internet of Things. The Company leverages its extensive technology portfolio to offer best-in-class cybersecurity, safety and reliability to enterprise customers in government, regulated and other core industries, as well as to original equipment manufacturers in automotive, medical, industrial and other verticals.

The Company's goal is to offer smarter security solutions that are more effective, require fewer resources to support and produce a better return on investment for customers than competing offerings. To achieve this vision, the Company continues to extend the functionality of its AI-focused BlackBerry Spark® software platform and safety-certified QNX® Neutrino® real time operating system and is commercializing its new BlackBerry IVY™ intelligent vehicle data platform.

The Company's go-to-market strategy is focused on generating revenue from enterprise software, services and licensing as well as from embedded software designs with leading OEMs and Tier 1 suppliers. The Company intends to drive revenue growth and to achieve margins that are consistent with those of other enterprise software companies.

### ***Products and Services***

The Company has multiple products and services from which it derives revenue, which are structured in three groups: Cyber Security, IoT (collectively with Cyber Security, "Software & Services") and Licensing and Other.

#### *Cyber Security*

The Cyber Security business consists of BlackBerry Spark, BlackBerry® AtHoc®, BlackBerry Alert and SecuSUITE.

The Company's core secure software and services offering is its BlackBerry Spark software platform, which integrates a unified endpoint security ("UES") layer with BlackBerry unified endpoint management ("UEM") to enable secure endpoint communications in a zero trust environment. BlackBerry UES is a set of complementary cybersecurity products offering endpoint protection platform ("EPP"), endpoint detection and response ("EDR"), mobile threat defense ("MTD"), zero-trust network access ("ZTNA") and user and entity behavior analytics ("UEBA") capabilities. The BlackBerry Spark platform is informed by the Company's AI and machine learning capabilities, continuous innovations, professional cybersecurity services and threat research, industry partnerships and academic collaborations. The Company is currently executing on a robust schedule of product launches for BlackBerry Spark to deliver on the Company's extended detection and response ("XDR") strategy, which aims to use security telemetry data from the platform's full range of natively-integrated products to provide deep contextual insights for more powerful and integrated threat detection and response. This comprehensive security strategy for BlackBerry Spark is designed to operate on a single agent across all endpoints, to be administered from a single console, to leverage a single crowd-sourced threat data lake and to be managed in one cloud environment. BlackBerry Spark solutions are available through the BlackBerry Spark® Unified Endpoint Security Suite and the BlackBerry Spark® Unified Endpoint Management Suite, which are also marketed together as the BlackBerry Spark® Suites, offering the Company's most comprehensive range of tailored cybersecurity and endpoint management options.

The BlackBerry Spark UES Suite offers leading Cylance® AI and machine learning-based cybersecurity solutions, including: BlackBerry® Protect, an EPP and available MTD solution that uses machine learning to prevent suspicious behavior and the execution of malicious code on an endpoint; BlackBerry® Optics, an EDR solution that provides both visibility into and prevention of malicious activity on an endpoint; BlackBerry® Guard, a managed detection and response solution that provides 24/7 threat hunting and monitoring; BlackBerry® Gateway, a cloud-native ZTNA solution that monitors suspicious network activity; and BlackBerry® Persona, a UEBA solution that provides continuous authentication by validating user identity in real time. The combined platform features industry-leading threat prevention modules to help organizations cope with the significant growth of cyberattacks. The Company also offers incident response, compromised assessment and containment services to assist clients with forensic analysis, state of existing systems and remediation of attacks.

In addition, the Company offers the BlackBerry Cyber Suite, a UEM-agnostic version of its BlackBerry Spark® UES Suite which organizations can integrate with UEM software from other leading vendors.

The BlackBerry Spark UEM Suite includes the Company's BlackBerry® UEM, BlackBerry® Dynamics™ and BlackBerry® Workspaces solutions. BlackBerry UEM is a central software component of the Company's secure communications platform, offering a "single pane of glass", or unified console view, for managing and securing devices, applications, identity, content and endpoints across all leading operating systems. BlackBerry Dynamics offers a best-in-class development platform and secure container for mobile applications, including the Company's own enterprise applications such as BlackBerry® Work and BlackBerry® Connect for secure collaboration.

The Company also offers the BlackBerry® Spark SDK to promote the evolution of a platform ecosystem by enabling enterprise and independent software vendor (“ISV”) developers to integrate the security features of BlackBerry Spark into their own mobile and web applications, as well as BlackBerry Messenger (BBM®) Enterprise, an enterprise-grade secure instant messaging solution for messaging, voice and video.

BlackBerry AtHoc and BlackBerry Alert are secure, networked critical event management solutions that enable people, devices and organizations to exchange critical information in real time during business continuity and life safety operations. The platforms securely connect with a diverse set of endpoints to distribute emergency mass notifications, improve personnel accountability and facilitate the bidirectional collection and sharing of data within and between organizations. BlackBerry AtHoc serves the requirements of the public sector market while BlackBerry Alert targets the commercial sector.

SecuSUITE® for Government is a certified, multi-OS voice and text messaging solution with advanced encryption, anti-eavesdropping and continuous authentication capabilities, providing a maximum level of security on conventional mobile devices for public authorities and businesses.

### *IoT*

The IoT business consists of BlackBerry Technology Solutions (“BTS”) and BlackBerry IVY.

The principal component of BTS is BlackBerry QNX, a global provider of real-time operating systems, hypervisors, middleware, development tools, and professional services for connected embedded systems in the automotive, medical, industrial automation and other markets. A recognized leader in automotive software, BlackBerry QNX offers a growing portfolio of safety-certified, secure and reliable platform solutions and is focused on achieving design wins with automotive original equipment manufacturers (“OEMs”), Tier 1 vendors and automotive semiconductor suppliers. These solutions include the Neutrino® operating system and the BlackBerry QNX® CAR platform, the most advanced embedded software platform for the autonomous vehicle market, as well as other products designed to alleviate the challenges of compliance with ISO 26262, the automotive industry’s functional safety standard. Additionally, the Company’s secure automotive over-the-air software update management service allows OEMs to manage the life cycle of the software and security in their vehicles.

The Company has entered into an agreement with Amazon Web Services, Inc. (“AWS”) to develop and market BlackBerry IVY, an intelligent vehicle data platform leveraging BlackBerry QNX’s automotive capabilities. BlackBerry IVY will allow automakers to safely access a vehicle’s sensor data, normalize it, and apply machine learning at the edge to generate and share predictive insights and inferences. Automakers and developers will be able to use this information to create responsive in-vehicle services that enhance driver and passenger experiences. BlackBerry IVY will support multiple vehicle operating systems and multi-cloud deployments in order to ensure compatibility across vehicle models and brands. The Company expects to release an early access version of BlackBerry IVY in October 2021, followed by a commercial release in February 2022 with installations of BlackBerry IVY to begin in 2023 model year vehicles.

BlackBerry QNX is also a preferred supplier of embedded systems for companies building medical devices, train-control systems, industrial robots, hardware security modules, building automation systems, green energy solutions, and other mission-critical applications.

In addition to BlackBerry QNX, BTS includes BlackBerry Certicom® cryptography and key management products, the BlackBerry Radar® asset monitoring solution, and the BlackBerry Jarvis™ binary code scanning solution..

BlackBerry Certicom leverages patented elliptic curve cryptography to provide device security, anti-counterfeiting and product authentication solutions. BlackBerry Certicom’s offerings include its managed public key infrastructure (“PKI”) platform, key management and provisioning technology that helps customers to protect the integrity of their silicon chips and devices from the point of manufacturing through the device life cycle. BlackBerry Certicom’s secure key provisioning, code signing and security credential management system services protect next-generation connected cars, critical infrastructure and IoT deployments from product counterfeiting, re-manufacturing and unauthorized network access.

BlackBerry Radar is a family of asset monitoring and telematics solutions for the transportation and logistics industry. The BlackBerry Radar solution includes devices and secure cloud-based dashboards for tracking containers, trailers, chassis, flatbeds and heavy machinery, for reporting locations and sensor data, and for enabling custom alerts and fleet management analytics.

BlackBerry Jarvis is a cloud-based binary static application security testing platform that identifies vulnerabilities in deployed binary software used in automobiles and other embedded applications.

The BlackBerry Spark and IoT groups are both complemented by the enterprise and cybersecurity consulting services offered by the Company’s BlackBerry® Professional Services business. BlackBerry Professional Services provides platform-agnostic strategies to address mobility-based challenges, providing expert deployment support, end-to-end delivery (from system design to user training), application consulting, and experienced project management. The Company’s cybersecurity consulting services and tools, combined with its other security solutions, help customers identify the latest cybersecurity threats, test for

vulnerabilities, develop risk-appropriate mitigations, maintain IT security standards and techniques, and defend against the risk of future attacks.

#### *Licensing and Other*

Licensing and Other consists primarily of the Company's patent licensing business and legacy service access fees ("SAF").

The Company's Licensing business is responsible for the management and monetization of the Company's global patent portfolio. The patent portfolio continues to provide a competitive advantage in the Company's core product areas as well as providing leverage in the development of future technologies and licensing programs in both core and adjacent vertical markets. The Company owns rights to an array of patented and patent pending technologies which include, but are not limited to, operating systems, networking infrastructure, acoustics, messaging, enterprise software, automotive subsystems, cybersecurity, cryptography and wireless communications.

In addition, in recent years, the Company has licensed its device security software and service suite and related brand assets to outsourcing partners who design, manufacture, market and provide customer support for BlackBerry-branded handsets featuring the Company's secure Android™ software. The Company has also entered into licensing arrangements with manufacturers of other devices with embedded BlackBerry cybersecurity technology.

In the fourth quarter of fiscal 2021, the Company entered into exclusive negotiations with a North American entity for the potential sale of a portion of the patent portfolio relating primarily to non-core or legacy mobile devices, messaging and wireless networking technologies. Negotiations are ongoing. Although the parties have reached preliminary agreement on many key terms of the potential transaction and the Company expects to enter into a definitive agreement in the third quarter of fiscal 2022, there can be no assurance that the Company will reach a definitive agreement or that a transaction will be consummated. If a transaction is completed, the Company expects to retain rights to use these patents and does not intend to sell patents associated with the Company's current Software and Services business.

The Company's Other business generates revenue from SAF charged to subscribers using the Company's legacy BlackBerry 7 and prior BlackBerry operating systems.

#### **Recent Developments**

The Company continued to execute on its strategy in fiscal 2022 and announced the following achievements:

##### *Products and Innovation:*

- Launched BlackBerry Optics 3.0, the Company's next-generation cloud-based EDR solution and BlackBerry Gateway, the Company's first AI-empowered ZTNA product;
- Announced that the Company was awarded the highest AAA Rating in SE Labs' Breach Response Test for BlackBerry Protect and BlackBerry Optics;
- Announced that Frost & Sullivan named BlackBerry an innovator in its US Healthcare Cybersecurity Market report;
- Launched BlackBerry Jarvis 2.0, the Company's updated software composition analysis tool;
- Announced that Frost & Sullivan named BlackBerry IVY an industry-leading cloud software platform for automakers and smart cities;
- Launched an autonomous flood risk and clean water monitoring solution based on BlackBerry AtHoc;
- Announced that BlackBerry AtHoc won the Frost & Sullivan 2021 Technology Innovation Leadership Award for safe city solutions; and
- Launched updated SecuSUITE capabilities to further secure group phone calls and messages.

##### *Customers and Partners:*

- Announced that the Company has design wins with 24 of the world's leading 25 Electric Vehicle (EV) automakers, increasing from 23 of the top 25 last quarter;
- Announced that BlackBerry QNX software is embedded in over 195 million vehicles;
- Announced that BlackBerry IVY will provide secure vehicle-based payment capability through a partnership with financial technology solution provider Car IQ;
- Launched the BlackBerry IVY Advisory Council to help shape and advise the BlackBerry IVY application development community and drive use case generation;
- Announced that Volvo Group has selected BlackBerry QNX for its Dynamic Software Platform;
- Announced that WM Motor has chosen BlackBerry QNX technologies to power its W6 all-electric SUV;
- Announced that the QNX Neutrino operating system has been adopted in a new digital LCD cluster jointly developed with BiTech Automotive (Wuhu) Co., Ltd. for Changan Automobile's new SUV, the UNI-K;
- Announced that Nobo Technologies selected QNX Neutrino as the foundation for the advanced Digital Cockpit Controller in Great Wall Motors' Haval H6S, the next generation of China's leading SUV;

- Announced that sTraffic has chosen the BlackBerry QNX® OS for Safety as the foundation for its Communications-based Train Control System (CBTC);
- Announced the integration of BlackBerry UEM with Microsoft 365;
- Announced that the Government of Canada has selected BlackBerry for their secure productivity and secure communications needs;
- Announced that BlackBerry and IBM Canada have established a new partnership to bring BlackBerry's industry leading BlackBerry Spark platform to organizations across Canada;
- Announced BlackBerry QNX and Carleton University have joined forces in a \$21 million partnership to train next generation of software engineers; and
- Announced that BlackBerry and the University of Waterloo have expanded their partnership to create a new joint innovation program.

*Environmental, Sustainability and Corporate Governance:*

- Appointed John Giamatteo as President of Cyber Security effective October 4, 2021;
- Announced the resignation of Tom Eacobacci as President and Chief Operating Officer effective October 29, 2021;
- Appointed Mattias Eriksson as President and General Manager of IoT; and
- Announced that the Company was named one of Canada's Greenest Employers for sixth year in a row.

**Segment Reporting**

As disclosed in Note 11 to the Consolidated Financial Statements, the Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by the chief operating decision maker ("CODM") for making decisions and assessing performance as a source of the Company's reportable operating segments. In the first quarter of fiscal 2022, the Company internally reorganized and, as a result, the CODM, who is the Executive Chair and CEO of the Company, began making decisions and assessing the performance of the Company using three operating segments, whereas the Company was previously a single operating segment.

**COVID-19**

The novel coronavirus ("COVID-19") pandemic has prompted extraordinary actions by governmental authorities throughout the world and has resulted in significant market volatility, uncertainty and economic disruption.

To protect the health and safety of the Company's employees, contractors, customers and visitors, during the first half of fiscal 2022 and throughout most of fiscal 2021, the Company mandated remote working, utilizing virtual meetings and suspending most employee travel. The Company also shifted customer, industry and other stakeholder events to virtual-only experiences, and may similarly alter, postpone or cancel other events in the future. The long-term impacts on the Company of substantially remote operations are uncertain.

The Company also implemented a series of temporary cost reduction measures to further preserve financial flexibility during the COVID-19 pandemic. In the second quarter of fiscal 2022, these actions included taking advantage of the broad-based employer relief provided by governments in Canada, the United States and other jurisdictions and the postponement of certain discretionary spending. The Company expects that savings from temporary cost reduction measures and governmental assistance related to the pandemic will continue to be lower in fiscal 2022 than in fiscal 2021.

In fiscal 2022 and fiscal 2021, the economic downturn and uncertainty caused by the COVID-19 pandemic and the measures undertaken to contain its spread have negatively affected the Company's QNX automotive software business, caused volatility in demand for many of the Company's other products and services, adversely affected the ability of the Company's sales and professional services teams to meet with customers and provide service, negatively impacted expected spending from new customers and increased sales cycle times.

Although the Company experienced higher Software & Services revenue in the first six months of fiscal 2022 compared to the first six months of fiscal 2021, when the COVID-19 pandemic first materially negatively impacted the Company's operations, and observed a recovery in both automotive design activities and production volumes during the first six months of fiscal 2022 on a year over year basis, the COVID-19 pandemic and related global chip shortage have had and, in fiscal 2022, may continue to have a material adverse impact on the Company's QNX automotive software business in particular and on the Company's business, results of operations and financial condition on a consolidated basis. The Company does not expect the COVID-19 pandemic and its related economic impact to materially adversely affect the Company's liquidity position.

The ultimate impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on, among other things, the pandemic's duration and severity, including resurgences in some geographic areas as a result of new strains and variants, the governmental restrictions that may be sustained or imposed in response to the pandemic, the effectiveness of actions taken to contain or mitigate the pandemic (including the distribution and efficacy of vaccines,

particularly against emergent viral variants), the impact of the global chip shortage and other supply chain constraints. The long-term impact of the COVID-19 pandemic on the Company's business may not be fully reflected until future periods.

The Company continues to evaluate the current and potential impact of the pandemic on its business, results of operations and consolidated financial statements, including potential asset impairment. The Company also continues to actively monitor developments and business conditions that may cause it to take further actions that alter business operations as may be required by applicable authorities or that the Company determines are in the best interests of its employees, customers, suppliers and stockholders.

## Second Quarter Fiscal 2022 Summary Results of Operations

The following table sets forth certain unaudited consolidated statements of operations data for the quarter ended August 31, 2021 compared to the quarter ended August 31, 2020 under U.S. GAAP:

	For the Three Months Ended (in millions, except for share and per share amounts)		
	August 31, 2021	August 31, 2020	Change
Revenue	\$ 175	\$ 259	\$ (84)
Gross margin	112	199	(87)
Operating expenses	253	221	32
Investment loss, net	(1)	(5)	4
Loss before income taxes	(142)	(27)	(115)
Provision for (recovery of) income taxes	2	(4)	6
Net loss	<u>\$ (144)</u>	<u>\$ (23)</u>	<u>\$ (121)</u>
Loss per share - reported			
Basic	<u>\$ (0.25)</u>	<u>\$ (0.04)</u>	
Diluted	<u>\$ (0.25)</u>	<u>\$ (0.04)</u>	
Weighted-average number of shares outstanding (000's)			
Basic <sup>(1)</sup>	568,082	558,882	
Diluted <sup>(2)</sup>	568,082	558,882	

<sup>(1)</sup> Basic loss per share on a U.S. GAAP basis for the second quarter of fiscal 2022 and second quarter of fiscal 2021 includes 1,421,945 and 2,802,067 common shares, respectively, to be issued on the anniversary dates of the Cylance acquisition completed on February 21, 2019, in consideration for the acquisition. There are no service or other requirements associated with the issuance of these shares.

<sup>(2)</sup> Diluted loss per share on a U.S. GAAP basis for the second quarter of fiscal 2022 and 2021 does not include the dilutive effect of the Debentures (defined below) or stock-based compensation, as to do so would be anti-dilutive. See Note 8 to the Consolidated Financial Statements for the Company's calculation of the diluted weighted average number of shares outstanding.

The following tables show information by operating segment for the three and six months ended August 31, 2021 and August 31, 2020. The Company reports segment information in accordance with U.S. GAAP Accounting Standards Codification Section 280 based on the "management" approach. The management approach designates the internal reporting used by the CODM for making decisions and assessing performance of the Company's reportable operating segments. See "Business Overview" for a description of the Company's operating segments, as well as Note 11 to the Consolidated Financial Statements.

	For the Three Months Ended (in millions)									Segment Totals		
	Cyber Security			IoT			Licensing and Other			August 31, 2021	August 31, 2020	Change
	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change			
Segment revenue	\$ 120	\$ 120	\$ —	\$ 40	\$ 31	\$ 9	\$ 15	\$ 108	\$ (93)	\$ 175	\$ 259	\$ (84)
Segment cost of sales	49	46	3	7	6	1	6	7	(1)	62	59	3
Segment gross margin	<u>\$ 71</u>	<u>\$ 74</u>	<u>\$ (3)</u>	<u>\$ 33</u>	<u>\$ 25</u>	<u>\$ 8</u>	<u>\$ 9</u>	<u>\$ 101</u>	<u>\$ (92)</u>	<u>\$ 113</u>	<u>\$ 200</u>	<u>\$ (87)</u>

For the Six Months Ended  
(in millions)

	Cyber Security			IoT			Licensing and Other			Segment Totals		
	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change
Segment revenue	\$ 227	\$ 239	\$(12)	\$ 83	\$ 60	\$ 23	\$ 39	\$ 166	\$(127)	\$ 349	\$ 465	\$(116)
Segment cost of sales	95	93	2	14	12	2	12	15	(3)	121	120	1
Segment gross margin	\$ 132	\$ 146	\$(14)	\$ 69	\$ 48	\$ 21	\$ 27	\$ 151	\$(124)	\$ 228	\$ 345	\$(117)

The following tables reconcile the Company's segment results for the three and six months ended August 31, 2021 to consolidated U.S. GAAP results:

For the Three Months Ended August 31, 2021  
(in millions)

	Cyber Security	IoT	Licensing and Other	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 120	\$ 40	\$ 15	\$ 175	\$ —	\$ 175
Cost of sales <sup>(1)</sup>	49	7	6	62	1	63
Gross margin	\$ 71	\$ 33	\$ 9	\$ 113	\$ (1)	\$ 112
Operating expenses					253	253
Investment loss, net					1	1
Loss before income taxes						\$ (142)

For the Six Months Ended August 31, 2021  
(in millions)

	Cyber Security	IoT	Licensing and Other	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 227	\$ 83	\$ 39	\$ 349	\$ —	\$ 349
Cost of sales <sup>(1)</sup>	95	14	12	121	2	123
Gross margin	\$ 132	\$ 69	\$ 27	\$ 228	\$ (2)	\$ 226
Operating expenses					425	425
Investment loss, net					3	3
Loss before income taxes						\$ (202)

<sup>(1)</sup> See "Non-GAAP Financial Measures" for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three and six months ended August 31, 2021.

The following tables reconcile the Company's segment results for the three and six months ended August 31, 2020 to consolidated U.S. GAAP results:

For the Three Months Ended August 31, 2020  
(in millions)

	Cyber Security	IoT	Licensing and Other	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 120	\$ 31	\$ 108	\$ 259	\$ —	\$ 259
Cost of sales <sup>(1)</sup>	46	6	7	59	1	60
Gross margin	\$ 74	\$ 25	\$ 101	\$ 200	\$ (1)	\$ 199
Operating expenses					221	221
Investment loss, net					5	5
Loss before income taxes						\$ (27)

For the Six Months Ended August 31, 2020  
(in millions)

	Cyber Security	IoT	Licensing and Other	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 239	\$ 60	\$ 166	\$ 465	\$ —	\$ 465
Cost of sales <sup>(1)</sup>	93	12	15	120	3	123
Gross margin	\$ 146	\$ 48	\$ 151	\$ 345	\$ (3)	\$ 342
Operating expenses					1,009	1,009
Investment loss, net					5	5
Loss before income taxes						\$ (672)

<sup>(1)</sup> See "Non-GAAP Financial Measures" for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three and six months ended August 31, 2020.

### Financial Highlights

The Company had approximately \$772 million in cash, cash equivalents and investments as of August 31, 2021 and \$804 million in cash, cash equivalents and investments as of February 28, 2021.

In the second quarter of fiscal 2022, the Company recognized revenue of \$175 million and incurred a net loss of \$144 million, or \$0.25 basic and diluted loss per share on a U.S. GAAP basis. In the second quarter of fiscal 2021, the Company recognized revenue of \$259 million and incurred a net loss of \$23 million, or \$0.04 basic and diluted loss per share on a U.S. GAAP basis.

The Company recognized an adjusted net loss of \$33 million, and an adjusted loss of \$0.06 per share, in the second quarter of fiscal 2022. The Company recognized adjusted net income of \$58 million, and adjusted earnings of \$0.10 per share, in the second quarter of fiscal 2021. See "Non-GAAP Financial Measures" below.

### Debentures Fair Value Adjustment

As previously disclosed, the Company elected the fair value option to account for its outstanding 1.75% unsecured convertible debentures (the "1.75% Debentures") and its previously outstanding 3.75% outstanding convertible debentures (the "3.75% Debentures" and collectively, the "Debentures"); therefore, periodic revaluation has been and continues to be required under U.S. GAAP. The fair value adjustment does not impact the terms of the Debentures such as the face value, the redemption features or the conversion price.

As at August 31, 2021, the fair value of the 1.75% Debentures was approximately \$782 million, an increase of approximately \$67 million during the second quarter of fiscal 2022. For the three months ended August 31, 2021, the Company recorded a non-cash charge relating to changes in fair value from non-credit components of \$67 million (pre-tax and after tax) (the "Q2 Fiscal 2022 Debentures Fair Value Adjustment") in the Company's consolidated statements of operations and non-cash income relating to changes in fair value from instrument specific credit risk of nil in Other Comprehensive Loss ("OCL") relating to the 1.75% Debentures. For the six months ended August 31, 2021, the Company recorded a non-cash charge relating to changes in fair value from non-credit components of \$63 million (pre-tax and after tax) (the "Fiscal 2022 Debentures Fair Value Adjustment") in the Company's consolidated statements of operations and non-cash income relating to changes in fair value from instrument specific credit risk of \$1 million in OCL relating to the 1.75% Debentures. See Note 6 to the Consolidated Financial Statements for further details on the 1.75% Debentures.

## Non-GAAP Financial Measures

The Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, and information contained in this MD&A is presented on that basis. On September 22, 2021, the Company announced financial results for the three and six months ended August 31, 2021, which included certain non-GAAP financial measures, including adjusted gross margin, adjusted gross margin percentage, adjusted operating expense, adjusted operating income (loss), adjusted EBITDA, adjusted operating income (loss) margin percentage, adjusted EBITDA margin percentage, adjusted net income (loss), adjusted income (loss) per share, adjusted research and development expense, adjusted selling, marketing and administrative expense and adjusted amortization expense.

In the Company's internal reports, management evaluates the performance of the Company's business on a non-GAAP basis by excluding the impact of certain items below from the Company's U.S. GAAP financial results. The Company believes that these non-GAAP measures provide management, as well as readers of the Company's financial statements, with a consistent basis for comparison across accounting periods and is useful in helping management and readers understand the Company's operating results and underlying operational trends. In the first quarter of fiscal 2022, the Company discontinued its use of software deferred revenue acquired and software deferred commission acquired adjustments in its non-GAAP financial measures due to the quantitative decline in the adjustments over time. For purposes of comparability, the Company's non-GAAP financial measures for the three and six months ended August 31, 2020 have been updated to conform to the current year's presentation.

- *Debentures fair value adjustment.* The Company has elected to measure its Debentures outstanding at fair value in accordance with the fair value option under U.S. GAAP. Each period, the fair value of the Debentures is recalculated and resulting non-cash income and charges from the change in fair value from non-credit components of the Debentures are recognized in income. The amount can vary each period depending on changes to the Company's share price. This is not indicative of the Company's core operating performance, and may not be meaningful in comparison to the Company's past operating performance.
- *Restructuring charges.* The Company believes that restructuring costs relating to employee termination benefits and facilities pursuant to the Resource Allocation Program ("RAP") entered into in order to transition the Company from a legacy hardware manufacturer to a licensing driven software business do not reflect expected future operating expenses, are not indicative of the Company's core operating performance, and may not be meaningful in comparison to the Company's past operating performance.
- *Stock compensation expenses.* Equity compensation is a non-cash expense and does not impact the ongoing operating decisions taken by the Company's management.
- *Amortization of acquired intangible assets.* When the Company acquires intangible assets through business combinations, the assets are recorded as part of purchase accounting and contribute to revenue generation. Such acquired intangible assets depreciate over time and the related amortization will recur in future periods until the assets have been fully amortized. This is not indicative of the Company's core operating performance, and may not be meaningful in comparison to the Company's past operating performance.
- *Long-lived asset impairment charge.* The Company believes that long-lived asset impairment charges do not reflect expected future operating expenses, are not indicative of the Company's core operating performance, and may not be meaningful in comparison to the Company's past operating performance.
- *Goodwill impairment charge.* The Company believes that goodwill impairment charge does not reflect expected future operating expenses, is not indicative of the Company's core operating performance, and may not be meaningful in comparison to the Company's past operating performance.

On a U.S. GAAP basis, the impact of these items is reflected in the Company's income statement. However, the Company believes that the provision of supplemental non-GAAP measures allow investors to evaluate the financial performance of the Company's business using the same evaluation measures that management uses, and is therefore a useful indication of the Company's performance or expected performance of future operations and facilitates period-to-period comparison of operating performance. As a result, the Company considers it appropriate and reasonable to provide, in addition to U.S. GAAP measures, supplementary non-GAAP financial measures that exclude certain items from the presentation of its financial results.

**Reconciliation of non-GAAP based measures with most directly comparable U.S. GAAP based measures for the three months ended August 31, 2021 and August 31, 2020**

Readers are cautioned that adjusted gross margin, adjusted gross margin percentage, adjusted operating expense, adjusted operating income (loss), adjusted EBITDA, adjusted operating income (loss) margin percentage, adjusted EBITDA margin percentage, adjusted net income (loss), adjusted income (loss) per share, adjusted research and development expense, adjusted selling, marketing and administrative expense and adjusted amortization expense and similar measures do not have any standardized meaning prescribed by U.S. GAAP and are therefore unlikely to be comparable to similarly titled measures reported by other companies. These non-GAAP financial measures should be considered in the context of the U.S. GAAP results, which are described in this MD&A and presented in the Consolidated Financial Statements.

A reconciliation of the most directly comparable U.S. GAAP financial measures for the three months ended August 31, 2021 and August 31, 2020 to adjusted financial measures is reflected in the table below:

For the Three Months Ended (in millions)	August 31, 2021	August 31, 2020
<b>Gross margin</b>	\$ 112	\$ 199
Stock compensation expense	1	1
<b>Adjusted gross margin</b>	<u>\$ 113</u>	<u>\$ 200</u>
<b>Gross margin %</b>	64.0 %	76.8 %
Stock compensation expense	0.6 %	0.4 %
<b>Adjusted gross margin %</b>	<u>64.6 %</u>	<u>77.2 %</u>

Reconciliation of operating expense for the three months ended August 31, 2021, May 31, 2021 and August 31, 2020 to adjusted operating expense is reflected in the table below:

For the Three Months Ended (in millions)	August 31, 2021	May 31, 2021	August 31, 2020
<b>Operating expense</b>	\$ 253	\$ 172	\$ 221
Restructuring charges	—	—	1
Stock compensation expense	11	6	8
Debentures fair value adjustment <sup>(1)</sup>	67	(4)	18
Acquired intangibles amortization	32	32	32
LLA impairment charge	—	—	21
<b>Adjusted operating expense</b>	<u>\$ 143</u>	<u>\$ 138</u>	<u>\$ 141</u>

<sup>(1)</sup> See “Second Quarter Fiscal 2022 Summary Results of Operations - Financial Highlights - Debentures Fair Value Adjustment”

Reconciliation of U.S. GAAP net loss and U.S. GAAP basic loss per share for the three months ended August 31, 2021 and August 31, 2020 to adjusted net income (loss) and adjusted basic earnings (loss) per share is reflected in the table below:

For the Three Months Ended (in millions, except per share amounts)	August 31, 2021		August 31, 2020	
		Basic loss per share		Basic earnings (loss) per share
<b>Net loss</b>	\$ (144)	\$(0.25)	\$ (23)	\$(0.04)
Restructuring charges	—		1	
Stock compensation expense	12		9	
Debentures fair value adjustment	67		18	
Acquired intangibles amortization	32		32	
LLA impairment charge	—		21	
<b>Adjusted net income (loss)</b>	<u>\$ (33)</u>	<u>\$(0.06)</u>	<u>\$ 58</u>	<u>\$0.10</u>

Reconciliation of U.S. GAAP research and development, selling, marketing and administration, and amortization expense for the three months ended August 31, 2021 and August 31, 2020 to adjusted research and development, selling, marketing and administration, and amortization expense is reflected in the table below:

For the Three Months Ended (in millions)	August 31, 2021	August 31, 2020
<b>Research and development</b>	\$ 58	\$ 57
Stock compensation expense	2	2
<b>Adjusted research and development</b>	\$ 56	\$ 55
<b>Selling, marketing and administration</b>	\$ 83	\$ 79
Restructuring charges	—	1
Stock compensation expense	9	6
<b>Adjusted selling, marketing and administration</b>	\$ 74	\$ 72
<b>Amortization</b>	\$ 45	\$ 46
Acquired intangibles amortization	32	32
<b>Adjusted amortization</b>	\$ 13	\$ 14

Adjusted operating income (loss), adjusted EBITDA, adjusted operating income (loss) margin percentage and adjusted EBITDA margin percentage for the three months ended August 31, 2021 and August 31, 2020 are reflected in the table below.

For the Three Months Ended (in millions)	August 31, 2021	August 31, 2020
<b>Operating loss</b>	\$ (141)	\$ (22)
Non-GAAP adjustments to operating loss		
Restructuring charges	—	1
Stock compensation expense	12	9
Debentures fair value adjustment	67	18
Acquired intangibles amortization	32	32
LLA impairment charge	—	21
Total non-GAAP adjustments to operating loss	111	81
<b>Adjusted operating income (loss)</b>	(30)	59
Amortization	48	50
Acquired intangibles amortization	(32)	(32)
<b>Adjusted EBITDA</b>	\$ (14)	\$ 77
<b>Revenue</b>	\$ 175	\$ 259
<b>Adjusted operating income (loss) margin % <sup>(1)</sup></b>	(17%)	23%
<b>Adjusted EBITDA margin % <sup>(2)</sup></b>	(8%)	30%

<sup>(1)</sup> Adjusted operating income (loss) margin % is calculated by dividing adjusted operating income (loss) by revenue

<sup>(2)</sup> Adjusted EBITDA margin % is calculated by dividing adjusted EBITDA by revenue

**Reconciliation of non-GAAP based measures with most directly comparable U.S. GAAP based measures for the six months ended August 31, 2021 and August 31, 2020.**

A reconciliation of the most directly comparable U.S. GAAP financial measures for the six months ended August 31, 2021 and August 31, 2020 to adjusted financial measures is reflected in the table below:

For the Six Months Ended (in millions)	August 31, 2021		August 31, 2020	
<b>Gross margin</b>	\$	226	\$	342
Stock compensation expense		2		3
<b>Adjusted gross margin</b>	\$	228	\$	345
<b>Gross margin %</b>		64.8 %		73.5 %
Stock compensation expense		0.5 %		0.7 %
<b>Adjusted gross margin %</b>		65.3 %		74.2 %
<b>Operating expense</b>	\$	425	\$	1,009
Restructuring charges		—		2
Stock compensation expense		17		20
Debentures fair value adjustment <sup>(1)</sup>		63		19
Acquired intangibles amortization		64		65
Goodwill impairment charge		—		594
LLA impairment charge		—		21
<b>Adjusted operating expense</b>	\$	281	\$	288

<sup>(1)</sup> See “Second Quarter Fiscal 2022 Summary Results of Operations - Financial Highlights - Debentures Fair Value Adjustment”

Reconciliation of U.S. GAAP net loss and U.S. GAAP basic loss per share for the six months ended August 31, 2021 and August 31, 2020 to adjusted net income (loss) and adjusted basic earnings (loss) per share is reflected in the table below:

For the Six Months Ended (in millions, except per share amounts)	August 31, 2021		August 31, 2020	
		<b>Basic loss per share</b>		<b>Basic earnings (loss) per share</b>
<b>Net loss</b>	\$	(206)	\$(0.36)	\$ (659)
Restructuring charges		—		2
Stock compensation expense		19		23
Debentures fair value adjustment		63		19
Acquired intangibles amortization		64		65
Goodwill impairment charge		—		594
LLA impairment charge		—		21
<b>Adjusted net income (loss)</b>	\$	(60)	\$(0.11)	\$ 65
				\$0.12

Reconciliation of U.S. GAAP research and development, selling, marketing and administration, and amortization expense for the six months ended August 31, 2021 and August 31, 2020 to adjusted research and development, selling, marketing and administration, and amortization expense is reflected in the table below:

For the Six Months Ended (in millions)	August 31, 2021	August 31, 2020
<b>Research and development</b>	\$ 115	\$ 114
Stock compensation expense	4	5
<b>Adjusted research and development</b>	\$ 111	\$ 109
<b>Selling, marketing and administration</b>	\$ 156	\$ 169
Restructuring charges	—	2
Stock compensation expense	13	15
<b>Adjusted selling, marketing and administration</b>	\$ 143	\$ 152
<b>Amortization</b>	\$ 91	\$ 92
Acquired intangibles amortization	64	65
<b>Adjusted amortization</b>	\$ 27	\$ 27

Adjusted operating income (loss), adjusted EBITDA, adjusted operating income (loss) margin percentage and adjusted EBITDA margin percentage for the six months ended August 31, 2021 and August 31, 2020 are reflected in the table below.

For the Six Months Ended (in millions)	August 31, 2021	August 31, 2020
<b>Operating loss</b>	\$ (199)	\$ (667)
Non-GAAP adjustments to operating loss		
Restructuring charges	—	2
Stock compensation expense	19	23
Debentures fair value adjustment	63	19
Acquired intangibles amortization	64	65
Goodwill impairment charge	—	594
LLA impairment charge	—	21
Total non-GAAP adjustments to operating loss	146	724
<b>Adjusted operating income (loss)</b>	(53)	57
Amortization	97	100
Acquired intangibles amortization	(64)	(65)
<b>Adjusted EBITDA</b>	\$ (20)	\$ 92
<b>Revenue</b>	\$ 349	\$ 465
<b>Adjusted operating income (loss) margin % <sup>(1)</sup></b>	(15%)	12%
<b>Adjusted EBITDA margin % <sup>(2)</sup></b>	(6%)	20%

<sup>(1)</sup> Adjusted operating income (loss) margin % is calculated by dividing adjusted operating income (loss) by revenue

<sup>(2)</sup> Adjusted EBITDA margin % is calculated by dividing adjusted EBITDA by revenue

## Key Metrics

The Company regularly monitors a number of financial and operating metrics, including the following key metrics, in order to measure the Company's current performance and estimate future performance. Readers are cautioned that annual recurring revenue ("ARR"), dollar-based net retention rate ("DBNRR"), billings, recurring revenue percentage, and free cash flow do not have any standardized meaning and are unlikely to be comparable to similarly titled measures reported by other companies. In the first quarter of fiscal 2022, the Company discontinued its use of software deferred revenue acquired in its key metrics as the

Company no longer reports non-GAAP revenue. For purposes of comparability, the Company's key metrics for the three months ended August 31, 2020 have been updated to conform to the current year's presentation.

Comparative breakdowns of certain key metrics for the three months ended August 31, 2021 and August 31, 2020 are set forth below.

For the Three Months Ended (in millions)	August 31, 2021		August 31, 2020		Change
<b>Annual Recurring Revenue</b>					
Cyber Security	\$	364	\$	367	\$ (3)
IoT	\$	89	\$	92	\$ (3)
<b>Dollar-Based Net Retention Rate</b>					
Cyber Security		95 %		100 %	(5%)
<b>Recurring Software Product Revenue</b>		~ 80%		~ 90%	~ 10%

### ***Annual Recurring Revenue***

The Company defines ARR as the annualized value of all subscription, term, maintenance, services, and royalty contracts that generate recurring revenue as of the end of the reporting period. The Company uses ARR as an indicator of business momentum for software and services.

Cyber Security ARR was approximately \$364 million in the second quarter of fiscal 2022, consistent with the first quarter of fiscal 2022 and decreased compared to \$367 million in the second quarter of fiscal 2021.

IoT ARR was approximately \$89 million in the second quarter of fiscal 2022 and increased compared to \$86 million in the first quarter of fiscal 2022 and decreased compared to \$92 million the second quarter of fiscal 2021.

### ***Dollar-Based Net Retention Rate***

The Company calculates the DBNRR as of period end by first calculating the ARR from the customer base as at 12 months prior to the current period end ("Prior Period ARR"). The Company then calculates the ARR for the same cohort of customers as at the current period end ("Current Period ARR"). The Company then divides the Current Period ARR by the Prior Period ARR to calculate the DBNRR.

Cyber Security DBNRR was 95% in the second quarter of fiscal 2022 and increased compared to 94% in the first quarter of fiscal 2022 and decreased compared to 100% in second quarter of fiscal 2021.

### ***Billings***

The Company defines billings as amounts invoiced less credits issued. The Company considers billings to be a useful metric because billings drive deferred revenue, which is an important indicator of the health and visibility of the business, and represents a significant percentage of future revenue.

Total Company billings increased in the second quarter of fiscal 2022 compared to the first quarter of fiscal 2022 and decreased compared to the second quarter of fiscal 2021.

The Company expects sequential billings growth for Cyber Security for the remainder of fiscal 2022.

### ***Recurring Software Product Revenue***

The Company defines recurring software product revenue percentage as recurring software product revenue divided by total software and services revenue. Recurring software product revenue is comprised of subscription and term licenses, maintenance arrangements, royalty arrangements and perpetual licenses recognized ratably under ASC 606. Total software and services revenue is comprised of recurring product revenue, non-recurring product revenue and professional services. The Company uses recurring software product revenue percentage to provide visibility into the revenue expected to be recognized in the current and future periods.

Total adjusted Software and Services product revenue, excluding professional services, was approximately 80% recurring in the second quarter of fiscal 2022 and decreased compared to approximately 90% recurring in the first quarter of fiscal 2022 and the second quarter of fiscal 2021 due to product mix.

### ***Free Cash Flow***

Free cash flow is a measure of liquidity calculated as net operating cash flow minus capital expenditures. Free cash flow does not have any standardized meaning as prescribed by U.S. GAAP and therefore may not be comparable to similar measures presented by other companies. The Company uses free cash flow when assessing its sources of liquidity, capital resources, and

quality of earnings. Free cash flow is helpful in understanding the Company's capital requirements and provides an additional means to reflect the cash flow trends in the Company's business. For the three months ended August 31, 2021, the Company's net cash generated by operating activities was \$12 million and capital expenditures were \$2 million, resulting in the Company reporting free cash flow of \$10 million compared to net cash generated by operating activities of \$31 million, capital expenditures of \$2 million, and free cash flow of \$29 million for the three months ended August 31, 2020.

## Results of Operations - Three months ended August 31, 2021 compared to the three months ended August 31, 2020

### Revenue

#### Revenue by Segment

Comparative breakdowns of revenue by segment are set forth below.

	For the Three Months Ended (in millions)		
	August 31, 2021	August 31, 2020	Change
<b>Revenue by Segment</b>			
Cyber Security	\$ 120	\$ 120	\$ —
IoT	40	31	9
Licensing and Other	15	108	(93)
	<u>\$ 175</u>	<u>\$ 259</u>	<u>\$ (84)</u>
<b>% Revenue by Segment</b>			
Cyber Security	68.6 %	46.3 %	
IoT	22.9 %	12.0 %	
Licensing and Other	8.5 %	41.7 %	
	<u>100.0 %</u>	<u>100.0 %</u>	

#### Cyber Security

Cyber Security revenue was \$120 million, or 68.6% of revenue, in the second quarter of fiscal 2022, compared to \$120 million, or 46.3% of revenue, in the second quarter of fiscal 2021. An increase of \$11 million related to the sale of Secusmart solutions was offset by a decrease of \$9 million relating to product revenue in BlackBerry Spark, and a decrease of \$3 million relating to professional services.

The Company expects modest sequential Cyber Security revenue growth for the remainder of fiscal 2022.

#### IoT

IoT revenue was \$40 million, or 22.9% of revenue, in the second quarter of fiscal 2022, an increase of \$9 million compared to \$31 million, or 12.0% of revenue, in the second quarter of fiscal 2021. The increase in IoT revenue of \$9 million was primarily due to an increase of \$6 million in BlackBerry QNX royalty revenue due to the partial recovery of the automotive market from the slowdown related to the COVID-19 pandemic in the second quarter of fiscal 2021, an increase of \$3 million in development seat revenue and an increase of \$1 million relating to professional services revenue.

#### Licensing and Other

Licensing and Other revenue was \$15 million, or 8.5% of revenue, in the second quarter of fiscal 2022, a decrease of \$93 million compared to \$108 million, or 41.7% of revenue, in the second quarter of fiscal 2021. The decrease in Licensing and Other revenue of \$93 million was primarily due to a decrease in revenue from the Company's intellectual property licensing arrangements including its patent licensing agreement with Telety.

The Company previously stated that, assuming the potential sale of a portion of the Company's patent portfolio process concludes in the middle of fiscal 2022 without the completion of a transaction, the Company would resume its prior monetization activities and expected that Licensing and Other revenue would be approximately \$100 million in fiscal 2022. The Company now expects that the ongoing patent sale process, and associated restrictions on monetization activity, will continue for the remainder of the fiscal year and that, therefore, Licensing and Other revenue will be approximately \$10 million in each of the third and fourth quarters of fiscal 2022 and approximately \$60 million in fiscal 2022.

## Revenue by Geography

Comparative breakdowns of the geographic regions are set forth in the following table:

	For the Three Months Ended (in millions)		
	August 31, 2021	August 31, 2020	Change
<b>Revenue by Geography</b>			
North America	\$ 101	\$ 195	\$ (94)
Europe, Middle East and Africa	57	48	9
Other regions	17	16	1
	<u>\$ 175</u>	<u>\$ 259</u>	<u>\$ (84)</u>
<b>% Revenue by Geography</b>			
North America	57.7 %	75.3 %	
Europe, Middle East and Africa	32.6 %	18.5 %	
Other regions	9.7 %	6.2 %	
	<u>100.0 %</u>	<u>100.0 %</u>	

### North America Revenue

Revenue in North America was \$101 million, or 57.7% of revenue, in the second quarter of fiscal 2022, reflecting a decrease of \$94 million compared to \$195 million, or 75.3% of revenue, in the second quarter of fiscal 2021. Revenue in North America decreased compared to the second quarter of fiscal 2021 primarily due to a decrease of \$92 million in Licensing and Other revenue due to the reasons discussed above in “Revenue by Segment”, a decrease of \$6 million in product revenue in BlackBerry Spark, partially offset by an increase of \$5 million in BlackBerry QNX royalty revenue due to the reasons discussed above in “Revenue by Segment”.

### Europe, Middle East and Africa Revenue

Revenue in Europe, Middle East and Africa was \$57 million or 32.6% of revenue in the second quarter of fiscal 2022, reflecting an increase of \$9 million compared to \$48 million or 18.5% of revenue in the second quarter of fiscal 2021. The increase in revenue is primarily due to an increase of \$11 million related to the sale of Secusmart solutions, an increase of \$2 million in development seat revenue and an increase of \$1 million in BlackBerry QNX royalty revenue due to the reasons discussed above in “Revenue by Segment”, partially offset by a decrease of \$4 million in product revenue in BlackBerry Spark.

### Other Regions Revenue

Revenue in other regions was \$17 million or 9.7% of revenue in the second quarter of fiscal 2022, reflecting an increase of \$1 million compared to \$16 million or 6.2% of revenue in the second quarter of fiscal 2021. The increase in revenue is primarily due to an increase of \$1 million in development seat revenue.

## **Gross Margin**

### *Consolidated Gross Margin*

Consolidated gross margin decreased by \$87 million to approximately \$112 million in the second quarter of fiscal 2022 from \$199 million in the second quarter of fiscal 2021. The decrease was primarily due to a decrease in revenue from Licensing and Other and BlackBerry Spark, partially offset by an increase in revenue from BlackBerry QNX and Secusmart due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

### *Consolidated Gross Margin Percentage*

Consolidated gross margin percentage decreased by 12.8% to approximately 64.0% of consolidated revenue in the second quarter of fiscal 2022 from 76.8% of consolidated revenue in the second quarter of fiscal 2021. The decrease was primarily due to a lower gross margin contribution from Licensing and Other due to the reasons discussed above in “Revenue by Segment”, partially offset by a higher gross margin contribution from BlackBerry QNX due to the reasons discussed above in “Revenue by Segment”.

## Gross Margin by Segment

See “Business Overview” and “Second Quarter Fiscal 2022 Summary Results of Operations” for information about the Company’s operating segments and the basis of operating segment results.

	For the Three Months Ended (in millions)											
	Cyber Security			IoT			Licensing and Other			Segment Totals		
	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change
Segment revenue	\$ 120	\$ 120	\$ —	\$ 40	\$ 31	\$ 9	\$ 15	\$ 108	\$(93)	\$ 175	\$ 259	\$(84)
Segment cost of sales	49	46	3	7	6	1	6	7	(1)	62	59	3
Segment gross margin	\$ 71	\$ 74	\$ (3)	\$ 33	\$ 25	\$ 8	\$ 9	\$ 101	\$(92)	\$ 113	\$ 200	\$(87)
Segment gross margin %	59 %	62 %	(3%)	83 %	81 %	2 %	60 %	94 %	(34%)	65 %	77 %	(12%)

### Cyber Security

Cyber Security gross margin decreased by \$3 million to approximately \$71 million in the second quarter of fiscal 2022 from \$74 million in the second quarter of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

Cyber Security gross margin percentage decreased by 3% to approximately 59% of Cyber Security revenue in the second quarter of fiscal 2022 from 62% of Cyber Security revenue in the second quarter of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”.

### IoT

IoT gross margin increased by \$8 million to approximately \$33 million in the second quarter of fiscal 2022 from \$25 million in the second quarter of fiscal 2021. The increase was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

IoT gross margin percentage increased by 2% to approximately 83% of IoT revenue in the second quarter of fiscal 2022 from 81% of IoT revenue in the second quarter of fiscal 2021. The increase was primarily due to an increase in BlackBerry QNX royalty revenue, which has a higher relative gross margin percentage, due to the reasons discussed above in “Revenue by Segment”.

### Licensing and Other

Licensing and Other gross margin decreased by \$92 million to approximately \$9 million in the second quarter of fiscal 2022 from \$101 million in the second quarter of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

Licensing and Other gross margin percentage decreased by 34% to approximately 60% of Licensing and Other revenue in the second quarter of fiscal 2022 from 94% of Licensing and Other revenue in the second quarter of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”.

## Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expenses for the quarter ended August 31, 2021, compared to the quarter ended May 31, 2021 and the quarter ended August 31, 2020. The Company believes it is meaningful to provide a sequential comparison between the second quarter of fiscal 2022 and the first quarter of fiscal 2022.

	For the Three Months Ended (in millions)		
	August 31, 2021	May 31, 2021	August 31, 2020
<b>Revenue</b>	\$ 175	\$ 174	\$ 259
<b>Operating expenses</b>			
Research and development	58	57	57
Selling, marketing and administration	83	73	79
Amortization	45	46	46
Impairment of long-lived assets	—	—	21
Debentures fair value adjustment	67	(4)	18
<b>Total</b>	<u>\$ 253</u>	<u>\$ 172</u>	<u>\$ 221</u>
<b>Operating Expenses as % of Revenue</b>			
Research and development	33.1%	32.8%	22.0%
Selling, marketing and administration	47.4%	42.0%	30.5%
Amortization	25.7%	26.4%	17.8%
Impairment of long-lived assets	—%	—%	8.1%
Debentures fair value adjustment	38.3%	(2.3%)	6.9%
<b>Total</b>	<u>144.6 %</u>	<u>98.9 %</u>	<u>85.3 %</u>

See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three months ended August 31, 2021, May 31, 2021 and August 31, 2020.

### U.S. GAAP Operating Expenses

Operating expenses increased by \$81 million, or 47.1%, to \$253 million, or 144.6% of revenue, in the second quarter of fiscal 2022, compared to \$172 million, or 98.9% of revenue, in the first quarter of fiscal 2022. The increase was primarily attributable to the difference between the Q2 Fiscal 2022 Debentures Fair Value Adjustment and the fair value adjustment related to the Debentures incurred in the first quarter of fiscal 2022 of \$71 million, an increase of \$6 million in stock compensation expenses, a decrease in benefits of \$4 million in government subsidies resulting from claims filed for the Canada Emergency Wage Subsidy (“CEWS”) program to support the business through the COVID-19 pandemic and an increase of \$3 million in the Company’s deferred share unit costs, partially offset by a decrease of \$7 million in legal expenses.

Operating expenses increased by \$32 million, or 14.5%, to \$253 million, or 144.6% of revenue, in the second quarter of fiscal 2022, compared to \$221 million, or 85.3% of revenue, in the second quarter of fiscal 2021. The increase was primarily attributable the difference between the Q2 Fiscal 2022 Debentures Fair Value Adjustment and the fair value adjustment related to the Debentures incurred in the second quarter of fiscal 2021 of \$49 million, a decrease in benefits of \$7 million in CEWS funding and an increase of \$4 million in stock compensation expenses, partially offset by long-lived asset impairment of \$21 million in the second quarter of fiscal 2021 which did not recur and a decrease of \$7 million in legal expenses.

### Adjusted Operating Expenses

Adjusted operating expenses increased by \$5 million, or 3.6%, to \$143 million in the second quarter of fiscal 2022 compared to \$138 million in the first quarter of fiscal 2022. The increase was primarily attributable to a decrease in benefits of \$4 million in CEWS funding, an increase of \$3 million in the Company’s deferred share unit costs and a reversal of previously accrued liabilities of \$3 million in the first quarter of fiscal 2021 which did not recur, partially offset by a decrease of \$7 million in legal expenses.

Adjusted operating expenses increased by \$2 million, or 1.4%, to \$143 million in the second quarter of fiscal 2022, compared to \$141 million in the second quarter of fiscal 2021. The increase was primarily attributable to a decrease in benefits of \$7 million in CEWS funding, an increase of \$2 million in the Company’s deferred share unit costs and an increase of \$2 million in

variable incentive plan costs, partially offset by a decrease of \$7 million in legal expenses and a decrease of \$4 million in salaries and benefits expenses.

#### *Research and Development Expenses*

Research and development expenses consist primarily of salaries and benefits costs for technical personnel, new product development costs, travel expenses, office and building costs, infrastructure costs and other employee costs.

Research and development expenses increased by \$1 million, or 1.8%, to \$58 million in the second quarter of fiscal 2022 compared to \$57 million in the second quarter of fiscal 2021. This increase was primarily attributable to the increase of \$1 million in variable incentive plan costs and an increase of \$1 million in infrastructure costs, partially offset by a decrease of \$1 million in operating lease costs.

Adjusted research and development expenses increased by \$1 million, or 1.8%, to \$56 million in the second quarter of fiscal 2022 compared to \$55 million in the second quarter of fiscal 2021. The increase was primarily attributable to the increase of \$1 million in infrastructure costs, partially offset by a decrease of \$1 million in operating lease costs.

#### *Selling, Marketing and Administration Expenses*

Selling, marketing and administration expenses consist primarily of marketing, advertising and promotion, salaries and benefits, external advisory fees, information technology costs, office and related staffing infrastructure costs and travel expenses.

Selling, marketing and administration expenses increased by \$4 million, or 5.1%, to \$83 million in the second quarter of fiscal 2022 compared to \$79 million in the second quarter of fiscal 2021. This increase was primarily attributable to a decrease in benefits of \$7 million in CEWS funding, an increase of \$4 million in stock compensation expenses, an increase of \$2 million in variable incentive costs and an increase of \$2 million in the Company's deferred share unit costs, partially offset by a decrease of \$7 million in legal expenses and a decrease of \$5 million in salaries and benefits expenses.

Adjusted selling, marketing and administration expenses increased by \$2 million, or 2.8%, to \$74 million in the second quarter of fiscal 2022 compared to \$72 million in the second quarter of fiscal 2021. This increase was primarily attributable to a decrease in benefits of \$7 million in CEWS funding, an increase of \$2 million in the Company's deferred share unit costs, an increase of \$2 million in variable incentive costs and unfavorable foreign currency translation of \$2 million, partially offset by a decrease of \$7 million in legal expenses and a decrease of \$5 million in salaries and benefits expenses.

#### *Amortization Expense*

The table below presents a comparison of amortization expense relating to property, plant and equipment and intangible assets recorded as amortization or cost of sales for the quarter ended August 31, 2021 compared to the quarter ended August 31, 2020. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Three Months Ended (in millions)		
	Included in Operating Expense		
	August 31, 2021	August 31, 2020	Change
Property, plant and equipment	\$ 3	\$ 5	\$ (2)
Intangible assets	42	41	1
<b>Total</b>	<b>\$ 45</b>	<b>\$ 46</b>	<b>\$ (1)</b>
	Included in Cost of Sales		
	August 31, 2021	August 31, 2020	Change
	Property, plant and equipment	\$ 1	\$ 1
Intangible assets	2	3	(1)
<b>Total</b>	<b>\$ 3</b>	<b>\$ 4</b>	<b>\$ (1)</b>

#### Amortization included in Operating Expense

Amortization expense relating to property, plant and equipment and certain intangible assets decreased by \$1 million to \$45 million in the second quarter of fiscal 2022 compared to \$46 million in the second quarter of fiscal 2021. The decrease in amortization expense was due to the lower cost base of assets.

Adjusted amortization decreased by \$1 million to \$13 million in the second quarter of fiscal 2022 compared to \$14 million in the second quarter of fiscal 2021 due to the lower cost base of assets.

### Amortization included in Cost of Sales

Amortization expense relating to certain property, plant and equipment and certain intangible assets employed in the Company's service operations decreased by \$1 million to \$3 million in the second quarter of fiscal 2022 compared to \$4 million in the second quarter of fiscal 2021. The decrease in amortization expense was due to the lower cost base of assets.

### ***Investment Loss, Net***

Investment loss, net, which includes the interest expense from the 1.75% Debentures, decreased by \$4 million to an investment loss, net of \$1 million in the second quarter of fiscal 2022, compared to investment loss, net of \$5 million in the second quarter of fiscal 2021. The decrease in investment loss, net is primarily due to a decrease in interest expense from the Debentures partially offset by a lower average cash and investments balance compared to the second quarter of fiscal 2021 as a result of the redemption of the 3.75% Debentures and issuance of the 1.75% Debentures.

### ***Income Taxes***

For the second quarter of fiscal 2022, the Company's net effective income tax expense rate was approximately 1%, compared to an effective income tax recovery rate of approximately 15% for the same period in the prior fiscal year. The Company's net effective income tax rate reflects the change in unrecognized income tax benefits, if any, and the fact that the Company has a significant valuation allowance against its deferred tax assets, and in particular, the change in fair value of the Debentures, amongst other items, was offset by a corresponding adjustment of the valuation allowance. The Company's net effective income tax rate also reflects the geographic mix of earnings in jurisdictions with different income tax rates.

### ***Net Loss***

The Company's net loss for the second quarter of fiscal 2022 was \$144 million, or \$0.25 basic and diluted loss per share on a U.S. GAAP basis, reflecting an increase in net loss of \$121 million compared to a net loss of \$23 million, or \$0.04 basic and diluted loss per share, in the second quarter of fiscal 2021. The increase in net loss of \$121 million was primarily due to a decrease in revenue, as described above in "Revenue by Segment", a decrease in gross margin percentage, as described above in "Consolidated Gross Margin Percentage" and an increase in operating expenses primarily due to an increase in the fair value adjustment related to the Debentures, as described above in "Operating Expenses".

Adjusted net loss was \$33 million in the second quarter of fiscal 2022 compared to adjusted net income of \$58 million in the second quarter of fiscal 2021, reflecting a decrease in adjusted net income of \$91 million primarily due to a decrease in revenue as described above in "Revenue by Segment", a decrease in gross margin percentage, as described above in "Consolidated Gross Margin Percentage" and an increase in operating expenses as described above in "Operating Expenses".

The weighted average number of shares outstanding was 568 million common shares for basic and diluted loss per share for the second quarter of fiscal 2022. The weighted average number of shares outstanding was 559 million common shares for basic loss and diluted loss per share for the second quarter of fiscal 2021.

## Results of Operations - Six months ended August 31, 2021 compared to the six months ended August 31, 2020

The following section sets forth certain consolidated statements of operations data, which is expressed in millions of dollars, except for share and per share amounts and as a percentage of revenue, for the six months ended August 31, 2021 and August 31, 2020:

	For the Six Months Ended		
	<i>(in millions, except for share and per share amounts)</i>		
	August 31, 2021	August 31, 2020	Change
Revenue	\$ 349	\$ 465	\$ (116)
Gross margin	226	342	(116)
Operating expenses	425	1,009	(584)
Investment loss, net	(3)	(5)	2
Loss before income taxes	(202)	(672)	470
Provision for (recovery of) income taxes	4	(13)	17
Net loss	<u>\$ (206)</u>	<u>\$ (659)</u>	<u>\$ 453</u>
Loss per share - reported			
Basic	<u>\$ (0.36)</u>	<u>\$ (1.18)</u>	<u>\$ 0.82</u>
Diluted	<u>\$ (0.36)</u>	<u>\$ (1.18)</u>	<u>\$ 0.82</u>
Weighted-average number of shares outstanding (000's)			
Basic <sup>(1)</sup>	567,724	558,365	
Diluted <sup>(2)</sup>	567,724	558,365	

<sup>(1)</sup> Basic loss per share on a U.S. GAAP basis for the first six months of fiscal 2022 and fiscal 2021 includes 1,421,945 and 2,802,067 common shares, respectively, remaining to be issued on the anniversary dates of the Cylance acquisition completed on February 21, 2019, in consideration for the acquisition. There are no service or other requirements associated with the issuance of these shares.

<sup>(2)</sup> Diluted loss per share on a U.S. GAAP basis for the first six months of fiscal 2022 and fiscal 2021 does not include the dilutive effect of the Debentures as to do so would be anti-dilutive. Diluted loss per share on a U.S. GAAP basis for the first six months of fiscal 2022 and fiscal 2021 do not include the dilutive effect of stock-based compensation as to do so would be anti-dilutive.

## Revenue

### Revenue by Segment

Comparative breakdowns of revenue by segment are set forth below.

	For the Six Months Ended		
	<i>(in millions)</i>		
	August 31, 2021	August 31, 2020	Change
<b>Revenue by Segment</b>			
Cyber Security	\$ 227	\$ 239	\$ (12)
IoT	83	60	23
Licensing and Other	39	166	(127)
	<u>\$ 349</u>	<u>\$ 465</u>	<u>\$ (116)</u>
<b>% Revenue by Segment</b>			
Cyber Security	65.0 %	51.4 %	
IoT	23.8 %	12.9 %	
Licensing and Other	11.2 %	35.7 %	
	<u>100.0 %</u>	<u>100.0 %</u>	

#### Cyber Security

Cyber Security revenue was \$227 million, or 65.0% of revenue in the first six months of fiscal 2022, a decrease of \$12 million compared to \$239 million, or 51.4% of revenue in the first six months of fiscal 2021. The decrease in Cyber Security revenue of \$12 million was primarily due to a decrease of \$19 million relating to product revenue in BlackBerry Spark and a decrease of \$6 million relating to professional services, offset by an increase of \$14 million related to the sale of Secusmart solutions.

#### IoT

IoT revenue was \$83 million, or 23.8% of revenue in the first six months of fiscal 2022, an increase of \$23 million compared to \$60 million, or 12.9% of revenue in the first six months of fiscal 2021. The increase in IoT revenue of \$23 million was primarily due to an increase of \$12 million in BlackBerry QNX royalty revenue due to the partial recovery of the automotive market from the slowdown related to the COVID-19 pandemic in the first six months of fiscal 2021, an increase of \$8 million in development seat revenue and an increase of \$2 million in BlackBerry Radar revenue.

#### Licensing and Other

Licensing and Other revenue was \$39 million, or 11.2% of revenue in the first six months of fiscal 2022, a decrease of \$127 million compared to \$166 million, or 35.7% of revenue in the first six months of fiscal 2021. The decrease in Licensing and Other revenue of \$127 million was primarily due to a decrease in revenue from the Company's intellectual property licensing arrangements including its patent licensing agreement with Telety.

## U.S. GAAP Revenue by Geography

Comparative breakdowns of the geographic regions on a U.S. GAAP basis are set forth in the following table:

	For the Six Months Ended		
	<i>(in millions)</i>		
	August 31, 2021	August 31, 2020	Change
<b>Revenue by Geography</b>			
North America	\$ 212	\$ 345	\$ (133)
Europe, Middle East and Africa	102	89	13
Other regions	35	31	4
	<u>\$ 349</u>	<u>\$ 465</u>	<u>\$ (116)</u>
<b>% Revenue by Geography</b>			
North America	60.8 %	74.2 %	
Europe, Middle East and Africa	29.2 %	19.1 %	
Other regions	10.0 %	6.7 %	
	<u>100.0 %</u>	<u>100.0 %</u>	

### North America Revenue

Revenue in North America was \$212 million, or 60.8% of revenue, in the first six months of fiscal 2022, reflecting a decrease of \$133 million compared to \$345 million, or 74.2% of revenue in the first six months of fiscal 2021. The decrease in North American revenue is primarily due to a decrease of \$124 million in Licensing and Other revenue due to the reasons discussed above in “Revenue by Segment”, a decrease of \$16 million in product revenue in BlackBerry Spark and a decrease of \$2 million relating to non-automotive OEM business, partially offset by an increase of \$10 million in BlackBerry QNX royalty revenue due to the reasons discussed above in “Revenue by Segment”.

### Europe, Middle East and Africa Revenue

Revenue in Europe, Middle East and Africa was \$102 million, or 29.2% of revenue, in the first six months of fiscal 2022, reflecting an increase of \$13 million compared to \$89 million, or 19.1% of revenue, in the first six months of fiscal 2021. The increase in revenue is primarily due to an increase of \$14 million related to the sale of Secusmart solutions, an increase of \$3 million in development seat revenue and an increase of \$2 million in BlackBerry QNX royalty revenue due to the reasons discussed above in “Revenue by Segment”, partially offset by a decrease of \$4 million in product revenue in BlackBerry Spark.

### Other Regions Revenue

Revenue in other regions was \$35 million, or 10.0% of revenue, in the first six months of fiscal 2022, reflecting an increase of \$4 million compared to \$31 million, or 6.7% of revenue, in the first six months of fiscal 2021. The increase in revenue is primarily due to an increase of \$3 million in development seat revenue.

## **Gross Margin**

### *Consolidated Gross Margin*

Consolidated gross margin decreased by \$116 million to approximately \$226 million in the first six months of fiscal 2022 from \$342 million in the first six months of fiscal 2021. The decrease was primarily due to a decrease in revenue from Licensing and Other and BlackBerry Spark, partially offset by an increase in revenue from BlackBerry QNX and Secusmart due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

### *Consolidated Gross Margin Percentage*

Consolidated gross margin percentage decreased by 8.7%, to approximately 64.8% of consolidated revenue in the first six months of fiscal 2022 from 73.5% of consolidated revenue in the first six months of fiscal 2021. The decrease was primarily due to a lower gross margin contribution from Licensing and Other due to the reasons discussed above in “Revenue by Segment”, partially offset by a higher gross margin contribution from BlackBerry QNX due to the reasons discussed above in “Revenue by Segment”.

## Gross Margin by Segment

See “Business Overview” and “Second Quarter Fiscal 2022 Summary Results of Operations” for information about the Company’s operating segments and the basis of operating segment results.

	For the Six Months Ended											
	<i>(in millions)</i>											
	Cyber Security			IoT			Licensing and Other			Segment Totals		
	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change	August 31, 2021	August 31, 2020	Change
Segment revenue	\$ 227	\$ 239	\$(12)	\$ 83	\$ 60	\$ 23	\$ 39	\$ 166	\$(127)	\$ 349	\$ 465	\$(116)
Segment cost of sales	95	93	2	14	12	2	12	15	(3)	121	120	1
Segment gross margin	<u>\$ 132</u>	<u>\$ 146</u>	<u>\$(14)</u>	<u>\$ 69</u>	<u>\$ 48</u>	<u>\$ 21</u>	<u>\$ 27</u>	<u>\$ 151</u>	<u>\$(124)</u>	<u>\$ 228</u>	<u>\$ 345</u>	<u>\$(117)</u>
Segment gross margin %	<u>58%</u>	<u>61%</u>	<u>(3%)</u>	<u>83%</u>	<u>80%</u>	<u>3%</u>	<u>69%</u>	<u>91%</u>	<u>(22%)</u>	<u>65%</u>	<u>74%</u>	<u>(9%)</u>

### Cyber Security

Cyber Security gross margin decreased by \$14 million to approximately \$132 million in the first six months of fiscal 2022 from \$146 million in the first six months of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

Cyber Security gross margin percentage decreased by 3% to approximately 58% of Cyber Security revenue in the first six months of fiscal 2022 from 61% of Cyber Security revenue in the first six months of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”.

### IoT

IoT gross margin increased by \$21 million to approximately \$69 million in the first six months of fiscal 2022 from \$48 million in the first six months of fiscal 2021. The increase was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

IoT gross margin percentage increased by 3% to approximately 83% of IoT revenue in the first six months of fiscal 2022 from 80% of IoT revenue in the first six months of fiscal 2021. The increase was primarily due an increase in BlackBerry QNX royalty revenue, which has a higher relative gross margin percentage, due to the reasons discussed above in “Revenue by Segment”.

### Licensing and Other

Licensing and Other gross margin decreased by \$124 million to approximately \$27 million in the first six months of fiscal 2022 from \$151 million in the first six months of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

Licensing and Other gross margin percentage decreased by 22% to approximately 69% of Licensing and Other revenue in the first six months of fiscal 2022 from 91% of Licensing and Other revenue in the first six months of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”.

## Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expense for the six months ended August 31, 2021, compared to the six months ended August 31, 2020.

	For the Six Months Ended		
	<i>(in millions)</i>		
	August 31, 2021	August 31, 2020	Change
<b>Revenue</b>	\$ 349	\$ 465	\$ (116)
<b>Operating expenses</b>			
Research and development	115	114	1
Selling, marketing and administration	156	169	(13)
Amortization	91	92	(1)
Impairment of goodwill	—	594	(594)
Impairment of long-lived assets	—	21	(21)
Debentures fair value adjustment	63	19	44
<b>Total</b>	<u>\$ 425</u>	<u>\$ 1,009</u>	<u>\$ (584)</u>
<b>Operating Expense as % of Revenue</b>			
Research and development	33.0 %	24.5 %	
Selling, marketing and administration	44.7 %	36.3 %	
Amortization	26.1 %	19.8 %	
Impairment of goodwill	— %	127.7 %	
Impairment of long-lived assets	— %	4.5 %	
Debentures fair value adjustment	18.1 %	4.1 %	
<b>Total</b>	<u>121.8 %</u>	<u>217.0 %</u>	

See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the six months ended August 31, 2021 and August 31, 2020.

### U.S. GAAP Operating Expenses

Operating expenses decreased by \$584 million, or 57.9%, to \$425 million, or 121.8% of revenue in the first six months of fiscal 2022, compared to \$1,009 million, or 217.0% of revenue, in the first six months of fiscal 2021. The decrease was primarily attributable to goodwill impairment of \$594 million in the first quarter of fiscal 2021 which did not recur, long-lived assets impairment of \$21 million in the second quarter of fiscal 2021 which did not recur, a decrease of \$9 million in salaries and benefits expense, and a decrease of \$3 million in operating lease cost, partially offset by the difference between the Fiscal 2022 Debentures Fair Value Adjustment and the fair value adjustment of \$44 million related to the Debentures incurred in the first six months of fiscal 2021, and an increase of \$6 million in variable incentive plan costs.

### Adjusted Operating Expenses

Adjusted operating expenses decreased by \$7 million, or 2.4%, to \$281 million in the first six months of fiscal 2022, compared to \$288 million in the first six months of 2021. The decrease was primarily attributable to a decrease of \$8 million in salaries and benefits expense, a decrease of \$3 million in operating lease cost, partially offset by an increase of \$5 million in variable incentive plan costs.

### Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits for technical personnel, new product development costs, travel, office and building costs, infrastructure costs and other employee costs.

Research and development expenses increased by \$1 million, or 0.9%, to \$115 million, or 33.0% of revenue, in the first six months of fiscal 2022, compared to \$114 million, or 24.5% of revenue, in the first six months of fiscal 2021. The increase was primarily attributable to a decrease of \$2 million in claims filed with the Ministry of Innovation, Science and Economic Development Canada relating to its Strategic Innovation Fund (“SIF”) program’s investment in BlackBerry QNX, and an increase of \$1 million in variable incentive plan costs, partially offset by a decrease of \$2 million in operating lease cost.

Adjusted research and development expenses increased by \$2 million, or 1.8% to \$111 million in the first six months of fiscal 2022 compared to \$109 million in the first six months of fiscal 2021. The increase was primarily attributable to a decrease of \$2 million in SIF claims, partially offset by a decrease of \$2 million in operating lease cost.

#### *Selling, Marketing and Administration Expenses*

Selling, marketing and administration expenses consist primarily of marketing, advertising and promotion, salaries and benefits, external advisory fees, information technology costs, office and related staffing infrastructure costs and travel expenses.

Selling, marketing and administration expenses decreased by \$13 million, or 7.7%, to \$156 million, or 44.7% of revenue, in the first six months of fiscal 2022 compared to \$169 million in the first six months of fiscal 2021, or 36.3% of revenue. The decrease was primarily attributable to a decrease of \$8 million in salaries and benefits expenses, a recovery of \$2 million in expected credit losses, and a decrease of \$2 million in consulting expenses, partially offset by an increase of \$5 million in variable incentive plan costs, and an increase of \$2 million in the Company's deferred share unit liability due to increases in the Company's stock price.

Adjusted selling, marketing and administration expenses decreased by \$9 million, or 5.9%, to \$143 million in the first six months of fiscal 2022 compared to \$152 million in the first six months of fiscal 2021. The decrease was primarily due to the same reasons described above on a U.S. GAAP basis.

#### *Amortization Expense*

The table below presents a comparison of amortization expense relating to property, plant and equipment and intangible assets recorded as amortization or cost of sales for the six months ended August 31, 2021 compared to the six months ended August 31, 2020. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Six Months Ended		
	<i>(in millions)</i>		
	<b>Included in Operating Expense</b>		
	August 31, 2021	August 31, 2020	Change
Property, plant and equipment	\$ 6	\$ 9	\$ (3)
Intangible assets	85	83	2
<b>Total</b>	<b>\$ 91</b>	<b>\$ 92</b>	<b>\$ (1)</b>
	<b>Included in Cost of Sales</b>		
	August 31, 2021	August 31, 2020	Change
Property, plant and equipment	\$ 2	\$ 2	\$ —
Intangible assets	4	6	(2)
<b>Total</b>	<b>\$ 6</b>	<b>\$ 8</b>	<b>\$ (2)</b>

#### Amortization included in Operating Expense

Amortization expense relating to certain property, plant and equipment and intangible assets decreased by \$1 million to \$91 million in the first six months of fiscal 2022, compared to \$92 million in the first six months of fiscal 2021. The decrease in amortization expense was due to the lower cost base of assets.

Adjusted amortization expense was \$27 million in the first six months of fiscal 2022, consistent with \$27 million in the first six months of fiscal 2021.

#### Amortization included in Cost of Sales

Amortization expense relating to certain property, plant and equipment and intangible assets employed in the Company's service operations decreased by \$2 million to \$6 million in the first six months of fiscal 2022, compared to \$8 million in the first six months of fiscal 2021. The decrease in amortization expense was due to the lower cost base of assets.

### ***Investment Loss, Net***

Investment loss, net, which includes the interest expense from the Debentures, decreased by \$2 million to investment loss of \$3 million in the first six months of fiscal 2022, from investment loss of \$5 million in the first six months of fiscal 2021. The decrease in investment loss, net was due to a decrease in interest expense from the Debentures, partially offset by a lower yield on cash and investments and lower average cash and investments balances in the first six months of fiscal 2022 compared to the first six months of fiscal 2021 as a result of the redemption of the 3.75% Debentures and issuance of the 1.75% Debentures.

### ***Income Taxes***

For the first six months of fiscal 2022, the Company's net effective income tax expense rate was approximately 2%, compared to a net effective income tax recovery rate of approximately 2% for the same period in the prior fiscal year. The Company's net effective income tax rate reflects the change in unrecognized income tax benefits, if any, and the fact that the Company has a significant valuation allowance against its deferred tax assets, and in particular, the change in fair value of the Debentures, amongst other items, was offset by a corresponding adjustment of the valuation allowance. The Company's net effective income tax rate also reflects the geographic mix of earnings in jurisdictions with different income tax rates.

### ***Net Loss***

The Company's net loss for the first six months of fiscal 2022 was \$206 million, reflecting a decrease in net loss of \$453 million compared to net loss of \$659 million in the first six months of fiscal 2021, primarily due to a decrease in operating expenses due to the goodwill impairment in the first six months of fiscal 2021 that did not recur, as described above in "Operating Expenses", partially offset by a decrease in revenue as described above in "Revenue by Segment" and a decrease in gross margin percentage, as described above in "Consolidated Gross Margin Percentage".

Adjusted net loss in the first six months of fiscal 2022 was \$60 million compared to adjusted net income of \$65 million in the first six months of fiscal 2021, reflecting a decrease in adjusted net income of \$125 million, primarily due to a decrease in revenue as described above in "Revenue by Segment" and a decrease in gross margin percentage, as described above in "Consolidated Gross Margin Percentage", partially offset by a decrease in operating expenditures as described above in "Operating Expenses".

Basic and diluted loss per share on a U.S. GAAP basis was \$0.36 in the first six months of fiscal 2022, a decrease in basic and diluted loss per share of \$0.82, compared to basic and diluted loss per share on a U.S. GAAP basis of \$1.18 in the first six months of fiscal 2021.

The weighted average number of shares outstanding was 568 million for basic and diluted loss per share for the first six months of August 31, 2021. The weighted average number of shares outstanding was 558 million for basic and diluted loss per share for the first six months of August 31, 2020.

### ***Common Shares Outstanding***

On September 20, 2021, there were 567 million voting common shares, options to purchase 1 million voting common shares, 20 million restricted share units and 1 million deferred share units outstanding. In addition, 60.8 million common shares are issuable upon conversion in full of the 1.75% Debentures as described in Note 6 to the Consolidated Financial Statements.

The Company has not paid any cash dividends during the last three fiscal years.

### ***Financial Condition***

#### ***Liquidity and Capital Resources***

Cash, cash equivalents, and investments decreased by \$32 million to \$772 million as at August 31, 2021 from \$804 million as at February 28, 2021, primarily as a result of changes in working capital. The majority of the Company's cash, cash equivalents, and investments were denominated in U.S. dollars as at August 31, 2021.

A comparative summary of cash, cash equivalents, and investments is set out below:

	As at (in millions)		
	August 31, 2021	February 28, 2021	Change
Cash and cash equivalents	\$ 291	\$ 214	\$ 77
Restricted cash equivalents and restricted short-term investments	27	28	(1)
Short-term investments	416	525	(109)
Long-term investments	38	37	1
Cash, cash equivalents, and investments	<u>\$ 772</u>	<u>\$ 804</u>	<u>\$ (32)</u>

The table below summarizes the current assets, current liabilities, and working capital of the Company:

	As at (in millions)		
	August 31, 2021	February 28, 2021	Change
Current assets	\$ 910	\$ 1,006	\$ (96)
Current liabilities	403	429	(26)
Working capital	<u>\$ 507</u>	<u>\$ 577</u>	<u>\$ (70)</u>

#### *Current Assets*

The decrease in current assets of \$96 million at the end of the second quarter of fiscal 2022 from the end of the fourth quarter of fiscal 2021 was primarily due to a decrease in short term investments of \$109 million, a decrease in accounts receivable, net of allowance of \$61 million, a decrease in other receivables of \$2 million, and a decrease in income taxes receivable of \$1 million, partially offset by an increase in cash and cash equivalents of \$77 million.

At August 31, 2021, accounts receivable was \$121 million, a decrease of \$61 million from February 28, 2021. The decrease was primarily due to lower revenue recognized over the three months ended August 31, 2021 compared to the three months ended February 28, 2021, and a decrease in days sales outstanding to 72 days at the end of the second quarter of fiscal 2022 from 85 days at the end of the fourth quarter of fiscal 2021.

At August 31, 2021, other receivables decreased by \$2 million to \$23 million compared to \$25 million as at February 28, 2021. The decrease was primarily due to a decrease of \$3 million relating to the CEWS program, partially offset by an increase of \$2 million relating to the SIF claims.

At August 31, 2021, income taxes receivable was \$9 million, a decrease of \$1 million from February 28, 2021. This decrease was primarily due to changes in the quarterly tax provision.

#### *Current Liabilities*

The decrease in current liabilities of \$26 million at the end of the second quarter of 2022 from the end of the fourth quarter of fiscal 2021 was primarily due to a decrease in deferred revenue, current of \$27 million, and a decrease in accrued liabilities of \$4 million, partially offset by an increase in income taxes payable of \$3 million and an increase in accounts payable of \$2 million.

Deferred revenue, current was \$198 million, which reflects a decrease of \$27 million compared to February 28, 2021 that was attributable to a \$20 million decrease in deferred revenue, current related to BlackBerry Spark and \$7 million related to BlackBerry AtHoc, partially offset by an increase of \$2 million in deferred revenue, current related to BlackBerry QNX.

Accrued liabilities were \$174 million, reflecting a decrease of \$4 million compared to February 28, 2021, which was primarily attributable to a \$3 million decrease in the operating lease liability, current, partially offset by an increase of \$3 million in the Company's deferred share unit liability due to increases in the Company's stock price.

Income taxes payable were \$9 million, reflecting an increase of \$3 million compared to February 28, 2021, which was primarily due to changes in the quarterly tax provision.

Accounts payable were \$22 million, reflecting an increase of \$2 million from February 28, 2021, which was primarily due to timing of payments of accounts payable.

Cash flows for the six months ended August 31, 2021 compared to the six months ended August 31, 2020 were as follows:

	For the Six Months Ended		
	<i>(in millions)</i>		
	August 31, 2021	August 31, 2020	Change
Net cash flows provided by (used in):			
Operating activities	\$ (18)	\$ —	\$ (18)
Investing activities	113	454	(341)
Financing activities	5	5	—
Effect of foreign exchange gain on cash and cash equivalents	—	1	(1)
Net increase in cash and cash equivalents	<u>\$ 100</u>	<u>\$ 460</u>	<u>\$ (360)</u>

#### *Operating Activities*

The increase in net cash flows used in operating activities of \$18 million primarily reflects the net changes in working capital.

#### *Investing Activities*

During the six months ended August 31, 2021, cash flows provided by investing activities were \$113 million and included cash provided by transactions involving the acquisitions of short-term and long-term investments, net of the proceeds on sale or maturity in the amount of \$131 million, offset by cash used in the acquisition of intangible assets of \$14 million, and the acquisition of property, plant and equipment of \$4 million. For the same period in the prior fiscal year, cash flows provided by investing activities were \$454 million and included cash provided by transactions involving the acquisitions of short-term and long-term investments, net of the proceeds on sale or maturity in the amount of \$473 million, offset by cash used in the acquisition intangible assets of \$16 million, and the acquisitions of property, plant and equipment of \$3 million.

#### *Financing Activities*

The cash flows provided by financing activities of \$5 million was consistent with the first six months of fiscal 2021 and included common shares issued for stock options exercised and under the employee share purchase plan.

#### **Aggregate Contractual Obligations**

The following table sets out aggregate information about the Company's contractual obligations and the periods in which payments are due as at August 31, 2021:

	<i>(in millions)</i>				
	Total	Less than One Year	One to Three Years	Four to Five Years	Greater than Five Years
Operating lease obligations	\$ 118	\$ 34	\$ 45	\$ 26	\$ 13
Purchase obligations and commitments	162	114	48		
Debt interest and principal payments	381	6	375		
Total	<u>\$ 661</u>	<u>\$ 154</u>	<u>\$ 468</u>	<u>\$ 26</u>	<u>\$ 13</u>

Purchase obligations and commitments amounted to approximately \$661 million as at August 31, 2021, including the principal amount of the 1.75% Debentures of \$365 million and operating lease obligations of \$118 million. The remaining balance consists of purchase orders for goods and services utilized in the operations of the Company. Total aggregate contractual obligations as at August 31, 2021 decreased by approximately \$15 million as compared to the February 28, 2021 balance of approximately \$676 million, which was attributable to a decrease in operating lease obligations.

#### **Debenture Financing and Other Funding Sources**

See Note 6 to the Consolidated Financial Statements for a description of the Debentures.

The Company has \$27 million in collateralized outstanding letters of credit in support of certain leasing arrangements entered into in the ordinary course of business. See Note 3 to the Consolidated Financial Statements for further information concerning the Company's restricted cash.

Cash, cash equivalents, and investments were approximately \$772 million as at August 31, 2021. The Company's management remains focused on maintaining appropriate cash balances, efficiently managing working capital balances and managing the liquidity needs of the business. Based on its current financial projections, the Company believes its financial resources, together with expected future operating cash generating and operating expense reduction activities and access to other potential financing arrangements, should be sufficient to meet funding requirements for current financial commitments and future operating expenditures not yet committed, and should provide the necessary financial capacity for the foreseeable future.

The Company does not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or under applicable Canadian securities laws.

### **Accounting Policies and Critical Accounting Estimates**

There have been no changes to the Company's accounting policies or critical accounting estimates from those described under "Accounting Policies and Critical Accounting Estimates" in the Annual MD&A.

See Note 2 to the Consolidated Financial Statements for accounting pronouncements not yet adopted.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is engaged in operating and financing activities that generate risk in three primary areas:

#### ***Foreign Exchange***

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the U.S. dollar. The majority of the Company's revenue in the second quarter of fiscal 2022 was transacted in U.S. dollars. Portions of the revenue were denominated in Canadian dollars, euros and British pounds. Expenses, consisting mainly of salaries and certain other operating costs, were incurred primarily in Canadian dollars, but were also incurred in U.S. dollars, euros and British pounds. At August 31, 2021, approximately 31% of cash and cash equivalents, 33% of accounts receivables and 31% of accounts payable were denominated in foreign currencies (February 28, 2021 – 20%, 25% and 34%, respectively). These foreign currencies primarily include the Canadian dollar, euro and British pound. As part of its risk management strategy, the Company maintains net monetary asset and/or liability balances in foreign currencies and engages in foreign currency hedging activities using derivative financial instruments, including currency forward contracts and currency options. The Company does not use derivative instruments for speculative purposes. If overall foreign currency exchange rates to the U.S. dollar uniformly weakened or strengthened by 10% related to the Company's net monetary asset or liability balances in foreign currencies at August 31, 2021 (after hedging activities), the impact to the Company would be immaterial.

The Company regularly reviews its currency forward and option positions, both on a stand-alone basis and in conjunction with its underlying foreign currency exposures. Given the effective horizons of the Company's risk management activities and the anticipatory nature of the exposures, there can be no assurance these positions will offset more than a portion of the financial impact resulting from movements in currency exchange rates. Further, the recognition of the gains and losses related to these instruments may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect the Company's financial condition and operating results.

#### ***Interest Rate***

Cash and cash equivalents and investments are invested in certain instruments of varying maturities. Consequently, the Company is exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. The Company has also issued Debentures with a fixed interest rate, as described in Note 6 to the Consolidated Financial Statements. The fair value of the 1.75% Debentures will fluctuate with changes in prevailing interest rates. Consequently, the Company is exposed to interest rate risk as a result of the 1.75% Debentures. The Company does not currently utilize interest rate derivative instruments to hedge its investment portfolio or changes in the market value of the 1.75% Debentures.

#### ***Credit and Customer Concentration***

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company establishes an allowance for credit losses ("ACL") that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. The ACL as at August 31, 2021 was \$9 million (February 28, 2021 - \$10 million). There was one customer that comprised more than 10% of accounts receivable as at August 31, 2021 (February 28, 2021 - one customer that comprised more than 10%). During the second quarter of fiscal 2022, the percentage of the Company's receivable balance that was past due decreased by 1.2% compared to the fourth quarter of fiscal 2021. Although the Company actively monitors and attempts to collect on its receivables as they become due, the risk of further delays or challenges in obtaining timely payments of receivables from resellers and other distribution partners exists. The occurrence of such delays or challenges in obtaining timely payments could negatively impact the Company's liquidity and financial condition. There was one customer that comprised 12% and no customer that comprised more than 10% of the Company's