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 nine months ended November 30, 2022, 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, 2022 (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, 2022 (the "Annual Report"), can be found on SEDAR at www.sedar.com and on the SEC's website at 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, to patent new innovations, and to increase staffing in its Cybersecurity and IoT businesses;
- the Company's expectations with respect to the impact of the COVID-19 pandemic and the global semiconductor shortage as well as other macroeconomic factors on its results of operations and financial condition;
- the Company's expectations with respect to its revenue and billings in fiscal 2023, the annual recurring revenue of its Cybersecurity business in fiscal 2024, installations of the BlackBerry IVY™ platform and the sale of substantially all of its non-core patent assets;
- 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 and Macroeconomic Factors", "Non-GAAP Financial Measures - Key Metrics", "Results of Operations - Three months ended November 30, 2022 compared to the three months ended November 30, 2021 - Revenue - Revenue by Segment" and "Financial Condition - Contractual and Other Obligations". 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 215 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 is widely recognized for its intelligent security software and services and believes that it delivers the broadest set of security capabilities in the market to connect, protect and manage endpoints in the Internet of Things ("IoT"). The Company leverages its extensive technology portfolio to offer best-in-class cybersecurity, safety and reliability to enterprise customers primarily in government and regulated industries, as well as to original equipment manufacturers in automotive, medical, industrial and other core 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 focuses principally on generating revenue from enterprise software and services as well as from embedded software designs with leading original equipment manufacturers ("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 segments: Cybersecurity, IoT (collectively with Cybersecurity, "Software & Services") and Licensing and Other.

Cybersecurity

The Cybersecurity business consists of BlackBerry Spark, BlackBerry® AtHoc® and BlackBerry® 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 and partner solutions 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® Cyber Suite and the BlackBerry Spark® Unified Endpoint Management Suite, which are also marketed together as the BlackBerry Spark® Suite, offering the Company's most comprehensive range of tailored cybersecurity and endpoint management options.

The BlackBerry UES Suite offers leading Cylance® AI and machine learning-based cybersecurity solutions, including: CylancePROTECT®, an EPP and available MTD solution that uses an automated, prevention-first approach to protect against the execution of malicious code on an endpoint; CylanceOPTICS®, an EDR solution that provides both visibility into and prevention of malicious activity on an endpoint; CylanceGUARD®, a managed detection and response solution that provides 24/7 threat hunting and monitoring; CylanceGATEWAY™, an AI-empowered ZTNA solution, and CylancePERSONA™, 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, compromise assessment and containment services to assist clients with forensic analysis, state of existing systems and remediation of attacks. The BlackBerry UES Suite natively integrates with BlackBerry® UEM and also works with UEM solutions from other 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 BlackBerry Spark platform also includes 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 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 government 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 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.

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, and the BlackBerry Radar® asset monitoring 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.

The Company has partnered 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 hardware, as well as multi-cloud deployments in order to ensure compatibility across vehicle models and brands. In February 2022, the Company released a version of BlackBerry IVY for proof-of-concept testing and the Company expects installations of BlackBerry IVY in vehicles to begin during the 2024 or 2025 model year.

The BlackBerry Cybersecurity and IoT groups are 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 the fourth quarter of fiscal 2022, the Company announced its entry into a patent sale agreement with Catapult IP Innovations ("Catapult") for the sale of substantially all of the Company's non-core patent assets for total consideration of $600 million (the "Patent Sale Transaction"). Patents that are essential to the Company's current core business operations are excluded from the Patent Sale Transaction. Pursuant to the terms of the Patent Sale Transaction, at closing, the Company will receive a license back to the patents being sold, which relate primarily to mobile devices, messaging and wireless networking. The Patent Sale Transaction will not impact customers' use of any of the Company's products, solutions or services. Completion of the Patent Sale Transaction is subject to the satisfaction of financing and other closing conditions. Catapult is working with a financing partner and the parties are negotiating definitive closing documents. In parallel, the Company is in advanced term sheet discussions with a second interested party which has completed its due diligence on the portfolio. This alternate party is a prominent private equity firm that would not require external financing.

The Company's Other business generates revenue from SAF charged to subscribers using the Company's legacy BlackBerry 7 and prior BlackBerry operating systems, which are no longer supported or maintained as of January 4, 2022.

Recent Developments

The Company continued to execute on its strategy in fiscal 2023 and announced the following achievements during the most recent quarter:

Products and Innovation:

- Released Cyber Threat Intelligence (CTI) offering, a professional threat intelligence service to help customers prevent, detect, and effectively respond to cyberattacks;
- Strengthened cybersecurity platform to provide customers with improved threat identification, remediation capabilities, and endpoint support, as well as an improved user experience and investigation speed and significant updates across triage and analysis workflows;
- Announced CylanceAVERT™, a data loss detection module that provides data access and leakage visibility via CylanceGATEWAY;
- Announced new features for BlackBerry UEM, including new eSIM and Android management capabilities as well as enhanced Google Chromebook integration; and
- Announced that NATO Communications and Information Agency (NCI Agency) has awarded security accreditation to BlackBerry's SecuSUITE® for Government for global use in official NATO secure communications.

Customers and Partners:

- Expanded work with AWS to elevate BlackBerry QNX foundational software to the cloud, accelerating time to market for mission-critical embedded systems;
- Selected by Dayin Technology to develop acoustic solutions for Great Wall Motors' premium, next-generation vehicles;
- Selected by Human Horizons to power its autonomous driving controller and intelligent digital cockpit in the HiPhi Z vehicle; and
- Expanded BlackBerry SecuSUITE secure communications partner network in Asia Pacific, with the addition of NSI Global, Praesidum Group and Teletrol-One.

Pearlstein Settlement

On April 7, 2022, the Company announced that it had reached an agreement in principle to settle the consolidated securities class action lawsuit captioned *Pearlstein v. Blackberry Limited, et al.,* Case No. 13 Civ. 7060 (CM) (KHP) pending against the Company and certain of its former officers in the U.S. District Court for the Southern District of New York. A formal settlement agreement was signed on June 9, 2022, and contemplated an aggregate cash payment by the Company of $165 million to settle the claims brought on behalf of all persons who purchased or otherwise acquired BlackBerry shares on the NASDAQ between March 28, 2013 and September 20, 2013. The Stipulation of Settlement was executed effective June 7, 2022. On June 14, 2022, the Court granted plaintiffs' motion for preliminary approval of the settlement and scheduled the final approval hearing for September 29, 2022. On September 29, 2022, the Court granted final approval of the settlement and entered final judgment. While the Company believes that the allegations in the case were without merit, it also believes that eliminating the distraction, expense and risk of continued litigation was in the best interests of the Company and its shareholders. In the first quarter of fiscal 2023, the Company accrued $165 million associated with this settlement within the line *Litigation settlement* on the consolidated statement of operations. On June 29, 2022, the Company paid $1 million of the settlement amount. The remaining $164 million was paid on September 6, 2022.

COVID-19 and Macroeconomic Factors

In response to the COVID-19 pandemic, the Company continues to focus on protecting the health and safety of its employees, customers and partners, while also providing technology to help them do their best wherever they operate. During the second quarter of fiscal 2023, the Company shifted from a remote working model to a hybrid model for most of its global offices with employees returning to work in person on a part-time basis, subject to local rules and regulations.

Although the Company experienced higher Software & Services revenue in the first nine months of fiscal 2023 compared to the first nine months of fiscal 2022, the COVID-19 pandemic and ensuing global semiconductor shortage have had and continue to have a material adverse impact on production-based royalties for the Company's QNX automotive software business. The invasion of Ukraine by Russia and resulting global sanctions against Russia have exacerbated the disruption of automotive supply chains and its impact on the Company's business.

Economic weakness or inflation resulting directly or indirectly from the COVID-19 pandemic and the invasion of Ukraine, as well as higher interest rates implemented in response to inflation and resulting fears of recession, may negatively impact consumer demand for automobiles and may contribute to reduced spending and longer sales cycles for cybersecurity solutions, which in turn may adversely affect the Company's business. The Company does not believe that inflation had a material effect on its business, results of operations and financial condition in the first nine months of fiscal 2023.

The long-term impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on, among other things, the emergence and virulence of new variants, the governmental restrictions that may be sustained or imposed in response, and the effectiveness of actions taken to contain or mitigate the pandemic, including vaccination programs. This impact cannot be reasonably estimated at this time and may not be fully reflected until future periods. Refer to Part II, Item 1A "Risk Factors" in the Annual Report for a discussion of these factors and other risks.

Goodwill

In its annual goodwill impairment test in the fourth quarter of fiscal 2022, the Company's estimates of cash flows indicated that such carrying values were expected to be recovered for all reporting units. Nonetheless, it is reasonably possible that future judgements, assumptions, market inputs into valuation methods and estimates of cash flows may change resulting in the need to write down certain assets to fair value. Assumptions and estimates about future cash flows and discount rates are complex and often subjective and require significant judgement. The analysis is dependent on internal forecasts, estimation of the long-term rates of revenue growth for the Company's reporting units, estimation of the useful life over which cash flows will occur, terminal growth rates, profitability measures, and determination of the discount rates for the reporting units. The impact of global economic weaknesses and high inflation levels resulting directly or indirectly from, among other things, the ongoing COVID-19 pandemic and the invasion of Ukraine have resulted in higher interest rates. The impact of any of these situations on inputs into valuation estimates could potentially be material to the consolidated financial statements, including the fair value of the Company's goodwill, particularly in relation to its BlackBerry Spark reporting unit.

Third Quarter Fiscal 2023 Summary Results of Operations

The following table sets forth certain consolidated statements of operations data for the quarter ended November 30, 2022 compared to the quarter ended November 30, 2021 under U.S. GAAP:

	For the Three Months Ended *(in millions, except for share and per share amounts)*		
	November 30, 2022	November 30, 2021	Change
Revenue	$ 169	$ 184	$ (15)
Gross margin	109	117	(8)
Operating expenses	111	66	45
Investment income, net	2	25	(23)
Income before income taxes	—	76	(76)
Provision for income taxes	4	2	2
Net income (loss)	$ (4)	$ 74	$ (78)
Earnings (loss) per share - reported			
Basic	$ (0.01)	$ 0.13	
Diluted	$ (0.09)	$ (0.05)	
Weighted-average number of shares outstanding (000's)			
Basic [(1)]	578,948	571,138	
Diluted [(2)]	639,781	631,971	

(1) Basic earnings per share on a U.S. GAAP basis for the three months ended November 30, 2021 includes 1,421,945 common shares that were subsequently issued on the third anniversary date of the Cylance acquisition completed on February 21, 2019 in consideration for the acquisition.

(2) Diluted loss per share on a U.S. GAAP basis for the three months ended November 30, 2022 and November 30, 2021 does not include the dilutive effect of stock-based compensation as to do so would be anti-dilutive. See Note 7 to the Consolidated Financial Statements for the Company's calculation of the diluted weighted average number of shares outstanding.

The following table shows information by operating segment for the three and nine months ended November 30, 2022 and November 30, 2021. 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 Note 10 to the Consolidated Financial Statements for a description of the Company's operating segments.

For the Three Months Ended *(in millions)*

	Cybersecurity			IoT			Licensing and Other			Segment Totals		
	November 30, 2022	November 30, 2021	Change	November 30, 2022	November 30, 2021	Change	November 30, 2022	November 30, 2021	Change	November 30, 2022	November 30, 2021	Change
Segment revenue	$ 106	$ 128	$ (22)	$ 51	$ 43	$ 8	$ 12	$ 13	$ (1)	$ 169	$ 184	$ (15)
Segment cost of sales	46	52	(6)	10	8	2	4	6	(2)	60	66	(6)
Segment gross margin	$ 60	$ 76	$ (16)	$ 41	$ 35	$ 6	$ 8	$ 7	$ 1	$ 109	$ 118	$ (9)

For the Nine Months Ended *(in millions)*

	Cybersecurity			IoT			Licensing and Other			Segment Totals		
	November 30, 2022	November 30, 2021	Change	November 30, 2022	November 30, 2021	Change	November 30, 2022	November 30, 2021	Change	November 30, 2022	November 30, 2021	Change
Segment revenue	$ 330	$ 355	$(25)	$ 153	$ 126	$ 27	$ 22	$ 52	$(30)	$ 505	$ 533	$(28)
Segment cost of sales	149	147	2	27	22	5	8	18	(10)	184	187	(3)
Segment gross margin	$ 181	$ 208	$(27)	$ 126	$ 104	$ 22	$ 14	$ 34	$(20)	$ 321	$ 346	$(25)

The following table reconciles the Company's segment results for the three and nine months ended November 30, 2022 to consolidated U.S. GAAP results:

For the Three Months Ended November 30, 2022
(in millions)

	Cybersecurity	IoT	Licensing and Other	**Segment Totals**	Reconciling Items	**Consolidated U.S. GAAP**
Revenue	$ 106	$ 51	$ 12	$ 169	$ —	$ 169
Cost of sales	46	10	4	60	—	60
Gross margin [(1)]	$ 60	$ 41	$ 8	$ 109	$ —	$ 109
Operating expenses					111	111
Investment income, net					(2)	(2)
Income before income taxes						$ —

For the Nine Months Ended November 30, 2022
(in millions)

	Cybersecurity	IoT	Licensing and Other	**Segment Totals**	Reconciling Items	**Consolidated U.S. GAAP**
Revenue	$ 330	$ 153	$ 22	$ 505	$ —	$ 505
Cost of sales	149	27	8	184	2	186
Gross margin [(1)]	$ 181	$ 126	$ 14	$ 321	$ (2)	$ 319
Operating expenses					545	545
Investment loss, net					1	1
Loss before income taxes						$ (227)

[(1)] See "Non-GAAP Financial Measures" for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three and nine months ended November 30, 2022.

The following table reconciles the Company's segment results for the three and nine months ended November 30, 2021 to consolidated U.S. GAAP results:

For the Three Months Ended November 30, 2021 (in millions)	Cybersecurity	IoT	Licensing and Other	**Segment Totals**	Reconciling Items	**Consolidated U.S. GAAP**
Revenue	$ 128	$ 43	$ 13	$ 184	$ —	$ 184
Cost of sales	52	8	6	66	1	67
Gross margin [(1)]	$ 76	$ 35	$ 7	$ 118	$ (1)	$ 117
Operating expenses					66	66
Investment income, net					(25)	(25)
Income before income taxes						$ 76

For the Nine Months Ended November 30, 2021 (in millions)	Cybersecurity	IoT	Licensing and Other	**Segment Totals**	Reconciling Items	**Consolidated U.S. GAAP**
Revenue	$ 355	$ 126	$ 52	$ 533	$ —	$ 533
Cost of sales	147	22	18	187	3	190
Gross margin [(1)]	$ 208	$ 104	$ 34	$ 346	$ (3)	$ 343
Operating expenses					491	491
Investment income, net					(22)	(22)
Loss before income taxes						$ (126)

[(1)] See "Non-GAAP Financial Measures" for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three and nine months ended November 30, 2021.

Financial Highlights

The Company had approximately $505 million in cash, cash equivalents and investments as of November 30, 2022 (February 28, 2022 - $770 million).

In the third quarter of fiscal 2023, the Company recognized revenue of $169 million and a net loss of $4 million, or $0.01 basic loss per share and $0.09 diluted loss per share on a U.S. GAAP basis (third quarter of fiscal 2022 - revenue of $184 million and net income of $74 million, or $0.13 basic earnings per share and $0.05 diluted loss per share).

The Company recognized an adjusted net loss of $30 million, and an adjusted loss of $0.05 per share, on a non-GAAP basis in the third quarter of fiscal 2023 (third quarter of fiscal 2022 - adjusted net loss of $1 million, and adjusted loss of $0.00 per share). 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"); 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 1.75% Debentures such as the face value, the redemption features or the conversion price.

As at November 30, 2022, the fair value of the 1.75% Debentures was approximately $392 million, a decrease of approximately $57 million during the third quarter of fiscal 2023. For the three months ended November 30, 2022, the Company recorded non-cash income relating to changes in fair value from non-credit components of $56 million (pre-tax and after tax) (the "Q3 Fiscal 2023 Debentures Fair Value Adjustment") in the Company's consolidated statements of operations and a non-cash charge relating to changes in fair value from instrument specific credit risk of $1 million in Other Comprehensive Loss ("OCL") relating to the 1.75% Debentures. For the nine months ended November 30, 2022, the Company recorded non-cash income relating to changes in fair value from non-credit components of $112 million (pre-tax and after tax) (the "Fiscal 2023 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 $3 million in OCL relating to the 1.75% Debentures. See Note 5 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 December 20, 2022, the Company announced financial results for the three and nine months ended November 30, 2022, which included certain non-GAAP financial measures and non-GAAP ratios, including adjusted gross margin, adjusted gross margin percentage, adjusted operating expense, adjusted net loss, adjusted loss per share, adjusted research and development expense, adjusted selling, marketing and administrative expense, adjusted amortization expense, adjusted operating loss, adjusted EBITDA, adjusted operating loss margin percentage, adjusted EBITDA margin percentage and free cash usage.

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 financial measures and non-GAAP ratios 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. Non-GAAP financial measures and non-GAAP ratios exclude certain amounts as described below:

- *Debentures fair value adjustment*. The Company has elected to measure its outstanding 1.75% Debentures at fair value in accordance with the fair value option under U.S. GAAP. Each period, the fair value of the 1.75% Debentures is recalculated and resulting non-cash income and charges from the change in fair value from non-credit components of the 1.75% Debentures are recognized in income. The amount can vary each period depending on changes to the Company's share price, share price volatility and credit indices. This is not indicative of the Company's core operating performance, and may not be meaningful when comparing the Company's operating performance against that of prior periods.
- *Restructuring charges*. The Company believes that restructuring costs relating to employee termination benefits, facilities and other pursuant to the Cost Optimization Program to reduce its annual expenses amongst R&D, infrastructure and other functions do not reflect expected future operating expenses, are not indicative of the Company's core operating performance, and may not be meaningful when comparing the Company's operating performance against that of prior periods.
- *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 when comparing the Company's operating performance against that of prior periods.
- *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 when comparing the Company's operating performance against that of prior periods.
- *Litigation settlement.* The Company believes that litigation settlements do not reflect expected future operating expenses, are not indicative of the Company's core operating performance, and may not be meaningful when comparing the Company's operating performance against that of prior periods.

On a U.S. GAAP basis, the impacts of these items are reflected in the Company's income statement. However, the Company believes that the provision of supplemental non-GAAP measures allows 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 November 30, 2022 and November 30, 2021

Readers are cautioned that adjusted gross margin, adjusted gross margin percentage, adjusted operating expense, adjusted net loss, adjusted loss per share, adjusted research and development expense, adjusted selling, marketing and administrative expense, adjusted amortization expense, adjusted operating loss, adjusted EBITDA, adjusted operating loss margin percentage, adjusted EBITDA margin percentage and free cash usage 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 November 30, 2022 and November 30, 2021 to adjusted financial measures is reflected in the table below:

For the Three Months Ended (in millions)	November 30, 2022	November 30, 2021
Gross margin	$ 109	$ 117
Stock compensation expense	—	1
Adjusted gross margin	$ 109	$ 118
Gross margin %	64.5 %	63.6 %
Stock compensation expense	— %	0.5 %
Adjusted gross margin %	64.5 %	64.1 %

Reconciliation of U.S. GAAP operating expense for the three months ended November 30, 2022, August 31, 2022 and November 30, 2021 to adjusted operating expense is reflected in the table below:

For the Three Months Ended (in millions)	November 30, 2022	August 31, 2022	November 30, 2021
Operating expense	$ 111	$ 153	$ 66
Restructuring charges	—	3	—
Stock compensation expense	8	5	5
Debentures fair value adjustment [(1)]	(56)	(10)	(110)
Acquired intangibles amortization	22	22	29
LLA impairment charge	—	4	—
Adjusted operating expense	$ 137	$ 129	$ 142

[(1)] See "Third Quarter Fiscal 2023 Summary Results of Operations - Financial Highlights - Debentures Fair Value Adjustment"

Reconciliation of U.S. GAAP net income (loss) and U.S. GAAP basic earnings (loss) per share for the three months ended November 30, 2022 and November 30, 2021 to adjusted net loss and adjusted basic loss per share is reflected in the table below:

For the Three Months Ended (in millions, except per share amounts)	November 30, 2022		November 30, 2021	
		Basic loss per share		**Basic earnings (loss) per share**
Net income (loss)	$ (4)	$(0.01)	$ 74	$0.13
Stock compensation expense	8		6	
Debentures fair value adjustment	(56)		(110)	
Acquired intangibles amortization	22		29	
Adjusted net loss	$ (30)	$(0.05)	$ (1)	$0.00

Reconciliation of U.S. GAAP research and development, selling, marketing and administration, and amortization expense for the three months ended November 30, 2022 and November 30, 2021 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)	November 30, 2022	November 30, 2021
Research and development	$ 52	$ 57
Stock compensation expense	2	2
Adjusted research and development	$ 50	$ 55
Selling, marketing and administration	$ 89	$ 77
Stock compensation expense	6	3
Adjusted selling, marketing and administration	$ 83	$ 74
Amortization	$ 26	$ 42
Acquired intangibles amortization	22	29
Adjusted amortization	$ 4	$ 13

Adjusted operating loss, adjusted EBITDA, adjusted operating loss margin percentage and adjusted EBITDA margin percentage for the three months ended November 30, 2022 and November 30, 2021 are reflected in the table below.

For the Three Months Ended (in millions)	November 30, 2022	November 30, 2021
Operating income (loss)	$ (2)	$ 51
Non-GAAP adjustments to operating income (loss)		
Stock compensation expense	8	6
Debentures fair value adjustment	(56)	(110)
Acquired intangibles amortization	22	29
Total non-GAAP adjustments to operating income (loss)	(26)	(75)
Adjusted operating loss	(28)	(24)
Amortization	28	45
Acquired intangibles amortization	(22)	(29)
Adjusted EBITDA	$ (22)	$ (8)
Revenue	$ 169	$ 184
Adjusted operating loss margin % [1]	(17%)	(13%)
Adjusted EBITDA margin % [2]	(13%)	(4%)

[1] Adjusted operating loss margin % is calculated by dividing adjusted operating loss by revenue.
[2] 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 nine months ended November 30, 2022 and November 30, 2021

A reconciliation of the most directly comparable U.S. GAAP financial measures for the nine months ended November 30, 2022 and November 30, 2021 to adjusted financial measures is reflected in the table below:

For the Nine Months Ended (in millions)	November 30, 2022	November 30, 2021
Gross margin	$ 319	$ 343
Stock compensation expense	2	3
Adjusted gross margin	$ 321	$ 346
Gross margin %	63.2 %	64.4 %
Stock compensation expense	0.4 %	0.5 %
Adjusted gross margin %	63.6 %	64.9 %

Reconciliation of U.S. GAAP operating expense for the nine months ended November 30, 2022 and November 30, 2021 to adjusted operating expense is reflected in the table below:

For the Nine Months Ended (in millions)	November 30, 2022	November 30, 2021
Operating expense	$ 545	$ 491
Restructuring charges	4	—
Stock compensation expense	19	22
Debentures fair value adjustment [(1)]	(112)	(47)
Acquired intangibles amortization	67	93
LLA impairment charge	4	—
Litigation settlement	165	—
Adjusted operating expense	$ 398	$ 423

[(1)] See "Third Quarter Fiscal 2023 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 nine months ended November 30, 2022 and November 30, 2021 to adjusted net loss and adjusted basic loss per share is reflected in the table below:

For the Nine Months Ended (in millions, except per share amounts)	November 30, 2022		November 30, 2021	
		Basic loss per share		Basic loss per share
Net loss	$ (239)	$(0.41)	$ (132)	$(0.23)
Restructuring charges	4		—	
Stock compensation expense	21		25	
Debentures fair value adjustment	(112)		(47)	
Acquired intangibles amortization	67		93	
LLA impairment charge	4		—	
Litigation settlement	165		—	
Adjusted net loss	$ (90)	$(0.16)	$ (61)	$(0.11)

Reconciliation of U.S. GAAP research and development, selling, marketing and administration, and amortization expense for the nine months ended November 30, 2022 and November 30, 2021 to adjusted research and development, selling, marketing and administration, and amortization expense is reflected in the table below:

For the Nine Months Ended (in millions)	November 30, 2022	November 30, 2021
Research and development	$ 159	$ 172
Stock compensation expense	6	6
Adjusted research and development	$ 153	$ 166
Selling, marketing and administration	$ 257	$ 233
Restructuring charges	4	—
Stock compensation expense	13	16
Adjusted selling, marketing and administration	$ 240	$ 217
Amortization	$ 78	$ 133
Acquired intangibles amortization	67	93
Adjusted amortization	$ 11	$ 40

Adjusted operating loss, adjusted EBITDA, adjusted operating loss margin percentage and adjusted EBITDA margin percentage for the nine months ended November 30, 2022 and November 30, 2021 are reflected in the table below.

For the Nine Months Ended (in millions)	November 30, 2022	November 30, 2021
Operating loss	$ (226)	$ (148)
Non-GAAP adjustments to operating loss		
Restructuring charges	4	—
Stock compensation expense	21	25
Debentures fair value adjustment	(112)	(47)
Acquired intangibles amortization	67	93
LLA impairment charge	4	—
Litigation settlement	165	—
Total non-GAAP adjustments to operating loss	149	71
Adjusted operating loss	(77)	(77)
Amortization	85	142
Acquired intangibles amortization	(67)	(93)
Adjusted EBITDA	$ (59)	$ (28)
Revenue	$ 505	$ 533
Adjusted operating loss margin % [(1)]	(15%)	(14%)
Adjusted EBITDA margin % [(2)]	(12%)	(5%)

[(1)] Adjusted operating loss margin % is calculated by dividing adjusted operating loss by revenue.
[(2)] Adjusted EBITDA margin % is calculated by dividing adjusted EBITDA by revenue.

The Company uses free cash usage when assessing its sources of liquidity, capital resources, and quality of earnings. The Company believes that free cash usage 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. Reconciliation of U.S. GAAP net cash flow used in operating activities for the three months ended November 30, 2022 and November 30, 2021 to free cash usage is reflected in the table below:

For the Three Months Ended (in millions)	November 30, 2022	November 30, 2021
Net cash used in operating activities	$ (185)	$ (19)
Acquisition of property, plant and equipment	(1)	(2)
Free cash usage	$ (186)	$ (21)

For the three months ended November 30, 2022, free cash usage includes $164 million paid in relation to the Pearlstein settlement discussed above in "Business Overview - Pearlstein Settlement".

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 estimated future performance. Readers are cautioned that annual recurring revenue ("ARR"), dollar-based net retention rate ("DBNRR"), Cybersecurity total contract value ("TCV") billings, and recurring revenue percentage do not have any standardized meaning and are unlikely to be comparable to similarly titled measures reported by other companies.

Comparative breakdowns of certain key metrics for the three months ended November 30, 2022 and November 30, 2021 are set forth below.

For the Three Months Ended (in millions)	November 30, 2022	November 30, 2021	Change
Cybersecurity Annual Recurring Revenue	$ 313	$ 358	$ (45)
Cybersecurity Dollar-Based Net Retention Rate	84 %	95 %	(11%)
Cybersecurity Total Contract Value Billings	$ 103	$ 112	$ (9)
Recurring Software Product Revenue	~ 80%	~ 80%	—%

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.

Cybersecurity ARR was approximately $313 million in the third quarter of fiscal 2023 and decreased compared to $321 million in the second quarter of fiscal 2023 and compared to $358 million in the third quarter of fiscal 2022.

The Company previously stated that it expected Cybersecurity ARR to return to growth in early fiscal 2024. The Company no longer expects to meet this expectation due to macroeconomic factors resulting in longer sales cycles for cybersecurity solutions. The Company now expects Cybersecurity ARR to return to growth in the second half of fiscal 2024.

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.

Cybersecurity DBNRR was 84% in the third quarter of fiscal 2023 and decreased compared to 85% in the second quarter of fiscal 2023 and compared to 95% in the third quarter of fiscal 2022.

Total Contract Value Billings

The Company defines TCV billings as amounts invoiced less credits issued. The Company considers TCV 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.

Cybersecurity TCV billings was $103 million in the third quarter of fiscal 2023 and increased compared to $102 million in the second quarter of fiscal 2023 and decreased compared to $112 million in the third quarter of fiscal 2022.

The Company previously stated that it expected quarterly year-over-year Cybersecurity billings growth throughout fiscal 2023 when compared to the same quarter in the prior year. In the third quarter of fiscal 2023, Cybersecurity TCV billings decreased compared to the third quarter of fiscal 2022 primarily due to macroeconomic factors resulting in longer sales cycles for cybersecurity solutions.

The Company expects sequential billings growth in the fourth quarter of fiscal 2023 and billings in the fourth quarter of fiscal 2023 to exceed Cybersecurity revenue in the fourth quarter of fiscal 2023.

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 Software and Services product revenue, excluding professional services, was approximately 80% recurring in the third quarter of fiscal 2023, consistent with the second quarter of fiscal 2023 and the third quarter of fiscal 2022.

Results of Operations - Three months ended November 30, 2022 compared to the three months ended November 30, 2021

Revenue

Revenue by Segment

Comparative breakdowns of revenue by segment are set forth below.

	For the Three Months Ended *(in millions)*		
	November 30, 2022	November 30, 2021	Change
Revenue by Segment			
Cybersecurity	$ 106	$ 128	$ (22)
IoT	51	43	8
Licensing and Other	12	13	(1)
	$ 169	$ 184	$ (15)
% Revenue by Segment			
Cybersecurity	62.7 %	69.6 %	
IoT	30.2 %	23.4 %	
Licensing and Other	7.1 %	7.0 %	
	100.0 %	100.0 %	

Cybersecurity

The decrease in Cybersecurity revenue of $22 million was primarily due to a decrease of $19 million relating to product revenue in BlackBerry Spark and a decrease of $3 million relating to professional services.

The Company expects sequential Cybersecurity revenue growth in the fourth quarter of fiscal 2023.

IoT

The increase in IoT revenue of $8 million was primarily due to an increase of $6 million in BlackBerry QNX royalty revenue and an increase of $5 million in BlackBerry QNX development seat revenue, partially offset by a decrease of $3 million relating to professional services.

The Company previously stated that it expected IoT revenue to be between $200 million and $210 million in fiscal 2023. The Company now expects IoT revenue to be between $205 million and $210 million in fiscal 2023.

Licensing and Other

The decrease in Licensing and Other revenue of $1 million was primarily due to a decrease of $3 million in SAF revenue, partially offset by an increase of $3 million in revenue from the Company's intellectual property licensing arrangements.

Revenue by Geography

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

	For the Three Months Ended (in millions)		
	November 30, 2022	November 30, 2021	Change
Revenue by Geography			
North America	$ 92	$ 101	$ (9)
Europe, Middle East and Africa	55	66	(11)
Other regions	22	17	5
	$ 169	$ 184	$ (15)
% Revenue by Geography			
North America	54.5 %	54.9 %	
Europe, Middle East and Africa	32.5 %	35.9 %	
Other regions	13.0 %	9.2 %	
	100.0 %	100.0 %	

North America Revenue

The decrease in North America revenue of $9 million was primarily due to a decrease of $11 million in product revenue in BlackBerry Spark and a decrease of $6 million in professional services, partially offset by an increase of $3 million in BlackBerry QNX royalty revenue, an increase of $3 million in revenue from the Company's intellectual property licensing arrangements and an increase of $2 million in BlackBerry QNX development seat revenue.

Europe, Middle East and Africa Revenue

The decrease in Europe, Middle East and Africa revenue of $11 million was primarily due to a decrease of $7 million in product revenue in BlackBerry Spark, a decrease of $2 million in SAF revenue, a decrease of $1 million in BlackBerry QNX development seat revenue and a decrease of $1 million relating to professional services, partially offset by an increase of $1 million in BlackBerry QNX royalty revenue.

Other Regions Revenue

The increase in Other regions revenue of $5 million was primarily due to an increase of $4 million in BlackBerry QNX development seat revenue and an increase of $1 million in BlackBerry QNX royalty revenue.

Gross Margin

Consolidated Gross Margin

Consolidated gross margin decreased by $8 million to approximately $109 million in the third quarter of fiscal 2023 (third quarter of fiscal 2022 - $117 million). The decrease was primarily due to a decrease in revenue from BlackBerry Spark, partially offset by an increase in revenue from BlackBerry QNX due to the reasons discussed above in “Revenue by Segment” as much of the Company’s cost of sales does not significantly fluctuate based on business volume, as well as an increase due to revenue mix in Secusmart.

Consolidated Gross Margin Percentage

Consolidated gross margin percentage increased by 0.9% to approximately 64.5% of consolidated revenue in the third quarter of fiscal 2023 (third quarter of fiscal 2022 - 63.6%). The increase was primarily due to a higher gross margin contribution from BlackBerry QNX due to the reasons discussed above in “Revenue by Segment” and a higher gross margin percentage from mix within Secusmart, partially offset by a lower gross margin contribution from BlackBerry Spark due to the reasons discussed above in “Revenue by Segment”.

Gross Margin by Segment

See “Third Quarter Fiscal 2023 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)*											
	Cybersecurity			IoT			Licensing and Other			Segment Totals		
	November 30,		Change	November 30,		Change	November 30,		Change	November 30,		Change
	2022	2021		2022	2021		2022	2021		2022	2021	
Segment revenue	$ 106	$ 128	$(22)	$ 51	$ 43	$ 8	$ 12	$ 13	$ (1)	$ 169	$ 184	$(15)
Segment cost of sales	46	52	(6)	10	8	2	4	6	(2)	60	66	(6)
Segment gross margin	$ 60	$ 76	$(16)	$ 41	$ 35	$ 6	$ 8	$ 7	$ 1	$ 109	$ 118	$ (9)
Segment gross margin %	57 %	59 %	(2%)	80 %	81 %	(1)%	67 %	54 %	13%	64 %	64 %	—%

Cybersecurity

The decrease in Cybersecurity gross margin of $16 million was primarily due to the reasons discussed above in “Revenue by Segment”, as the cost of sales for most Cybersecurity products does not significantly fluctuate based on business volume, and to an increase in infrastructure costs allocated due to the Company no longer supporting or maintaining legacy device operating systems as discussed above in “Business Overview - Products and Services - Licensing and Other”

The decrease in Cybersecurity gross margin percentage of 2% was primarily due to an increase in infrastructure costs allocated.

IoT

The increase in IoT gross margin of $6 million was primarily due to the reasons discussed above in “Revenue by Segment”, partially offset by an increase in cost of sales associated with development seat revenue.

The decrease in IoT gross margin percentage of 1% was primarily due to an increase in cost of sales associated with development seat revenue.

Licensing and Other

The increase in Licensing and Other gross margin of $1 million was primarily due a decrease in infrastructure costs due to the Company no longer supporting or maintaining legacy device operating systems, partially offset by the reasons discussed above in “Revenue by Segment”.

The increase in Licensing and Other gross margin percentage of 13% was primarily due to a decrease in infrastructure costs due to the Company no longer supporting or maintaining legacy device operating systems.

Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expenses for the quarter ended November 30, 2022, compared to the quarter ended August 31, 2022 and the quarter ended November 30, 2021. The Company believes it is meaningful to provide a sequential comparison between the third quarter of fiscal 2023 and the second quarter of fiscal 2023.

	For the Three Months Ended *(in millions)*		
	November 30, 2022	August 31, 2022	November 30, 2021
Revenue	$ 169	$ 168	$ 184
Operating expenses			
Research and development	52	54	57
Selling, marketing and administration	89	86	77
Amortization	26	25	42
Impairment of long-lived assets	—	4	—
Gain on sale of property, plant and equipment, net	—	(6)	—
Debentures fair value adjustment	(56)	(10)	(110)
Total	$ 111	$ 153	$ 66
Operating Expenses as % of Revenue			
Research and development	30.8%	32.1%	31.0%
Selling, marketing and administration	52.7%	51.2%	41.8%
Amortization	15.4%	14.9%	22.8%
Impairment of long-lived assets	—%	2.4%	—%
Gain on sale of property, plant and equipment, net	—%	(3.6%)	—%
Debentures fair value adjustment	(33.1%)	(6.0%)	(59.8%)
Total	65.7 %	91.1 %	35.9 %

See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three months ended November 30, 2022, August 31, 2022 and November 30, 2021.

U.S. GAAP Operating Expenses

Operating expenses decreased by $42 million, or 27.5% in the third quarter of fiscal 2023, compared to the second quarter of fiscal 2023 primarily due to the difference between the Q3 Fiscal 2023 Debentures Fair Value Adjustment and the fair value adjustment related to the 1.75% Debentures incurred in the second quarter of fiscal 2023 of $46 million, a decrease of $4 million in impairment of long-lived assets and a decrease of $2 million in restructuring costs, partially offset by a $6 million gain on sale of property, plant and equipment, net, in the second quarter of fiscal 2023 which did not recur and an increase in variable incentive plan costs of $4 million.

Operating expenses increased by $45 million, or 68.2%, compared to the third quarter of fiscal 2022 primarily due to the difference between the Q3 Fiscal 2023 Debentures Fair Value Adjustment and the fair value adjustment related to the 1.75% Debentures incurred in the third quarter of fiscal 2022 of $54 million, an increase of $4 million in variable incentive plan costs and a decrease in benefits of $3 million in government subsidies resulting from claims filed for the Canada Emergency Wage Subsidy and Hardest-Hit Business Recovery Program programs (“COVID-19 subsidies”) to support the business through the COVID-19 pandemic, partially offset by a decrease of $16 million in amortization expense and a decrease of $6 million in salaries and benefits expenses.

Adjusted Operating Expenses

Adjusted operating expenses increased by $8 million, or 6.2%, to $137 million in the third quarter of fiscal 2023 compared to $129 million in the second quarter of fiscal 2023. The increase was primarily attributable to a $6 million gain on sale of property, plant and equipment, net, in the second quarter of fiscal 2023 which did not recur and an increase in variable incentive plan costs of $4 million, partially offset by a decrease of $2 million in salaries and benefits expenses and a decrease of $1 million in the Company’s deferred share unit liability due to a decrease in the Company’s stock price.

Adjusted operating expenses decreased by $5 million, or 3.5%, to $137 million in the third quarter of fiscal 2023 compared to $142 million in the third quarter of fiscal 2022. The decrease was primarily attributable to a decrease of $10 million in amortization expense, a decrease of $6 million in salaries and benefits expenses and a decrease of $1 million in sales incentive plan costs, partially offset by an increase in variable incentive plan costs of $4 million and a decrease in benefits of $3 million in COVID-19 subsidies.

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 decreased by $5 million, or 8.8%, in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022 primarily due to a decrease of $3 million in salaries and benefits expenses.

Adjusted research and development expenses decreased by $5 million, or 9.1%, to $50 million in the third quarter of fiscal 2023 (third quarter of fiscal 2022 - $55 million). The decrease was primarily due to the same reasons described above on a U.S. GAAP basis.

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 $12 million, or 15.6%, in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022 primarily due to an increase in variable incentive plan costs of $5 million, a decrease in benefits of $3 million in COVID-19 subsidies and an increase of $3 million in stock compensation costs, partially offset by a decrease of $3 million in salaries and benefits expenses.

Adjusted selling, marketing and administration expenses increased by $9 million, or 12.2%, to $83 million in the third quarter of fiscal 2023 (third quarter of fiscal 2022 - $74 million). This increase was primarily due to an increase in variable incentive plan costs of $5 million and a decrease in benefits of $3 million in COVID-19 subsidies, partially offset by a decrease of $3 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 November 30, 2022 compared to the quarter ended November 30, 2021. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Three Months Ended *(in millions)*		
	Included in Operating Expense		
	November 30, 2022	November 30, 2021	Change
Property, plant and equipment	$ 2	$ 4	$ (2)
Intangible assets	24	38	(14)
Total	$ 26	$ 42	$ (16)
	Included in Cost of Sales		
	November 30, 2022	November 30, 2021	Change
Property, plant and equipment	$ —	$ —	$ —
Intangible assets	2	3	(1)
Total	$ 2	$ 3	$ (1)

Amortization included in Operating Expense

The decrease in amortization expense included in operating expense of $16 million was due to a decrease in intellectual property held and used related to the Patent Sale Transaction and due to the lower cost base of assets.

Adjusted amortization expense decreased by $9 million to $4 million in the third quarter of fiscal 2023 (third quarter of fiscal 2022 - $13 million) due to the reasons described above on a U.S. GAAP basis.

Amortization included in Cost of Sales

The decrease in amortization expense relating to certain property, plant and equipment and certain intangible assets employed in the Company’s service operations of $1 million was due to the lower cost base of assets.

Investment Income, Net

Investment income, net, which includes the interest expense from the 1.75% Debentures, decreased by $23 million to investment income, net of $2 million in the third quarter of fiscal 2023 (third quarter of fiscal 2022 - investment income, net of $25 million). The decrease in investment income, net is primarily due to gains recognized from a return of capital from a non-marketable equity investment and observable price changes on non-marketable equity investments without readily determinable fair value that occurred in the third quarter of fiscal 2022.

Income Taxes

For the third quarter of fiscal 2023, the Company’s net effective income tax expense rate was undefined due to net income before taxes of nil (third quarter of fiscal 2022 - net effective income tax expense rate of approximately 3%). 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 1.75% 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 Income (Loss)

The Company’s net loss for the third quarter of fiscal 2023 was $4 million, or $0.01 basic loss per share and $0.09 diluted loss per share on a U.S. GAAP basis (third quarter of fiscal 2022 - net income of $74 million, or $0.13 basic earnings per share and $0.05 diluted loss per share). The decrease in net income of $78 million was primarily due to an increase in operating expenses, as described above in “Operating Expenses”, a decrease in investment income, net, a decrease in revenue, as described above in “Revenue by Segment”, partially offset by an increase in gross margin percentage, as described above in “Consolidated Gross Margin Percentage”.

Adjusted net loss was $30 million in the third quarter of fiscal 2023 (third quarter of fiscal 2022 - adjusted net loss of $1 million). The increase in adjusted net loss of $29 million was primarily due to a decrease in investment income, net, a decrease in revenue as described above in “Revenue by Segment”, partially offset by a decrease in operating expenses as described above in “Operating Expenses” and an increase in gross margin percentage, as described above in “Consolidated Gross Margin Percentage”.

The weighted average number of shares outstanding was 579 million common shares for basic loss per share and 640 million common shares for diluted loss per share for the third quarter of fiscal 2023 (third quarter of fiscal 2022 - 571 million common shares for basic earnings per share and 632 million common shares for diluted loss per share).

Results of Operations - Nine months ended November 30, 2022 compared to the nine months ended November 30, 2021

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 nine months ended November 30, 2022 and November 30, 2021:

	For the Nine Months Ended *(in millions, except for share and per share amounts)*		
	November 30, 2022	November 30, 2021	Change
Revenue	$ 505	$ 533	$ (28)
Gross margin	319	343	(24)
Operating expenses	545	491	54
Investment income (loss), net	(1)	22	(23)
Loss before income taxes	(227)	(126)	(101)
Provision for income taxes	12	6	6
Net loss	$ (239)	$ (132)	$ (107)
Loss per share - reported			
Basic	$ (0.41)	$ (0.23)	$ (0.18)
Diluted	$ (0.54)	$ (0.28)	$ (0.26)
Weighted-average number of shares outstanding (000's)			
Basic [1]	577,718	568,877	
Diluted [2]	638,551	629,710	

[1] Basic loss per share on a U.S. GAAP basis for the first nine months of fiscal 2022 includes 1,421,945 common shares that were subsequently issued on the third anniversary dates of the Cylance acquisition completed on February 21, 2019 in consideration for the acquisition.

[2] Diluted loss per share on a U.S. GAAP basis for the first nine months of fiscal 2023 and fiscal 2022 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 Nine Months Ended *(in millions)*		
	November 30, 2022	November 30, 2021	Change
Revenue by Segment			
Cybersecurity	$ 330	$ 355	$ (25)
IoT	153	126	27
Licensing and Other	22	52	(30)
	$ 505	$ 533	$ (28)
% Revenue by Segment			
Cybersecurity	65.3 %	66.6 %	
IoT	30.3 %	23.6 %	
Licensing and Other	4.4 %	9.8 %	
	100.0 %	100.0 %	

Cybersecurity

The decrease in Cybersecurity revenue of $25 million was primarily due to a decrease of $35 million relating to product revenue in BlackBerry Spark, a decrease of $8 million relating to professional services and a decrease of $2 million relating to non-automotive OEM business, partially offset by an increase of $19 million relating to product revenue in Secusmart.

IoT

The increase in IoT revenue of $27 million was primarily due to an increase of $16 million in BlackBerry QNX development seat revenue, an increase of $9 million in BlackBerry QNX royalty revenue and an increase of $2 million relating to professional services.

Licensing and Other

The decrease in Licensing and Other revenue of $30 million was primarily due to a decrease of $23 million in revenue from the Company's intellectual property licensing arrangements due to the pending Patent Sale Transaction in the third quarter of fiscal 2023 and associated restrictions on monetization activity and a decrease of $7 million in SAF revenue.

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 Nine Months Ended (in millions)		
	November 30, 2022	November 30, 2021	Change
Revenue by Geography			
North America	$ 266	$ 313	$ (47)
Europe, Middle East and Africa	176	168	8
Other regions	63	52	11
	$ 505	$ 533	$ (28)
% Revenue by Geography			
North America	52.7 %	58.7 %	
Europe, Middle East and Africa	34.9 %	31.5 %	
Other regions	12.4 %	9.8 %	
	100.0 %	100.0 %	

North America Revenue

The decrease in North American revenue of $47 million was primarily due to a decrease of $23 million in Licensing and Other revenue due to the reasons discussed above in "Revenue by Segment", a decrease of $21 million in product revenue in BlackBerry Spark and a decrease of $8 million relating to professional services, partially offset by an increase of $6 million in BlackBerry QNX royalty revenue.

Europe, Middle East and Africa Revenue

The increase in Europe, Middle East and Africa revenue of $8 million was primarily due to an increase of $19 million relating to product revenue in Secusmart and an increase of $4 million in BlackBerry QNX development seat revenue, partially offset by a decrease of $15 million in product revenue in BlackBerry Spark.

Other Regions Revenue

The increase in Other regions revenue of $11 million was primarily due to an increase of $8 million in BlackBerry QNX development seat revenue, an increase of $2 million related to professional services and an increase of $2 million in BlackBerry QNX royalty revenue, partially offset by a decrease of $2 million in SAF revenue.

Gross Margin

Consolidated Gross Margin

Consolidated gross margin decreased by $24 million to approximately $319 million in the first nine months of fiscal 2023 (first nine months of fiscal 2022 - $343 million). The decrease was primarily due to a decrease in revenue from BlackBerry Spark and Licensing and Other, 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 1.2%, to approximately 63.2% of consolidated revenue in the first nine months of fiscal 2023 (first nine months of fiscal 2022 - 64.4%). The decrease was primarily due to a lower gross margin contribution from BlackBerry Spark and Licensing and Other due to the reasons discussed above in “Revenue by Segment”, partially offset by a higher gross margin contribution from BlackBerry QNX and Secusmart due to the reasons discussed above in “Revenue by Segment”.

Gross Margin by Segment

See “Business Overview” and “Third Quarter Fiscal 2023 Summary Results of Operations” for information about the Company’s operating segments and the basis of operating segment results.

	For the Nine Months Ended (in millions)											
	Cybersecurity			IoT			Licensing and Other			Segment Totals		
	November 30, 2022	November 30, 2021	Change	November 30, 2022	November 30, 2021	Change	November 30, 2022	November 30, 2021	Change	November 30, 2022	November 30, 2021	Change
Segment revenue	$ 330	$ 355	$(25)	$ 153	$ 126	$ 27	$ 22	$ 52	$(30)	$ 505	$ 533	$(28)
Segment cost of sales	149	147	2	27	22	5	8	18	(10)	184	187	(3)
Segment gross margin	$ 181	$ 208	$(27)	$ 126	$ 104	$ 22	$ 14	$ 34	$(20)	$ 321	$ 346	$(25)
Segment gross margin %	55%	59%	(4%)	82%	83%	(1%)	64%	65%	(1%)	64%	65%	(1%)

Cybersecurity

The decrease in Cybersecurity gross margin of $27 million was primarily due to the reasons discussed above in “Revenue by Segment”, as the cost of sales for most Cybersecurity products does not significantly fluctuate based on business volume, and to an increase in infrastructure costs allocated due to the Company no longer supporting or maintaining legacy device operating systems as discussed above in “Business Overview - Products and Services - Licensing and Other”.

The decrease in Cybersecurity gross margin percentage of 4% was primarily due to an increase in infrastructure costs allocated and an increase in product revenue in Secusmart, which has a lower relative gross margin percentage.

IoT

The increase in IoT gross margin of $22 million was primarily due to the reasons discussed above in “Revenue by Segment”, partially offset by an increase in salaries expense.

The decrease in IoT gross margin percentage of 1% was primarily due to an increase in salaries expense.

Licensing and Other

The decrease in Licensing and Other gross margin of $20 million was primarily due to the reasons discussed above in “Revenue by Segment”, partially offset by a decrease in infrastructure costs due to the Company no longer supporting or maintaining legacy device operating systems.

The decrease in Licensing and Other gross margin percentage of 1% was primarily due to the reasons discussed above in “Revenue by Segment”, partially offset by a decrease in infrastructure costs due to the Company no longer supporting or maintaining legacy device operating systems.

Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expense for the nine months ended November 30, 2022, compared to the nine months ended November 30, 2021.

	For the Nine Months Ended (*in millions*)		
	November 30, 2022	November 30, 2021	Change
Revenue	$ 505	$ 533	$ (28)
Operating expenses			
Research and development	159	172	(13)
Selling, marketing and administration	257	233	24
Amortization	78	133	(55)
Impairment of long-lived assets	4	—	4
Gain on sale of property, plant and equipment, net	(6)	—	(6)
Debentures fair value adjustment	(112)	(47)	(65)
Litigation settlement	165	—	165
Total	$ 545	$ 491	$ 54
Operating Expense as % of Revenue			
Research and development	31.5 %	32.3 %	
Selling, marketing and administration	50.9 %	43.7 %	
Amortization	15.4 %	25.0 %	
Impairment of long-lived assets	0.8 %	— %	
Gain on sale of property, plant and equipment, net	(1.2)%	— %	
Debentures fair value adjustment	(22.2)%	(8.8)%	
Litigation settlement	32.7 %	— %	
Total	107.9 %	92.1 %	

See "Non-GAAP Financial Measures" for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the nine months ended November 30, 2022 and November 30, 2021.

U.S. GAAP Operating Expenses

Operating expenses increased by $54 million, or 11.0% in the first nine months of fiscal 2023, compared to the first nine months of fiscal 2022 primarily due to a $165 million litigation settlement, a decrease in benefits of $28 million in COVID-19 subsidies and an increase of $4 million in restructuring costs, partially offset by the difference between the Fiscal 2023 Debentures Fair Value Adjustment and the fair value adjustment of $65 million related to the 1.75% Debentures incurred in the first nine months of fiscal 2022, a decrease of $55 million in amortization expense, a decrease of $17 million in salaries and benefits expenses and a $6 million gain on sale of property, plant and equipment, net.

Adjusted Operating Expenses

Adjusted operating expenses decreased by $25 million, or 5.9%, to $398 million in the first nine months of fiscal 2023, compared to $423 million in the first nine months of 2022. The decrease was primarily attributable to a decrease of $29 million in amortization expense, a decrease of $17 million in salaries and benefits expenses and a $6 million gain on sale of property, plant and equipment, net, partially offset by a decrease in benefits of $28 million in COVID-19 subsidies.

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 decreased by $13 million, or 7.6%, in the first nine months of fiscal 2023, compared to the first nine months of fiscal 2022 primarily due to a decrease of $8 million in salaries and benefits expenses and a decrease of $4 million in consulting costs, partially offset by a decrease in benefits of $1 million in claims filed with the Ministry of Innovation, Science and Economic Development Canada relating to its Strategic Innovation Fund program's investment in BlackBerry QNX.

Adjusted research and development expenses decreased by $13 million, or 7.8% to $153 million in the first nine months of fiscal 2023 (first nine months of fiscal 2022 - $166 million). The decrease was primarily due to the same reasons described above on a U.S. GAAP basis.

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 $24 million, or 10.3%, in the first nine months of fiscal 2023 compared to the first nine months of fiscal 2022 primarily due to a decrease in benefits of $28 million in COVID-19 subsidies, an increase of $4 million in variable incentive plan costs, an increase of $4 million in restructuring costs and an increase of $3 million in bad debt expense, partially offset by a decrease of $11 million in salaries and benefits expenses and a decrease of $6 million in sales incentive plan costs.

Adjusted selling, marketing and administration expenses increased by $23 million, or 10.6%, to $240 million in the first nine months of fiscal 2023 (first nine months of fiscal 2022 - $217 million). The increase was primarily due to a decrease in benefits of $28 million in COVID-19 subsidies, an increase of $4 million in variable incentive plan costs, an increase of $3 million in bad debt expense and an increase of $2 million in travel expenses, partially offset by a decrease of $11 million in salaries and benefits expenses and a decrease of $6 million in sales incentive plan costs.

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 nine months ended November 30, 2022 compared to the nine months ended November 30, 2021. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Nine Months Ended (in millions)		
	Included in Operating Expense		
	November 30, 2022	November 30, 2021	Change
Property, plant and equipment	$ 7	$ 10	$ (3)
Intangible assets	71	123	(52)
Total	$ 78	$ 133	$ (55)

	Included in Cost of Sales		
	November 30, 2022	November 30, 2021	Change
Property, plant and equipment	$ 2	$ 2	$ —
Intangible assets	5	7	(2)
Total	$ 7	$ 9	$ (2)

Amortization included in Operating Expense

The decrease in amortization expense included in operating expense of $55 million was due to a decrease in intellectual property held and used related to the Patent Sale Transaction and due to the lower cost base of assets.

Adjusted amortization expense decreased by $29 million in the first nine months of fiscal 2023 to $11 million (first nine months of fiscal 2022 - $40 million) due to the reasons described above on a U.S. GAAP basis.

Amortization included in Cost of Sales

The decrease in amortization expense relating to certain property, plant and equipment and intangible assets employed in the Company's service operations of $2 million was due to the lower cost base of assets.

Investment Income (Loss), Net

Investment income (loss), net, which includes the interest expense from the 1.75% Debentures, decreased by $23 million to investment loss, net of $1 million in the first nine months of fiscal 2023 (first nine months of fiscal 2022 - investment income, net of $22 million). The decrease in investment income, net is primarily due to gains recognized from a return of capital from a non-marketable equity investment and observable price changes on non-marketable equity investments without readily determinable fair value that occurred in the first nine months of fiscal 2022.

Income Taxes

For the first nine months of fiscal 2023, the Company's net effective income tax expense rate was approximately 5% (first nine months of fiscal 2022 - net effective income tax expense rate of approximately 5%). 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 1.75% 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 nine months of fiscal 2023 was $239 million, or $0.41 basic loss per share and $0.54 diluted loss per share on a U.S. GAAP basis (first nine months of fiscal 2022 - net loss of $132 million, or $0.23 basic loss per share and $0.28 diluted loss per share). The increase in net loss of $107 million was primarily due to an increase in operating expenses, as described above in "Operating Expenses", a decrease in revenue as described above in "Revenue by Segment", a decrease in investment income (loss), net, and a decrease in gross margin percentage, as described above in "Consolidated Gross Margin Percentage".

Adjusted net loss in the first nine months of fiscal 2023 was $90 million (first nine months of fiscal 2022 - adjusted net loss of $61 million). The increase in adjusted net loss of $29 million was primarily due to a decrease in revenue as described above in "Revenue by Segment", a decrease in investment income (loss), net and a decrease in gross margin percentage, as described above in "Consolidated Gross Margin Percentage", partially offset by a decrease in operating expenses as described above in "Operating Expenses".

The weighted average number of shares outstanding was 578 million for basic loss per share and 639 million for diluted loss per share for the first nine months of November 30, 2022. The weighted average number of shares outstanding was 569 million for basic loss per share and 630 million for diluted loss per share for the first nine months of November 30, 2021.

Common Shares Outstanding

On December 16, 2022, there were 580 million voting common shares, options to purchase 0.5 million voting common shares, 13 million restricted share units and 2 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 5 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 $265 million to $505 million as at November 30, 2022 from $770 million as at February 28, 2022, primarily as a result of the U.S. securities class actions settlement discussed in "Business Overview - Pearlstein Settlement" and changes in working capital excluding the amounts payable in respect of the 1.75% Debentures. The majority of the Company's cash, cash equivalents, and investments were denominated in U.S. dollars as at November 30, 2022.

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

	As at (in millions)		
	November 30, 2022	February 28, 2022	Change
Cash and cash equivalents	$ 255	$ 378	$ (123)
Restricted cash and cash equivalents	27	28	(1)
Short-term investments	194	334	(140)
Long-term investments	29	30	(1)
Cash, cash equivalents, and investments	$ 505	$ 770	$ (265)

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

	As at (in millions)		
	November 30, 2022	February 28, 2022	Change
Current assets	$ 769	$ 1,043	$ (274)
Current liabilities	767	397	370
Working capital	$ 2	$ 646	$ (644)

Current Assets

The decrease in current assets of $274 million at the end of the third quarter of fiscal 2023 from the end of the fourth quarter of fiscal 2022 was primarily due to a decrease in short term investments of $140 million, a decrease in cash and cash equivalents of $123 million, a decrease in other receivables of $16 million, a decrease in accounts receivable, net of allowance of $7 million and a decrease in income taxes receivable of $4 million, partially offset and an increase of $16 million in other current assets.

At November 30, 2022, other receivables was $9 million, a decrease of $16 million from February 28, 2022. The decrease was primarily due to a decrease of $8 million relating to COVID-19 subsidies and a decrease of $6 million in intellectual property licensing receivable.

At November 30, 2022, accounts receivable was $131 million, a decrease of $7 million from February 28, 2022. The decrease was primarily due to lower revenue recognized over the three months ended November 30, 2022 compared to the three months ended February 28, 2022, and a decrease in days sales outstanding to 62 days at the end of the third quarter of fiscal 2023 from 67 days at the end of the fourth quarter of fiscal 2022.

At November 30, 2022, income taxes receivable was $5 million, a decrease of $4 million from February 28, 2022. The decrease was primarily due to tax refunds received.

At November 30, 2022, other current assets was $175 million, an increase of $16 million from February 28, 2022. The increase was primarily due to an increase of $16 million in intellectual property related to patent maintenance and an increase of $2 million in prepaid software, partially offset by a decrease of $2 million in prepaid hardware.

Current Liabilities

The increase in current liabilities of $370 million at the end of the third quarter of 2023 from the end of the fourth quarter of fiscal 2022 was primarily due to an increase in the amounts payable in respect of the 1.75% Debentures of $392 million and an increase in income taxes payable of $10 million, partially offset by a decrease in deferred revenue, current of $28 million, a decrease in accruals of $3 million and a decrease in accounts payable of $1 million.

Income taxes payable were $21 million, reflecting an increase of $10 million compared to February 28, 2022, which was primarily due to income earned in taxable jurisdictions.

Deferred revenue, current was $179 million, reflecting a decrease of $28 million compared to February 28, 2022 that was attributable to a $26 million decrease in deferred revenue, current related to BlackBerry Spark and $3 million related to BlackBerry QNX, partially offset by an increase in deferred revenue, current of $2 million related to BlackBerry AtHoc.

Accrued liabilities were $154 million, reflecting a decrease of $3 million compared to February 28, 2022. The decrease was primarily due a decrease of $4 million in director share liability, a decrease of $3 million in payroll accruals and a decrease of $2 million in operating lease liability, current, partially offset by an increase of $6 million in variable incentive plan costs.

Accounts payable were $21 million, reflecting a decrease of $1 million from February 28, 2022, which was primarily due to timing of payments.

Cash flows for the nine months ended November 30, 2022 compared to the nine months ended November 30, 2021 were as follows:

	For the Nine Months Ended (in millions)		
	November 30, 2022	November 30, 2021	Change
Net cash flows provided by (used in):			
Operating activities	$ (253)	$ (37)	$ (216)
Investing activities	126	111	15
Financing activities	6	9	(3)
Effect of foreign exchange loss on cash and cash equivalents	(3)	(1)	(2)
Net increase in cash and cash equivalents	$ (124)	$ 82	$ (206)

Operating Activities

The increase in net cash flows used in operating activities of $216 million primarily reflects the net changes in working capital which includes the payment of the $165 million U.S. securities class actions settlement.

Investing Activities

During the nine months ended November 30, 2022, cash flows provided by investing activities were $126 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 $138 million and proceeds on sale of property, plant and equipment of $17 million, offset by cash used in the acquisition of intangible assets of $24 million and the acquisition of property, plant and equipment of $5 million. For the same period in the prior fiscal year, cash flows provided by investing activities were $111 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 $104 million and distribution from a non-marketable equity investment without readily determinable fair value in the amount of $35 million, offset by cash used in the acquisition intangible assets of $22 million, and the acquisitions of property, plant and equipment of $6 million.

Financing Activities

The decrease in cash flows provided by financing activities of $3 million for the first nine months of fiscal 2023 was primarily due to a decrease in common shares issued upon the exercise of stock options.

Debenture Financing and Other Funding Sources

See Note 5 to the Consolidated Financial Statements for a description of the 1.75% Debentures.

The Company has $25 million in collateralized outstanding letters of credit in support of certain leasing arrangements entered into in the ordinary course of business. See Note 2 to the Consolidated Financial Statements for further information concerning the Company's restricted cash.

Cash, cash equivalents, and investments were approximately $505 million as at November 30, 2022. 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.

Contractual and Other Obligations

The following table sets out aggregate information about the Company's contractual and other obligations and the periods in which payments are due as at November 30, 2022:

	(in millions)		
	Total	Short-term (next 12 months)	Long-term (>12 months)
Operating lease obligations	$ 88	$ 28	$ 60
Purchase obligations and commitments	119	116	3
Debt interest and principal payments	373	373	—
Total	$ 580	$ 517	$ 63

Total contractual and other obligations as at November 30, 2022 decreased by approximately $23 million as compared to the February 28, 2022 balance of approximately $603 million, which was attributable to a decrease in operation lease obligations and purchase obligations and commitments.

The Company does not have any material off-balance sheet arrangements.

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.

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 third quarter of fiscal 2023 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 November 30, 2022, approximately 25% of cash and cash equivalents, 41% of accounts receivables and 44% of accounts payable were denominated in foreign currencies (February 28, 2022 – 37%, 23% and 30%, 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 exchanges 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 November 30, 2022 (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 1.75% Debentures with a fixed interest rate, as described in Note 5 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 November 30, 2022 was $5 million