

following conditions are met concurrently: (a) 25% or more of the issued shares of any class of the capital stock of the Company were owned by or belonged to one or any combination of (i) the U.S. Resident Holder, (ii) persons with whom the U.S. Resident Holder did not deal at arm's length for purposes of the Tax Act, and (iii) partnerships in which the U.S. Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships; and (b) more than 50% of the fair market value of the common share was derived, directly or indirectly, from one or any combination of: (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Tax Act), (iii) "timber resource properties" (as defined in the Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of (b)(i) to (iii), whether or not the property exists. A common share may also be deemed to be "taxable Canadian property" in certain circumstances as set out in the Tax Act. In the case of a U.S. Resident Holder to whom a common share of the Company represents "taxable Canadian property", under the Treaty, such a U.S. Resident Holder will generally not be subject to tax under the Tax Act on a capital gain realized on the disposition of such share unless the value of such share is derived principally from real property situated in Canada (within the meaning of the Treaty).

In the event that a common share is "taxable Canadian property," within the meaning of the Tax Act, to a U.S. Resident Holder at the time of disposition, such U.S. Resident Holder should consult its own tax advisor as to the Canadian federal income tax consequences of the disposition.

## **ITEM 6. [RESERVED]**

## **ITEM 7. 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 audited consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of BlackBerry Limited, for the fiscal year ended February 28, 2022. The Consolidated Financial Statements are presented in U.S. dollars and have been prepared in accordance with U.S. GAAP. All financial information in this MD&A is presented in U.S. dollars, unless otherwise indicated.

Readers should carefully review Part I, Item 1A "Risk Factors" and other documents filed from time to time with the Securities and Exchange Commission ("SEC") and other securities regulators. A number of factors may materially affect our business, financial condition, operating results and prospects. These factors include but are not limited to those set forth in Part I, Item 1A "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Any one of these factors, and other factors that we are unaware of, or currently deem immaterial, may cause our actual results to differ materially from recent results or from our anticipated future results. Please refer to our MD&A included in our Annual Report on 10-K for the fiscal year ended February 28, 2021 for a comparative discussion of our fiscal 2021 financial results as compared to our fiscal 2020, which is incorporated herein by reference. 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](http://www.sedar.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

### **Cautionary Note Regarding Forward-Looking Statements**

This Annual Report on Form 10-K 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, to increase staffing in its Cybersecurity and IoT businesses, and to implement changes to its remote and virtual operations;
- the Company's expectations with respect to the impact of the COVID-19 pandemic or the Company's response to Russia's invasion of Ukraine on its results of operations and financial condition on a consolidated basis, including its liquidity position;
- the Company's expectations with respect to its revenue and billings in fiscal 2023 and with respect to installations of the BlackBerry IVY™ platform;
- 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 Annual Report on Form 10-K, including in the sections in Part I, Item 1 "Business" entitled "Products and Services - IoT", "Products and Services - Licensing and Other", "Intellectual Property", and "Human Capital", and in the sections of this MD&A entitled "Business Overview - COVID-19", "Business Overview - Russia Ukraine Conflict", "Non-GAAP Financial Measures - Key Metrics - Billings", "Results of

Operations - Fiscal year ended February 28, 2022 compared to fiscal year ended February 28, 2021 - Revenue - Revenue by Segment”, “Results of Operations - Three months ended February 28, 2022 compared to the three months ended February 28, 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, the Russia Ukraine conflict, 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 this Annual Report on Form 10-K.

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 this Annual Report on Form 10-K.

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

## **Business Overview**

The Company provides intelligent security software and services to enterprises and governments around the world. The Company secures more than 500 million endpoints including more than 195 million vehicles. Based in Waterloo, Ontario, the Company leverages artificial intelligence 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. The Company’s common shares trade under the ticker symbol “BB” on the New York Stock Exchange and the Toronto Stock Exchange. The Company was incorporated under the Business Corporations Act (Ontario) (“OBCA”) on March 7, 1984.

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

### *Products and Innovation:*

- Launched BlackBerry® Optics 3.0, the Company’s next-generation cloud-based EDR solution and BlackBerry Gateway, the Company’s first AI-empowered zero trust network access (ZTNA) product;
- Released an early access version of BlackBerry IVY™;
- Launched an update to the BlackBerry® Guard managed detection and response service to provide a managed extended detection and response (XDR) service through a partnership with Exabeam;
- Announced an expansion of products covered by the BlackBerry Guard to include ZTNA, mobile threat defense (MTD) and user behavior risk analytics (UEBA);
- Announced that the Company was awarded the highest AAA Rating in SE Labs’ Breach Response Test for BlackBerry® Protect and BlackBerry Optics;
- Announced that Frost & Sullivan named BlackBerry an innovator in its US Healthcare Cybersecurity Market report;
- Announced that the Company was recognized by SE Labs as offering the best new endpoint protection solution of 2021;
- Announced conformance to the OpenChain ISO/IEC 5230:2020 standard for open source license compliance across the Company’s entire product portfolio;
- Launched BlackBerry® Jarvis® 2.0, the Company’s updated software composition analysis tool;
- Announced that Frost & Sullivan named BlackBerry IVY an industry-leading cloud software platform for automakers and smart cities;
- Launched an autonomous flood risk and clean water monitoring solution based on BlackBerry® AtHoc®;
- Announced that BlackBerry AtHoc won the Frost & Sullivan 2021 Technology Innovation Leadership Award for safe city solutions;
- Launched updated BlackBerry® SecuSUITE® capabilities to further secure group phone calls and messages;
- Announced that BlackBerry SecuSUITE for Government offering now provides certified end-to-end encryption of all group phone calls and instant messages; and
- Released the 2022 BlackBerry Annual Threat Report;

*Customers and Partners:*

- Announced that BlackBerry entered into a patent sale agreement with Catapult IP Innovations, Inc. (“Catapult”), pursuant to which BlackBerry has agreed to sell substantially all of its non-core patent assets to Catapult for total consideration of \$600 million;
- Announced that the Company has design wins with 24 of the world’s leading 25 Electric Vehicle (EV) automakers, increasing from 23 of the top 25 in the third quarter of fiscal 2022;
- Announced that BlackBerry® QNX® software is embedded in over 195 million vehicles;
- Announced first BlackBerry IVY proof-of-concept pilot with PATEO, a leading Chinese tier 1 supplier, and a Chinese electric vehicle automaker to integrate BlackBerry IVY into a digital cockpit;
- Announced that the Company demonstrated BlackBerry IVY running on auto-grade hardware at CES 2022, with partner integrations from Amazon Web Services, HERE Technologies, Car IQ and Electra Vehicles;
- Announced that BlackBerry IVY will provide secure vehicle-based payment capability through a partnership with financial technology solution provider Car IQ;
- Announced a collaboration with Ridecell Inc. to bring a next generation fleet operations and ADAS data platform to automotive OEMs via BlackBerry IVY;
- Launched the BlackBerry IVY Advisory Council to help shape and advise the BlackBerry IVY application development community and drive use case generation;
- Announced that BMW Group has entered into a multi-year agreement to use BlackBerry QNX technology to develop SAE Level 2/2+ driving automation functions in multiple makes and models across the BMW group;
- Announced that Volvo Group has selected BlackBerry QNX for its Dynamic Software Platform;
- Announced the availability of a QNX cockpit reference design powered by Google and Qualcomm technologies that reduces development time for digital cockpit architectures;
- Announced that the Company and Visteon will expand efforts to accelerate the deployment of digital cockpit solutions for automakers and their suppliers;
- Announced an expanded collaboration with Marelli in China to deploy an integrated cockpit domain controller;
- Announced that Mahindra & Mahindra Ltd. selected BlackBerry QNX technologies to power the cockpit domain controller for their next-generation SUV;
- Announced that WM Motor has chosen BlackBerry QNX technologies to power its W6 all-electric SUV;
- Announced that the QNX Neutrino® operating system has been adopted in a new digital LCD cluster jointly developed with BiTech Automotive (Wuhu) Co., Ltd. for Changan Automobile’s new SUV, the UNI-K;
- Announced that Nobo Technologies selected QNX Neutrino as the foundation for the advanced Digital Cockpit Controller in Great Wall Motors’ Haval H6S, the next generation of China’s leading SUV;
- Announced that BlackBerry QNX technology was selected by Critical Software to help drive safety improvements for Portugal’s national rail network.
- Announced that sTraffic has chosen the BlackBerry QNX® OS for Safety as the foundation for its Communications-based Train Control System (CBTC);
- Announced that BlackBerry Jarvis was enhanced to include standardized reporting that enables compliance with the U.S. government’s recent Executive Order relating to software bills of materials;
- Announced that 13 Asia Pacific channel partners will offer BlackBerry Jarvis to customers in the region;
- Announced that Deloitte will leverage BlackBerry Jarvis to help manufacturers to secure their software supply chains;
- Announced the integration of BlackBerry Radar with the ISAAC Open Platform to help trucking companies improve asset utilization and fleet visibility;
- Announced that the Region of Niagara selected BlackBerry AtHoc as its critical event management platform;
- Announced the integration of BlackBerry UEM with Microsoft 365;
- Announced a technology integration between Okta and BlackBerry® UEM to deliver seamless identity and access capabilities;
- Announced Okta, Mimecast, Stellar Cyber and XM Cyber as new partners in BlackBerry’s XDR ecosystem;
- Announced that the Government of Canada has selected BlackBerry for its secure productivity and secure communications needs;
- Announced that the Company and IBM Canada have established a new partnership to bring the Company’s industry leading BlackBerry Spark platform to organizations across Canada;
- Announced BlackBerry QNX and Carleton University have joined forces in a \$21 million partnership to train the next generation of software engineers;
- Announced that the Company and the University of Waterloo have expanded their partnership to create a new joint innovation program; and
- Announced that the Company and L-SPARK launched a third cohort of their accelerator program to advance Canadian connected vehicle technology innovation.

### *Environmental, Sustainability and Corporate Governance:*

- Announced that Michael Daniels has been appointed as Chair of the Compensation, Nomination and Governance Committee of the Company's Board of Directors and that Lisa Disbrow has been appointed as Chair of the Audit and Risk Management Committee of the Board of Directors;
- Appointed John Giamatteo as President of Cybersecurity effective October 4, 2021;
- Announced the resignation of Tom Eacobacci as President and Chief Operating Officer effective October 29, 2021;
- Appointed Mattias Eriksson as President and General Manager of IoT effective May 3, 2021;
- Announced that the Company achieved carbon neutrality across Scope 1, Scope 2 and material Scope 3 emissions;
- Announced that the Company was named one of Canada's Greenest Employers for sixth year in a row;
- Announced that the Company was named to Newsweek's list of the Most Loved Workplaces for 2021; and
- Announced that the Company partnered with the Water Institute at the University of Waterloo to address global water-related challenges.

### **Segment Reporting**

As disclosed in Note 12 to the Consolidated Financial Statements, the Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by the chief operating decision maker ("CODM") for making decisions and assessing performance as a source of the Company's reportable operating segments. In the first quarter of fiscal 2022, the Company internally reorganized and, as a result, the CODM, who is the Executive Chair and CEO of the Company, began making decisions and assessing the performance of the Company using three operating segments, whereas the Company was previously a single operating segment.

### **COVID-19**

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

To protect the health and safety of the Company's employees, contractors, customers and visitors, during fiscal 2022 and throughout most of fiscal 2021, the Company mandated remote working, utilizing virtual meetings and suspending most employee travel. The Company also shifted customer, industry and other stakeholder events to virtual-only experiences, and may similarly alter, postpone or cancel other events in the future. The Company expects to implement changes to this fully remote and virtual model during fiscal 2023.

The Company also implemented a series of temporary cost reduction measures to further preserve financial flexibility during the COVID-19 pandemic. In fiscal 2022, these actions included taking advantage of the broad-based employer relief provided by governments in Canada and the postponement of certain discretionary spending. The savings from temporary cost reduction measures and governmental assistance related to the pandemic were lower in fiscal 2022 compared to fiscal 2021.

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

Although the Company experienced higher Software & Services revenue in fiscal 2022 compared to fiscal 2021, when the COVID-19 pandemic first materially negatively impacted the Company's operations, and observed a partial recovery in both automotive design activities and production volumes during fiscal 2022 compared to fiscal 2021, the COVID-19 pandemic and related global chip shortage have had and, in fiscal 2023, may continue to have a material adverse impact on the Company's QNX automotive software business in particular and on the Company's business, results of operations and financial condition on a consolidated basis. The COVID-19 pandemic and its related economic impact have not, and the Company does not expect them to, materially adversely affect the Company's liquidity position.

The ultimate impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on, among other things, the pandemic's duration and severity, including resurgences in some geographic areas as a result of new strains and variants, the governmental restrictions that may be sustained or imposed in response to the pandemic, the effectiveness of actions taken to contain or mitigate the pandemic (including the distribution, efficacy and acceptance of vaccines, particularly against emergent viral variants), the impact of the global chip shortage and other supply chain constraints. The long-term impact of the COVID-19 pandemic on the Company's business may not be fully reflected until future periods.

The Company continues to evaluate the current and potential impact of the pandemic on its business, results of operations and consolidated financial statements, including potential asset impairment. The Company also continues to actively monitor developments and business conditions that may cause it to take further actions that alter business operations as may be required

by applicable authorities or that the Company determines are in the best interests of its employees, customers, suppliers and stockholders.

### **Russia Ukraine Conflict**

In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region. Strict financial and trade sanctions against Russia that have been imposed by Canada, the United States and other countries may have far-reaching effects on the global economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain and will depend on future developments, and the Company continues to monitor the evolving situation.

The conflict and sanctions against Russia could negatively impact automotive production and sales, increase the ongoing disruption of supply chains, worsen the current semiconductor chip shortage since Russia and Ukraine are critical suppliers of neon gas and palladium used in chip production, exacerbate energy shortages and high energy prices, and increase cybersecurity threats. These impacts could have a material adverse effect on the Company's operations, sales and profitability; in particular, the negative impact on automotive production could have an adverse impact on production-based royalties for the Company's QNX business. However, the heightened level of cybersecurity threats could have a positive impact on demand for the Company's cybersecurity products.

In response to Russia's invasion of Ukraine, shortly after the end of fiscal 2022, the Company announced that it would cease all business activities in Russia with immediate effect. The Company does not expect this decision to have a material adverse effect on its business, results of operations or financial condition.

### **Fiscal 2022 Summary Results of Operations**

The following table sets forth certain consolidated statements of operations data, as well as certain consolidated balance sheet data, as at and for the fiscal years ended February 28, 2022, February 28, 2021, and February 29, 2020:

	As at and for the Fiscal Years Ended (in millions, except for share and per share amounts)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
Revenue	\$ 718	\$ 893	\$ (175)	\$ 1,040	\$ (147)
Gross margin	467	643	(176)	763	(120)
Operating expenses	469	1,750	(1,281)	912	838
Investment income (loss), net	21	(6)	27	1	(7)
Income (loss) before income taxes	19	(1,113)	1,132	(148)	(965)
Provision for (recovery of) income taxes	7	(9)	16	4	(13)
Net income (loss)	<u>\$ 12</u>	<u>\$ (1,104)</u>	<u>\$ 1,116</u>	<u>\$ (152)</u>	<u>\$ (952)</u>
Earnings (loss) per share - reported					
Basic	<u>\$ 0.02</u>	<u>\$ (1.97)</u>		<u>\$ (0.27)</u>	
Diluted	<u>\$ (0.31)</u>	<u>\$ (1.97)</u>		<u>\$ (0.32)</u>	
Weighted-average number of shares outstanding (000's)					
Basic	570,607	561,305		553,861	
Diluted <sup>(1)</sup>	631,440	561,305		614,361	

<sup>(1)</sup> Diluted loss per share on a U.S. GAAP basis for fiscal 2021 does not include the dilutive effect of the Debentures (as defined below) as to do so would be anti-dilutive. Diluted loss per share on a U.S. GAAP basis for fiscal 2022, fiscal 2021 and fiscal 2020 does not include the dilutive effect of stock-based compensation as to do so would be anti-dilutive. See Note 8 to the Consolidated Financial Statements for the fiscal year ended February 28, 2022 for calculation of the diluted weighted average number of shares outstanding.

The following tables show information by operating segment for the three months and year ended February 28, 2022 and February 28, 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

“Business Overview - Segment Reporting” for a description of the Company’s operating segments, as well as Note 12 to the Consolidated Financial Statements.

For the Three Months Ended (in millions)												
	Cybersecurity			IoT			Licensing and Other			Segment Totals		
	February 28, 2022	2021	Change	February 28, 2022	2021	Change	February 28, 2022	2021	Change	February 28, 2022	2021	Change
Segment revenue	\$ 122	\$ 122	\$ —	\$ 52	\$ 38	\$ 14	\$ 11	\$ 50	\$ (39)	\$ 185	\$ 210	\$ (25)
Segment cost of sales	47	46	1	8	5	3	5	6	(1)	60	57	3
Segment gross margin	<u>\$ 75</u>	<u>\$ 76</u>	<u>\$ (1)</u>	<u>\$ 44</u>	<u>\$ 33</u>	<u>\$ 11</u>	<u>\$ 6</u>	<u>\$ 44</u>	<u>\$ (38)</u>	<u>\$ 125</u>	<u>\$ 153</u>	<u>\$ (28)</u>

For the Year Ended (in millions)												
	Cybersecurity			IoT			Licensing and Other			Segment Totals		
	February 28, 2022	2021	Change	February 28, 2022	2021	Change	February 28, 2022	2021	Change	February 28, 2022	2021	Change
Segment revenue	\$ 477	\$ 491	\$(14)	\$ 178	\$ 130	\$ 48	\$ 63	\$ 272	\$(209)	\$ 718	\$ 893	\$(175)
Segment cost of sales	194	192	2	30	23	7	23	30	(7)	247	245	2
Segment gross margin	<u>\$ 283</u>	<u>\$ 299</u>	<u>\$(16)</u>	<u>\$ 148</u>	<u>\$ 107</u>	<u>\$ 41</u>	<u>\$ 40</u>	<u>\$ 242</u>	<u>\$(202)</u>	<u>\$ 471</u>	<u>\$ 648</u>	<u>\$(177)</u>

The following tables reconcile the Company’s segment results for the three months and year ended February 28, 2022 to consolidated U.S. GAAP results:

For the Three Months Ended February 28, 2022 (in millions)						
	Cybersecurity	IoT	Licensing and Other	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 122	\$ 52	\$ 11	\$ 185	\$ —	\$ 185
Cost of sales <sup>(1)</sup>	47	8	5	60	1	61
Gross margin	<u>\$ 75</u>	<u>\$ 44</u>	<u>\$ 6</u>	<u>\$ 125</u>	\$ (1)	\$ 124
Operating expenses					(22)	(22)
Investment loss, net					1	1
Income before income taxes						\$ 145

For the Year Ended February 28, 2022 (in millions)						
	Cybersecurity	IoT	Licensing and Other	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 477	\$ 178	\$ 63	\$ 718	\$ —	\$ 718
Cost of sales <sup>(1)</sup>	194	30	23	247	4	251
Gross margin	<u>\$ 283</u>	<u>\$ 148</u>	<u>\$ 40</u>	<u>\$ 471</u>	\$ (4)	\$ 467
Operating expenses					469	469
Investment income, net					(21)	(21)
Income before income taxes						\$ 19

<sup>(1)</sup> See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three months and year ended February 28, 2022.

The following tables reconcile the Company's segment results for the three months and year ended February 28, 2021 to consolidated U.S. GAAP results:

For the Three Months Ended February 28, 2021  
(in millions)

	Cybersecurity	IoT	Licensing and Other	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 122	\$ 38	\$ 50	\$ 210	\$ —	\$ 210
Cost of sales <sup>(1)</sup>	46	5	6	57	1	58
Gross margin	\$ 76	\$ 33	\$ 44	\$ 153	\$ (1)	\$ 152
Operating expenses					465	465
Loss before income taxes						\$ (313)

For the Year Ended February 28, 2021  
(in millions)

	Cybersecurity	IoT	Licensing and Other	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 491	\$ 130	\$ 272	\$ 893	\$ —	\$ 893
Cost of sales <sup>(1)</sup>	192	23	30	245	5	250
Gross margin	\$ 299	\$ 107	\$ 242	\$ 648	\$ (5)	\$ 643
Operating expenses					1,750	1,750
Investment loss, net					6	6
Loss before income taxes						\$ (1,113)

<sup>(1)</sup> See "Non-GAAP Financial Measures" for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three months and year ended February 28, 2021.

### Financial Highlights

The Company had approximately \$770 million in cash, cash equivalents and investments as of February 28, 2022 (Fiscal 2021 - \$804 million).

In fiscal 2022, the Company recognized revenue of \$718 million and net income of \$12 million, or \$0.02 basic earnings per share and \$0.31 diluted loss per share on a U.S. GAAP basis (Fiscal 2021 - revenue of \$893 million and net loss of \$1,104 million, or \$1.97 basic and diluted loss per share).

The Company recognized adjusted net loss of \$55 million, or adjusted loss of \$0.10 per share, on a non-GAAP basis in fiscal 2022 (Fiscal 2021 - adjusted net income of \$88 million and adjusted earnings of \$0.16 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") and its previously outstanding 3.75% outstanding convertible debentures (the "3.75% Debentures" and collectively, the "Debentures"); therefore, periodic revaluation has been and continues to be required under U.S. GAAP. The fair value adjustment does not impact the terms of the Debentures such as the face value, the redemption features or the conversion price.

As of February 28, 2022, the fair value of the 1.75% Debentures was approximately \$507 million versus the principal value of \$365 million. For the three months ended February 28, 2022, the Company recorded non-cash income relating to changes in fair value from instrument specific credit risk of \$1 million in other comprehensive income (loss) ("OCI") and non-cash income relating to changes in fair value from non-credit components of \$165 million (pre-tax and after tax) (the "Q4 Fiscal 2022 Debentures Fair Value Adjustment") in the Company's consolidated statements of operations. In fiscal 2022, the Company recorded non-cash income relating to changes in fair value from instrument-specific credit risk of \$1 million in OCI and non-cash income relating to changes in fair value from non-credit components of \$212 million (pre-tax and after tax) (the "Fiscal 2022 Debentures Fair Value Adjustment") in the Company's consolidated statements of operations. See Note 6 to the Consolidated Financial Statements for further details on the 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 March 31, 2022, the Company announced financial results for the three months and fiscal year ended February 28, 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 income (loss), adjusted income (loss) per share, adjusted research and development expense, adjusted selling, marketing and administrative expense, adjusted amortization expense, adjusted operating income (loss), adjusted EBITDA, adjusted operating income (loss) margin percentage, adjusted EBITDA margin percentage and free cash flow (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. In the first quarter of fiscal 2022, the Company discontinued its use of software deferred revenue acquired and software deferred commission expense acquired adjustments in its non-GAAP financial measures due to the quantitative decline in the adjustments over time. For purposes of comparability, the Company's non-GAAP financial measures for the three months ended and years ended February 28, 2021 and February 29, 2020 have been updated to conform to the current year's presentation.

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

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 February 28, 2022, February 28, 2021 and February 29, 2020**

Readers are cautioned that adjusted gross margin, adjusted gross margin percentage, adjusted operating expense, adjusted net income (loss), adjusted income (loss) per share, adjusted research and development expense, adjusted selling, marketing and administrative expense, adjusted amortization expense, adjusted operating income (loss), adjusted EBITDA, adjusted operating income (loss) margin percentage, adjusted EBITDA margin percentage and free cash flow (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 February 28, 2022, February 28, 2021 and February 29, 2020 to adjusted financial measures is reflected in the table below:

For the Three Months Ended (in millions)	February 28, 2022	February 28, 2021	February 29, 2020
<b>Gross margin</b>	\$ 124	\$ 152	\$ 212
Stock compensation expense	1	1	2
<b>Adjusted gross margin</b>	\$ 125	\$ 153	\$ 214
<b>Gross margin %</b>	67.0 %	72.4 %	75.2 %
Stock compensation expense	0.6 %	0.5 %	0.7 %
<b>Adjusted gross margin %</b>	67.6 %	72.9 %	75.9 %

Reconciliation of U.S. GAAP operating expense (income) for the three months ended February 28, 2022, November 30, 2021, February 28, 2021 and February 29, 2020 to adjusted operating expense is reflected in the table below:

For the Three Months Ended (in millions)	February 28, 2022	November 30, 2021	February 28, 2021	February 29, 2020
<b>Operating expense (income)</b>	\$ (22)	\$ 66	\$ 465	\$ 253
Restructuring charges	—	—	—	1
Stock compensation expense	4	5	16	15
Debentures fair value adjustment <sup>(1)</sup>	(165)	(110)	258	5
Acquired intangibles amortization	22	29	32	35
Business acquisition and integration costs	—	—	—	1
Goodwill impairment charge	—	—	—	22
LLA impairment charge	—	—	22	5
<b>Adjusted operating expense</b>	\$ 117	\$ 142	\$ 137	\$ 169

<sup>(1)</sup> See “Fiscal 2022 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 February 28, 2022, February 28, 2021 and February 29, 2020 to adjusted net income and adjusted basic earnings per share is reflected in the table below:

For the Three Months Ended (in millions, except per share amounts)	February 28, 2022		February 28, 2021		February 29, 2020	
		Basic earnings per share		Basic earnings (loss) per share		Basic earnings (loss) per share
<b>Net income (loss)</b>	\$	144	\$0.25	\$	(315)	\$(0.56)
Restructuring charges		—			—	1
Stock compensation expense		5			17	17
Debentures fair value adjustment		(165)			258	5
Acquired intangibles amortization		22			32	35
Business acquisition and integration costs		—			—	1
Goodwill impairment charge		—			—	22
LLA impairment charge		—			22	5
<b>Adjusted net income</b>	<u>\$</u>	<u>6</u>	<u>\$0.01</u>	<u>\$</u>	<u>14</u>	<u>\$0.02</u>

Reconciliation of U.S. GAAP research and development, selling, marketing and administration, and amortization expense for the three months ended February 28, 2022, February 28, 2021 and February 29, 2020 to adjusted research and development, selling, marketing and administration, and amortization expense is reflected in the table below:

For the Three Months Ended (in millions)	February 28, 2022		February 28, 2021		February 29, 2020	
<b>Research and development</b>	\$	47	\$	48	\$	60
Stock compensation expense		2		3		3
<b>Adjusted research and development</b>	<u>\$</u>	<u>45</u>	<u>\$</u>	<u>45</u>	<u>\$</u>	<u>57</u>
<b>Selling, marketing and administration</b>	\$	64	\$	92	\$	113
Restructuring charges		—		—		1
Stock compensation expense		2		13		12
Business acquisition and integration costs		—		—		1
<b>Adjusted selling, marketing and administration</b>	<u>\$</u>	<u>62</u>	<u>\$</u>	<u>79</u>	<u>\$</u>	<u>99</u>
<b>Amortization</b>	\$	32	\$	45	\$	48
Acquired intangibles amortization		22		32		35
<b>Adjusted amortization</b>	<u>\$</u>	<u>10</u>	<u>\$</u>	<u>13</u>	<u>\$</u>	<u>13</u>

**Reconciliation of selected non-GAAP based measures with most directly comparable U.S. GAAP measures for the years ended February 28, 2022, February 28, 2021 and February 29, 2020**

A reconciliation of the most directly comparable U.S. GAAP financial measures for the years ended February 28, 2022, February 28, 2021 and February 29, 2020 to adjusted financial measures is reflected in the table below:

For the Fiscal Years Ended (in millions)	February 28, 2022	February 28, 2021	February 29, 2020
<b>Gross margin</b>	\$ 467	\$ 643	\$ 763
Restructuring charges	—	—	5
Stock compensation expense	4	5	5
<b>Adjusted gross margin</b>	\$ 471	\$ 648	\$ 773
<b>Gross margin %</b>	65.0 %	72.0 %	73.4 %
Restructuring charges	— %	— %	0.5 %
Stock compensation expense	0.6 %	0.6 %	0.4 %
<b>Adjusted gross margin %</b>	65.6 %	72.6 %	74.3 %
<b>Operating expense</b>	\$ 469	\$ 1,750	\$ 912
Restructuring charges	—	2	5
Stock compensation expense	26	47	58
Debentures fair value adjustment <sup>(1)</sup>	(212)	372	(66)
Acquired intangibles amortization	115	129	141
Business acquisition and integration costs	—	—	4
Goodwill impairment charge	—	594	22
LLA impairment charge	—	43	10
<b>Adjusted operating expense</b>	\$ 540	\$ 563	\$ 738

<sup>(1)</sup> See “Fiscal 2022 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 years ended February 28, 2022, February 28, 2021 and February 29, 2020 to the adjusted net income (loss) and adjusted basic earnings (loss) per share is reflected in the table below:

For the Fiscal Years Ended (in millions, except per share amounts)	February 28, 2022		February 28, 2021		February 29, 2020	
		Basic earnings (loss) per share		Basic earnings (loss) per share		Basic earnings (loss) per share
<b>Net income (loss)</b>	\$ 12	\$ 0.02	\$ (1,104)	\$ (1.97)	\$ (152)	\$ (0.27)
Restructuring charges	—		2		10	
Stock compensation expense	30		52		63	
Debentures fair value adjustment	(212)		372		(66)	
Acquired intangibles amortization	115		129		141	
Business acquisition and integration costs	—		—		4	
Goodwill impairment charge	—		594		22	
LLA impairment charge	—		43		10	
Acquisition valuation allowance	—		—		(1)	
<b>Adjusted net income (loss)</b>	\$ (55)	\$ (0.10)	\$ 88	\$ 0.16	\$ 31	\$ 0.06

Reconciliation of U.S GAAP research and development, selling, marketing and administration, and amortization expense for the years ended February 28, 2022, February 28, 2021 and February 29, 2020 to adjusted research and development, selling, marketing and administration, and amortization expense is reflected in the table below:

For the Fiscal Years Ended (in millions)	February 28, 2022	February 28, 2021	February 29, 2020
<b>Research and development</b>	\$ 219	\$ 215	\$ 259
Stock compensation expense	8	11	13
<b>Adjusted research and development</b>	\$ 211	\$ 204	\$ 246
<b>Selling, marketing and administration</b>	\$ 297	\$ 344	\$ 493
Restructuring charges	—	2	5
Stock compensation expense	18	36	45
Business acquisition and integration costs	—	—	4
<b>Adjusted selling, marketing and administration</b>	\$ 279	\$ 306	\$ 439
<b>Amortization</b>	\$ 165	\$ 182	\$ 194
Acquired intangibles amortization	115	129	141
<b>Adjusted amortization</b>	\$ 50	\$ 53	\$ 53

Adjusted operating income, adjusted EBITDA, adjusted operating income margin percentage and adjusted EBITDA margin percentage for the three months ended February 28, 2022, February 28, 2021 and February 29, 2020 are reflected in the table below. These are non-GAAP financial measures and non-GAAP ratios that do not have any standardized meaning as prescribed by U.S. GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

For the Three Months Ended (in millions)	February 28, 2022	February 28, 2021	February 29, 2020
<b>Operating income (loss)</b>	\$ 146	\$ (313)	\$ (41)
Non-GAAP adjustments to operating income (loss)			
Restructuring charges	—	—	1
Stock compensation expense	5	17	17
Debentures fair value adjustment	(165)	258	5
Acquired intangibles amortization	22	32	35
Business acquisition and integration costs	—	—	1
Goodwill impairment charge	—	—	22
LLA impairment charge	—	22	5
Total non-GAAP adjustments to operating income (loss)	(138)	329	86
<b>Adjusted operating income</b>	8	16	45
Amortization	34	49	52
Acquired intangibles amortization	(22)	(32)	(35)
<b>Adjusted EBITDA</b>	\$ 20	\$ 33	\$ 62
<b>Revenue</b>	\$ 185	\$ 210	\$ 282
<b>Adjusted operating income margin % <sup>(1)</sup></b>	4%	8%	16%
<b>Adjusted EBITDA margin % <sup>(2)</sup></b>	11%	16%	22%

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

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

Adjusted operating income (loss), adjusted EBITDA, adjusted operating income (loss) margin percentage and adjusted EBITDA margin percentage for the fiscal years ended February 28, 2022, February 28, 2021 and February 29, 2020 are reflected in the table below.

For the Fiscal Years Ended (in millions)	February 28, 2022	February 28, 2021	February 29, 2020
<b>Operating loss</b>	\$ (2)	\$ (1,107)	\$ (149)
Non-GAAP adjustments to operating loss			
Restructuring charges	—	2	10
Stock compensation expense	30	52	63
Debentures fair value adjustment	(212)	372	(66)
Acquired intangibles amortization	115	129	141
Business acquisition and integration costs	—	—	4
Goodwill impairment charge	—	594	22
LLA impairment charge	—	43	10
Total non-GAAP adjustments to operating loss	(67)	1,192	184
<b>Adjusted operating income (loss)</b>	(69)	85	35
Amortization	176	198	212
Acquired intangibles amortization	(115)	(129)	(141)
<b>Adjusted EBITDA</b>	\$ (8)	\$ 154	\$ 106
<b>Revenue</b>	\$ 718	\$ 893	\$ 1,040
<b>Adjusted operating income (loss) margin % <sup>(1)</sup></b>	(10%)	10%	3%
<b>Adjusted EBITDA margin % <sup>(2)</sup></b>	(1%)	17%	10%

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

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

The Company uses free cash flow when assessing its sources of liquidity, capital resources, and quality of earnings. The Company believes that free cash flow is helpful in understanding the Company's capital requirements and provides an additional means to reflect the cash flow trends in the Company's business.

Reconciliation of U.S. GAAP net cash provided by operating activities for the three months ended February 28, 2022, February 28, 2021 and February 29, 2020 to free cash flow is reflected in the table below:

For the Three Months Ended (in millions)	February 28, 2022	February 28, 2021	February 29, 2020
<b>Net cash provided by operating activities</b>	\$ 10	\$ 51	\$ 35
Acquisition of property, plant and equipment	(2)	(3)	(3)
<b>Free cash flow</b>	\$ 8	\$ 48	\$ 32

Reconciliation of U.S. GAAP net cash provided by (used in) operating activities for the years ended February 28, 2022, February 28, 2021 and February 29, 2020 to free cash flow (usage) is reflected in the table below:

For the Fiscal Years Ended (in millions)	February 28, 2022	February 28, 2021	February 29, 2020
<b>Net cash provided by (used in) operating activities</b>	\$ (28)	\$ 82	\$ 26
Acquisition of property, plant and equipment	(8)	(8)	(12)
<b>Free cash flow (usage)</b>	\$ (36)	\$ 74	\$ 14

## 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"), 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. In the first

quarter of fiscal 2022, the Company discontinued its use of software deferred revenue acquired in its key metrics as the Company no longer reports non-GAAP revenue. For purposes of comparability, the Company's key metrics for the three months ended February 28, 2021 have been updated to conform to the current year's presentation.

Comparative breakdowns of certain key metrics for the three months ended February 28, 2022 and February 28, 2021 are set forth below.

For the Three Months Ended (in millions)	February 28, 2022	February 28, 2021	Change
<b>Annual Recurring Revenue</b>			
Cybersecurity	\$ 347	\$ 369	\$ (22)
IoT	\$ 93	\$ 84	\$ 9
<b>Dollar-Based Net Retention Rate</b>			
Cybersecurity	91 %	95 %	(4%)
<b>Recurring Software Product Revenue</b>	~ 80 %	~ 90 %	~ (10%)

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

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

Cybersecurity ARR was approximately \$347 million in the fourth quarter of fiscal 2022 and decreased compared to \$358 million in the third quarter of fiscal 2022 and decreased compared to \$369 million in the fourth quarter of fiscal 2021.

IoT ARR was approximately \$93 million in the fourth quarter of fiscal 2022 and increased compared to \$91 million in the third quarter of fiscal 2022 and increased compared to \$84 million in the fourth quarter of fiscal 2021.

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

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

Cybersecurity DBNRR was 91% in the fourth quarter of fiscal 2022 and decreased compared to 95% in the third quarter of fiscal 2022 and the fourth quarter of fiscal 2021.

### ***Billings***

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

Total Company billings increased in the fourth quarter of fiscal 2022 compared to the third quarter of fiscal 2022 and decreased compared to the fourth quarter of fiscal 2021 due to a decrease in billings from Licensing and Other.

The Company previously stated that it expected sequential billings growth for Cybersecurity in the fourth quarter of fiscal 2022. In the fourth quarter of fiscal 2022, Cybersecurity billings increased sequentially compared to the third quarter of fiscal 2022.

The Company previously stated that it expected IoT billings to grow by a double-digit percentage for fiscal 2022. In fiscal 2022, IoT billings grew by a double-digit percentage compared to fiscal 2021.

The Company expects Cybersecurity billings growth of between 8 to 12% in fiscal 2023 compared to fiscal 2022. The Company also expects quarterly year-over-year Cybersecurity billings growth throughout fiscal 2023 when compared to the same quarter in the prior year.

### ***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 fourth quarter of fiscal 2022 consistent with approximately 80% recurring in the third quarter of fiscal 2022 and decreased from approximately 90% recurring in the fourth quarter of fiscal 2021 due to product mix.

## Results of Operations - Fiscal year ended February 28, 2022 compared to fiscal year ended February 28, 2021

### Revenue

#### Revenue by Segment

Comparative breakdowns of revenue by product and service on a U.S. GAAP basis are set forth below.

	For the Fiscal Years Ended (in millions)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
<b>Revenue by Product and Service</b>					
Cybersecurity	\$ 477	\$ 491	\$ (14)	\$ 475	\$ 16
IoT	178	130	48	216	(86)
Licensing and Other	63	272	(209)	349	(77)
	<u>\$ 718</u>	<u>\$ 893</u>	<u>\$ (175)</u>	<u>\$ 1,040</u>	<u>\$ (147)</u>
<b>% Revenue by Product and Service</b>					
Cybersecurity	66.4 %	55.0 %		45.7 %	
IoT	24.8 %	14.5 %		20.7 %	
Licensing and Other	8.8 %	30.5 %		33.6 %	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	

#### Cybersecurity

Cybersecurity revenue was \$477 million, or 66.4% of revenue in fiscal 2022, a decrease of \$14 million compared to \$491 million, or 55.0% of revenue in fiscal 2021. The decrease in Cybersecurity revenue of \$14 million was primarily due to a decrease of \$25 million relating to product revenue in BlackBerry Spark, a decrease of \$9 million relating to professional services and a decrease of \$4 million relating to non-automotive OEM business, offset by an increase of \$29 million related to the sale of Secusmart solutions.

The Company previously stated that it expected Cybersecurity revenue to be higher in the second half of the year than in the first half of the year for fiscal 2022. In fiscal 2022, Cybersecurity revenue was higher in the second half of the year than in the first half of the year.

The Company expects Cybersecurity revenue in fiscal 2023 to be broadly consistent with fiscal 2022.

#### IoT

IoT revenue was \$178 million, or 24.8% of revenue in fiscal 2022, an increase of \$48 million compared to \$130 million, or 14.6% of revenue in fiscal 2021. The increase in IoT revenue of \$48 million was primarily due to an increase of \$20 million in BlackBerry QNX royalty revenue due to the partial recovery of the automotive market from the slowdown related to the COVID-19 pandemic in fiscal 2021, an increase of \$16 million in development seat revenue, an increase of \$8 million in professional service revenue and an increase of \$3 million related to sales in BlackBerry Radar.

The Company previously stated that it expected IoT revenue to be between \$180 million and \$200 million for fiscal 2022 as a whole. In fiscal 2022, IoT revenue was \$178 million primarily due to the impact of disruption in automotive supply chains on production-based royalties.

The Company previously stated that it expected IoT revenue to be higher in the second half of the year than in the first half of the year in fiscal 2022. In fiscal 2022, IoT revenue was higher in the second half of the year than in the first half of the year.

The Company expects IoT revenue to be between \$200 million and \$210 million in fiscal 2023.

## Licensing and Other

Licensing and Other revenue was \$63 million, or 8.8% of revenue in fiscal 2022, a decrease of \$209 million compared to \$272 million, or 30.5% of revenue in fiscal 2021. The decrease in Licensing and Other revenue of \$209 million was primarily due to a decrease of \$201 million in revenue from the Company's intellectual property licensing arrangements due to the ongoing patent sale process in fiscal 2022, and associated restrictions on monetization activity. SAF revenue, which was generated from users of BlackBerry 7 and prior BlackBerry operating systems, also decreased by \$5 million, primarily due to a lower number of BlackBerry 7 users and lower revenue from those users compared to fiscal 2021, and to the decommissioning of service for these legacy systems as of January 4, 2022.

The Company previously stated that it expected Licensing and Other revenue to be approximately \$60 million in fiscal 2022. In fiscal 2022, Licensing and Other revenue was \$63 million.

## *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 Fiscal Years Ended (in millions)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
<b>Revenue by Geography</b>					
North America	\$ 413	\$ 633	\$ (220)	\$ 743	\$ (110)
Europe, Middle East and Africa	234	197	37	221	(24)
Other regions	71	63	8	76	(13)
	<u>\$ 718</u>	<u>\$ 893</u>	<u>\$ (175)</u>	<u>\$ 1,040</u>	<u>\$ (147)</u>
<b>% Revenue by Geography</b>					
North America	57.5 %	70.9 %		71.4 %	
Europe, Middle East and Africa	32.6 %	22.1 %		21.3 %	
Other regions	9.9 %	7.0 %		7.3 %	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	

## North America Revenue

Revenue in North America was \$413 million, or 57.5% of revenue, in fiscal 2022, reflecting a decrease of \$220 million compared to \$633 million, or 70.9% of revenue in fiscal 2021. The decrease in North American revenue was primarily due to a decrease of \$201 million in Licensing and Other revenue due to the reasons discussed above in "Revenue by Segment", a decrease of \$24 million in product revenue in BlackBerry Spark and a decrease of \$7 million in professional services, partially offset by an increase of \$13 million in BlackBerry QNX royalty revenue due to the reasons discussed above in "Revenue by Segment".

## Europe, Middle East and Africa Revenue

Revenue in Europe, Middle East and Africa was \$234 million, or 32.6% of revenue, in fiscal 2022, reflecting an increase of \$37 million compared to \$197 million, or 22.1% of revenue, in fiscal 2021. The increase was primarily due to an increase of \$29 million related to the sale of Secusmart solutions, an increase of \$6 million in development seat revenue, an increase of \$6 million in professional services due to the reasons discussed above in "Revenue by Segment", partially offset by a decrease of \$2 million in product revenue in BlackBerry Spark.

## Other Regions Revenue

Revenue in other regions was \$71 million, or 9.9% of revenue, in fiscal 2022, reflecting an increase of \$8 million compared to \$63 million, or 7.0% of revenue, in fiscal 2021. The increase in revenue is primarily due to an increase of \$5 million in development seat revenue and an increase of \$4 million in BlackBerry QNX royalty revenue due to the reasons discussed above in "Revenue by Segment", partially offset by a decrease of \$3 million in SAF revenue.

## Gross Margin

### Consolidated Gross Margin

Consolidated gross margin decreased by \$176 million to approximately \$467 million in fiscal 2022 from \$643 million in fiscal 2021. The decrease was primarily due to a decrease in revenue from Licensing and Other and BlackBerry Spark, partially offset by an increase in revenue from BlackBerry QNX and Secusmart due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

### Consolidated Gross Margin Percentage

Consolidated gross margin percentage decreased by 7.0%, to approximately 65.0% of consolidated revenue in fiscal 2022 from 72.0% of consolidated revenue in fiscal 2021. The decrease was primarily due to a lower gross margin contribution from Licensing and Other due to the reasons discussed above in “Revenue by Segment”, partially offset by a higher gross margin contribution from BlackBerry QNX and Secusmart due to the reasons discussed above in “Revenue by Segment”.

### Gross Margin by Segment

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

	For the Years Ended											
	<i>(in millions)</i>											
	Cybersecurity			IoT			Licensing and Other			Segment Totals		
	February 28, 2022	2021	Change	February 28, 2022	2021	Change	February 28, 2022	2021	Change	February 28, 2022	2021	Change
Segment revenue	\$ 477	\$ 491	\$(14)	\$ 178	\$ 130	\$ 48	\$ 63	\$ 272	\$(209)	\$ 718	\$ 893	\$(175)
Segment cost of sales	194	192	2	30	23	7	23	30	(7)	247	245	2
Segment gross margin	<u>\$ 283</u>	<u>\$ 299</u>	<u>\$(16)</u>	<u>\$ 148</u>	<u>\$ 107</u>	<u>\$ 41</u>	<u>\$ 40</u>	<u>\$ 242</u>	<u>\$(202)</u>	<u>\$ 471</u>	<u>\$ 648</u>	<u>\$(177)</u>
Segment gross margin %	<u>59%</u>	<u>61%</u>	<u>(2%)</u>	<u>83%</u>	<u>82%</u>	<u>1%</u>	<u>63%</u>	<u>89%</u>	<u>(26%)</u>	<u>66%</u>	<u>73%</u>	<u>(7%)</u>

### Cybersecurity

Cybersecurity gross margin decreased by \$16 million to approximately \$283 million in fiscal 2022 from \$299 million in fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

Cybersecurity gross margin percentage decreased by 2% to approximately 59% of Cybersecurity revenue in fiscal 2022 from 61% of Cybersecurity revenue in fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”.

### IoT

IoT gross margin increased by \$41 million to approximately \$148 million in fiscal 2022 from \$107 million in fiscal 2021. The increase was primarily due to the reasons discussed above in “Revenue by Segment”, partially offset by an increase in cost of sales related to professional services.

IoT gross margin percentage increased by 1% to approximately 83% of IoT revenue in fiscal 2022 from 82% of IoT revenue in fiscal 2021. The increase was primarily due an increase in BlackBerry QNX royalty revenue, which has a higher relative gross margin percentage, due to the reasons discussed above in “Revenue by Segment”, partially offset by an increase in professional services revenue, which has a lower relative gross margin percentage.

### Licensing and Other

Licensing and Other gross margin decreased by \$202 million to approximately \$40 million in fiscal 2022 from \$242 million in fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

Licensing and Other gross margin percentage decreased by 26% to approximately 63% of Licensing and Other revenue in fiscal 2022 from 89% of Licensing and Other revenue in fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”.

## Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expense for fiscal 2022 compared to fiscal 2021 and fiscal 2021 compared to fiscal 2020.

	For the Fiscal Years Ended (in millions)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
<b>Revenue</b>	\$ 718	\$ 893	\$ (175)	\$ 1,040	\$ (147)
<b>Operating expenses</b>					
Research and development	219	215	4	259	(44)
Selling, marketing and administration	297	344	(47)	493	(149)
Amortization	165	182	(17)	194	(12)
Impairment of goodwill	—	594	(594)	22	572
Impairment of long-lived assets	—	43	(43)	10	33
Debentures fair value adjustment	(212)	372	(584)	(66)	438
<b>Total</b>	<u>\$ 469</u>	<u>\$ 1,750</u>	<u>\$ (1,281)</u>	<u>\$ 912</u>	<u>\$ 838</u>

## Operating Expense as % of Revenue

Research and development	30.5%	24.1%		24.9%	
Selling, marketing and administration	41.4%	38.5%		47.4%	
Amortization	23.0%	20.4%		18.7%	
Impairment of goodwill	—%	66.5%		2.1%	
Impairment of long-lived assets	—%	4.8%		1.0%	
Debentures fair value adjustment	(29.5%)	41.7%		(6.3%)	
<b>Total</b>	<u>65.3%</u>	<u>196.0%</u>		<u>87.7%</u>	

See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the years ended February 28, 2022, February 28, 2021 and February 29, 2020.

### U.S. GAAP Operating Expenses

Operating expenses decreased by \$1,281 million, or 73.2%, to \$469 million, or 65.3% of revenue in fiscal 2022, compared to \$1,750 million, or 196.0% of revenue, in fiscal 2021. The decrease was primarily attributable to a goodwill impairment of \$594 million in fiscal 2021 which did not recur, the difference between the Fiscal 2022 Debentures Fair Value Adjustment and the fair value adjustment related to the Debentures incurred in fiscal 2021 of \$584 million, an impairment of long-lived assets of \$43 million in fiscal 2021 which did not recur and a decrease of \$20 million in stock compensation expense, partially offset by a decrease in benefits of \$10 million in government subsidies such as claims filed for the Canada Emergency Wage Subsidy (“CEWS”) and Hardest-Hit Business Recovery Program (“HHBRP”) programs to support the business through the COVID-19 pandemic and an increase of \$7 million in variable incentive plan costs.

### Adjusted Operating Expenses

Adjusted operating expenses decreased by \$23 million, or 4.1%, to \$540 million in fiscal 2022, compared to \$563 million in fiscal 2021. The decrease was primarily attributable to a decrease of \$13 million in legal expenses, a decrease of \$11 million in the Company’s deferred share unit liability due to a decrease in the Company’s stock price and a decrease of \$10 million in salaries and benefits expense, partially offset by a decrease in benefits of \$10 million in government subsidies such as CEWS and HHBRP funding and an increase of \$7 million in variable incentive plan costs.

### Research and Development Expenses

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

Research and development expenses increased by \$4 million, or 1.9%, to \$219 million, or 30.5% of revenue, in fiscal 2022, compared to \$215 million, or 24.1% of revenue, in fiscal 2021. The increase was primarily attributable to an increase of \$4 million in variable incentive plan costs and a decrease in benefits of \$3 million in claims filed with the Ministry of Innovation, Science and Economic Development Canada relating to its Strategic Innovation Fund (“SIF”) program’s investment in BlackBerry QNX, partially offset by a decrease of \$2 million in stock compensation expense.

Adjusted research and development expenses increased by \$7 million, or 3.4% to \$211 million in fiscal 2022 compared to \$204 million in fiscal 2021. The increase was primarily due an increase of \$4 million in variable incentive plan costs and a decrease in benefits of \$3 million in SIF claims filed.

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

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

Selling, marketing and administration expenses decreased by \$47 million, or 13.7%, to \$297 million, or 41.4% of revenue, in fiscal 2022 compared to \$344 million, or 38.5% of revenue, in fiscal 2021. The decrease was primarily attributable to a decrease of \$19 million in stock compensation expense, a decrease of \$13 million in legal expenses and a decrease of \$11 million in the Company’s deferred share unit liability due to a decrease in the Company’s stock price, partially offset by a decrease in benefits of \$10 million in government subsidies such as CEWS and HHBRP funding.

Adjusted selling, marketing and administration expenses decreased by \$27 million, or 8.8%, to \$279 million in fiscal 2022 compared to \$306 million in fiscal 2021. The decrease was primarily due to a decrease of \$13 million in legal expenses, a decrease of \$11 million in the Company’s deferred share unit liability due to a decrease in the Company’s stock price and a decrease of \$10 million in salaries and benefits expenses, partially offset by a decrease in benefits of \$10 million in government subsidies such as CEWS and HHBRP funding.

#### *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 fiscal 2022 compared to fiscal 2021 and fiscal 2021 compared to fiscal 2020. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Fiscal Years Ended (in millions)				
	Included in Operating Expense				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
Property, plant and equipment	\$ 12	\$ 17	\$ (5)	\$ 18	\$ (1)
Intangible assets	153	165	(12)	176	(11)
<b>Total</b>	<b>\$ 165</b>	<b>\$ 182</b>	<b>\$ (17)</b>	<b>\$ 194</b>	<b>\$ (12)</b>
	Included in Cost of Sales				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
	Property, plant and equipment	\$ 3	\$ 4	\$ (1)	\$ 6
Intangible assets	8	12	(4)	12	—
<b>Total</b>	<b>\$ 11</b>	<b>\$ 16</b>	<b>\$ (5)</b>	<b>\$ 18</b>	<b>\$ (2)</b>

#### Amortization included in Operating Expense

Amortization expense relating to certain property, plant and equipment and intangible assets decreased by \$17 million to \$165 million for fiscal 2022, compared to \$182 million for fiscal 2021. The decrease in amortization expense was due to the lower cost base of assets.

Adjusted amortization expense decreased by \$3 million to \$50 million in fiscal 2022 compared to \$53 million in fiscal 2021 due to the reasons described above on a U.S. GAAP basis.

#### Amortization included in Cost of Sales

Amortization expense relating to certain property, plant and equipment and intangible assets employed in the Company’s service operations decreased by \$5 million to \$11 million for fiscal 2022, compared to \$16 million for fiscal 2021. The decrease in amortization expense was due to the lower cost base of assets.

### ***Investment Income (Loss), Net***

Investment income (loss), net, which includes the interest expense from the Debentures, increased by \$27 million to investment income, net of \$21 million in fiscal 2022, from investment loss, net of \$6 million in fiscal 2021. The increase in investment income (loss), net was primarily due to gains recognized from a return of capital from a non-marketable equity investment, observable price changes on non-marketable equity investments without readily determinable fair value and a decrease in interest expense from the Debentures as a result of the redemption of the 3.75% Debentures and issuance of the 1.75% Debentures in fiscal 2021, partially offset by a lower yield on cash and investments and lower average cash and investments balances in fiscal 2022 compared to fiscal 2021.

### ***Income Taxes***

For fiscal 2022, the Company's net effective income tax expense rate was approximately 37%, compared to a net effective income tax recovery of approximately 1% for the prior fiscal year. The Company's net effective income tax rate reflects the change in unrecognized income tax benefits, if any, and the fact that the Company has a significant valuation allowance against its deferred tax assets, and in particular, the change in fair value of the Debentures, amongst other items, was offset by a corresponding adjustment of the valuation allowance. The Company's net effective income tax rate also reflects the geographic mix of earnings in jurisdictions with different income tax rates.

### ***Net Income (Loss)***

The Company's net income for fiscal 2022 was \$12 million, or \$0.02 basic earnings per share and \$0.31 diluted loss per share on a U.S. GAAP basis, reflecting a decrease in net loss of \$1,116 million compared to net loss of \$1,104 million, or \$1.97 basic and diluted loss per share in fiscal 2021. The decrease was primarily due to a decrease in operating expenses due to the goodwill impairment in fiscal 2021 that did not recur and a decrease in Debentures fair value adjustment, as described above in "Operating Expenses", partially offset by a decrease in revenue as described above in "Revenue by Segment" and a decrease in gross margin percentage, as describe above in "Consolidated Gross Margin Percentage".

Adjusted net loss for fiscal 2022 was \$55 million compared to adjusted net income of \$88 million in fiscal 2021, reflecting a decrease in adjusted net income of \$143 million, primarily due to a decrease in revenue as described above in "Revenue by Segment" and a decrease in gross margin percentage, as described above in "Consolidated Gross Margin Percentage", partially offset by a decrease in operating expenditures as described above in "Operating Expenses".

The weighted average number of shares outstanding was 571 million common shares for basic earnings per share and 631 million common shares for diluted loss per share for the fiscal year ended February 28, 2022. The weighted average number of shares outstanding was 561 million common shares for basic and diluted loss per share for the fiscal year ended February 28, 2021.

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

On March 29, 2022, there were 576 million voting common shares, options to purchase 1 million voting common shares, 15 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 6 to the Consolidated Financial Statements.

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

## Results of Operations - Three months ended February 28, 2022 compared to the three months ended February 28, 2021

The following section sets forth certain unaudited 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 three months ended February 28, 2022, February 28, 2021 and February 29, 2020:

	For the Three Months Ended (in millions, except for share and per share amounts)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
Revenue	\$ 185	\$ 210	\$ (25)	\$ 282	\$ (72)
Gross margin	124	152	(28)	212	(60)
Operating expenses	(22)	465	(487)	253	212
Investment loss, net	(1)	—	(1)	(1)	1
Income (loss) before income taxes	145	(313)	458	(42)	(271)
Provision for (recovery of) income taxes	1	2	(1)	(1)	3
Net income (loss)	\$ 144	\$ (315)	\$ 459	\$ (41)	\$ (274)
Earnings (loss) per share - reported					
Basic	\$ 0.25	\$ (0.56)	\$ 0.81	\$ (0.07)	\$ (0.49)
Diluted <sup>(1)</sup>	\$ (0.03)	\$ (0.56)	\$ 0.53	\$ (0.07)	\$ (0.49)
Weighted-average number of shares outstanding (000's)					
Basic	575,883	566,089		556,668	
Diluted <sup>(1)</sup>	636,716	566,089		556,668	

<sup>(1)</sup> Diluted loss per share on a U.S. GAAP basis in the fourth quarter of 2021 and 2020 do not include the dilutive effect of the Debentures as to do so would be anti-dilutive. Diluted loss per share on a U.S. GAAP basis in the fourth quarter of 2022, 2021 and 2020 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 product and service on a U.S. GAAP basis are set forth below.

	For the Three Months Ended (in millions)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
<b>Revenue by Product and Service</b>					
Cybersecurity	\$ 122	\$ 122	\$ —	\$ 124	\$ (2)
IoT	52	38	14	46	(8)
Licensing and Other	11	50	(39)	112	(62)
	\$ 185	\$ 210	\$ (25)	\$ 282	\$ (72)
<b>% Revenue by Product and Service</b>					
Cybersecurity	65.9 %	58.1 %		44.0 %	
IoT	28.1 %	18.1 %		16.3 %	
Licensing and Other	6.0 %	23.8 %		39.7 %	
	100.0 %	100.0 %		100.0 %	

## Cybersecurity

Cybersecurity revenue was \$122 million, or 65.9% of revenue, in the fourth quarter of fiscal 2022, consistent with \$122 million, or 58.1% of revenue, in the fourth quarter of fiscal 2021. An increase of \$15 million related to the sale of Secusmart solutions was partially offset by a decrease of \$9 million relating to product revenue in BlackBerry Spark and a decrease of \$3 million relating to professional services.

The Company previously stated that it expected Cybersecurity revenue to be between \$125 million and \$135 million in the fourth quarter of fiscal 2022. Cybersecurity revenue was \$122 million in the fourth quarter of fiscal 2022, below expectations primarily due to higher than expected churn in smaller-sized UEM customers.

The Company previously stated that it expected modest sequential Cybersecurity revenue growth for the remainder of fiscal 2022. In the fourth quarter of fiscal 2022, Cybersecurity revenue decreased compared to the third quarter of fiscal 2022 due to the reason described above.

## IoT

IoT revenue was \$52 million, or 28.1% of revenue, in the fourth quarter of fiscal 2022, an increase of \$14 million compared to \$38 million, or 18.1% of revenue, in the fourth quarter of fiscal 2021. The increase in IoT revenue of \$14 million was primarily due to an increase of \$5 million relating to professional services, an increase of \$4 million in BlackBerry QNX royalty revenue due to the partial recovery of the automotive market from the slowdown related to the COVID-19 pandemic in the fourth quarter of fiscal 2021 and an increase of \$3 million in development seat revenue.

The Company previously stated that it expected sequential IoT revenue growth in the fourth quarter of fiscal 2022. In the fourth quarter of fiscal 2022, IoT revenue grew sequentially compared to the third quarter of fiscal 2022.

The Company previously stated that it expected IoT revenue to be between \$50 million and \$55 million in the fourth quarter of fiscal 2022. In the fourth quarter of fiscal 2022, IoT revenue was \$52 million.

## Licensing and Other

Licensing and Other revenue was \$11 million, or 6.0% of revenue, in the fourth quarter of fiscal 2022, a decrease of \$39 million compared to \$50 million, or 23.8% of revenue, in the fourth quarter of fiscal 2021. The decrease in Licensing and Other revenue of \$39 million was primarily due to a decrease of \$36 million in revenue from the Company's intellectual property licensing arrangements due to the ongoing patent sale process in the fourth quarter of 2022, and associated restrictions on monetization activity and a decrease of \$2 million in SAF revenue.

The Company previously stated that it expected to enter into a definitive agreement with respect to a sale of a portion of the Company's patent portfolio in the fourth quarter of fiscal 2022, in which event the Company expects that Licensing and Other revenue in the quarter will be nominal. In the fourth quarter of fiscal 2022, the Company entered into a definitive agreement with respect to a sale of a portion of the Company's patent portfolio. The Company expects Licensing and Other revenue to be minimal in fiscal 2023, aside from any Licensing and Other revenue that may be recognized in connection with a closing of the patent portfolio sale transaction.

## *U.S. GAAP Revenue by Geography*

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

	For the Three Months Ended (in millions)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
<b>Revenue by Geography</b>					
North America	\$ 100	\$ 141	\$ (41)	\$ 213	\$ (72)
Europe, Middle East and Africa	66	53	13	53	—
Other regions	19	16	3	16	—
	<u>\$ 185</u>	<u>\$ 210</u>	<u>\$ (25)</u>	<u>\$ 282</u>	<u>\$ (72)</u>
<b>% Revenue by Geography</b>					
North America	54.0 %	67.1 %		75.5 %	
Europe, Middle East and Africa	35.7 %	25.2 %		18.8 %	
Other regions	10.3 %	7.7 %		5.7 %	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	

## North America Revenue

Revenue in North America was \$100 million, or 54.0% of revenue, in the fourth quarter of fiscal 2022, reflecting a decrease of \$41 million compared to \$141 million, or 67.1% of revenue, in the fourth quarter of fiscal 2021. Revenue in North America decreased compared to the fourth quarter of fiscal 2021 primarily due to a decrease of \$36 million in Licensing and Other revenue due to the reasons discussed above in “Revenue by Segment” and a decrease of \$8 million in product revenue in BlackBerry Spark, partially offset by an increase of \$3 million in BlackBerry QNX royalty revenue due to the reasons discussed above in “Revenue by Segment”.

## Europe, Middle East and Africa Revenue

Revenue in Europe, Middle East and Africa was \$66 million or 35.7% of revenue in the fourth quarter of fiscal 2022, reflecting an increase of \$13 million compared to \$53 million or 25.2% of revenue in the fourth quarter of fiscal 2021. The increase in revenue is primarily due to an increase of \$15 million related to the sale of Secusmart solutions partially offset by a decrease of \$2 million in product revenue in BlackBerry Spark.

## Other Regions Revenue

Revenue in other regions was \$19 million or 10.3% of revenue in the fourth quarter of fiscal 2022, reflecting an increase of \$3 million compared to \$16 million or 7.7% of revenue in the fourth quarter of fiscal 2021. The increase in revenue is primarily due to an increase of \$1 million in development seat revenue, an increase of \$1 million in product revenue in BlackBerry Spark and an increase of \$1 million in BlackBerry QNX royalty revenue due to the reasons discussed above in “Revenue by Segment”.

## **Gross Margin**

### *Consolidated Gross Margin*

Consolidated gross margin decreased by \$28 million to approximately \$124 million in the fourth quarter of fiscal 2022 from \$152 million in the fourth quarter of fiscal 2021. The decrease was primarily due to a decrease in revenue from Licensing and Other and BlackBerry Spark, partially offset by an increase in revenue from BlackBerry QNX and Secusmart due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

### *Consolidated Gross Margin Percentage*

Consolidated gross margin percentage decreased by 5.4%, to approximately 67.0% of consolidated revenue in the fourth quarter of fiscal 2022 from 72.4% of consolidated revenue in the fourth quarter of fiscal 2021. The decrease was primarily due to a lower gross margin contribution from Licensing and Other due to the reasons discussed above in “Revenue by Segment”, partially offset by a higher gross margin contribution from BlackBerry QNX and Secusmart due to the reasons discussed above in “Revenue by Segment”.

## **Gross Margin by Segment**

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

	For the Three Months Ended (in millions)											
	Cybersecurity			IoT			Licensing and Other			Segment Totals		
	February 28, 2022	February 28, 2021	Change	February 28, 2022	February 28, 2021	Change	February 28, 2022	February 28, 2021	Change	February 28, 2022	February 28, 2021	Change
Segment revenue	\$ 122	\$ 122	\$ —	\$ 52	\$ 38	\$ 14	\$ 11	\$ 50	\$(39)	\$ 185	\$ 210	\$(25)
Segment cost of sales	47	46	1	8	5	3	5	6	(1)	60	57	3
Segment gross margin	<u>\$ 75</u>	<u>\$ 76</u>	<u>\$ (1)</u>	<u>\$ 44</u>	<u>\$ 33</u>	<u>\$ 11</u>	<u>\$ 6</u>	<u>\$ 44</u>	<u>\$(38)</u>	<u>\$ 125</u>	<u>\$ 153</u>	<u>\$(28)</u>
Segment gross margin %	<u>61%</u>	<u>62%</u>	<u>(1%)</u>	<u>85%</u>	<u>87%</u>	<u>(2%)</u>	<u>55%</u>	<u>88%</u>	<u>(33%)</u>	<u>68%</u>	<u>73%</u>	<u>(5%)</u>

### Cybersecurity

Cybersecurity gross margin decreased by \$1 million to approximately \$75 million in the fourth quarter of fiscal 2022 from \$76 million in the fourth quarter of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

Cybersecurity gross margin percentage decreased by 1% to approximately 61% of Cybersecurity revenue in the fourth quarter of fiscal 2022 from 62% of Cybersecurity revenue in the fourth quarter of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

### IoT

IoT gross margin increased by \$11 million to approximately \$44 million in the fourth quarter of fiscal 2022 from \$33 million in the fourth quarter of fiscal 2021. The increase was primarily due to the reasons discussed above in “Revenue by Segment”, partially offset by an increase in cost of sales related to professional services.

IoT gross margin percentage decreased by 2% to approximately 85% of IoT revenue in the fourth quarter of fiscal 2022 from 87% of IoT revenue in the fourth quarter of fiscal 2021. The decrease was primarily due an increase in professional services revenue, which has a lower relative gross margin percentage, partially offset by an increase in BlackBerry QNX royalty revenue, which has a higher relative gross margin percentage, due to the reasons discussed above in “Revenue by Segment”.

### Licensing and Other

Licensing and Other gross margin decreased by \$38 million to approximately \$6 million in the fourth quarter of fiscal 2022 from \$44 million in the fourth quarter of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”, as the Company’s cost of sales does not significantly fluctuate based on business volume.

Licensing and Other gross margin percentage decreased by 33% to approximately 55% of Licensing and Other revenue in the fourth quarter of fiscal 2022 from 88% of Licensing and Other revenue in the fourth quarter of fiscal 2021. The decrease was primarily due to the reasons discussed above in “Revenue by Segment”.

### ***Operating Expenses***

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expenses for the quarter ended February 28, 2022, compared to the quarter ended November 30, 2021 and the quarter ended February 28, 2021. The Company believes it is also meaningful to provide a sequential comparison between the fourth quarter of fiscal 2022 and the third quarter of fiscal 2022.

	For the Three Months Ended (in millions)			
	February 28, 2022	November 30, 2021	February 28, 2021	February 29, 2020
<b>Revenue</b>	\$ 185	\$ 184	\$ 210	\$ 282
<b>Operating expenses</b>				
Research and development	47	57	48	60
Selling, marketing and administration	64	77	92	113
Amortization	32	42	45	48
Impairment of long-lived assets	—	—	22	5
Impairment of goodwill	—	—	—	22
Debentures fair value adjustment	(165)	(110)	258	5
<b>Total</b>	<u>\$ (22)</u>	<u>\$ 66</u>	<u>\$ 465</u>	<u>\$ 253</u>
<b>Operating Expense as % of Revenue</b>				
Research and development	25.4%	31.0%	22.9%	21.3%
Selling, marketing and administration	34.6%	41.8%	43.8%	40.1%
Amortization	17.3%	22.8%	21.4%	17.0%
Impairment of long-lived assets	—%	—%	10.5%	1.8%
Impairment of goodwill	—%	—%	—%	7.8%
Debentures fair value adjustment	(89.2%)	(59.8%)	122.9%	1.8%
<b>Total</b>	<u>(11.9%)</u>	<u>35.9%</u>	<u>221.4%</u>	<u>89.7%</u>

See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three months ended February 28, 2022, November 30, 2021, February 28, 2021 and February 29, 2020.

#### *U.S. GAAP Operating Expenses*

Operating expenses decreased by \$88 million, or 133.3%, to \$(22) million, or (11.9%) of revenue, in the fourth quarter of fiscal 2022, compared to \$66 million, or 35.9% of revenue, in the third quarter of fiscal 2022. The decrease was primarily attributable to the difference between the Q4 Fiscal 2022 Debentures Fair Value Adjustment and the fair value adjustment related to the Debentures incurred in the third quarter of fiscal 2022 of \$55 million, a benefit of \$10 million in HHBRP funding, a decrease of \$10 million in amortization expense and a decrease of \$9 million in variable incentive plan costs.

Operating expenses decreased by \$487 million, or 104.7%, to \$(22) million, or (11.9%) of revenue, in the fourth quarter of fiscal 2022, compared to \$465 million, or 221.4% of revenue, in the fourth quarter of fiscal 2021. The decrease was primarily attributable to the difference between the Q4 Fiscal 2022 Debentures Fair Value Adjustment and the fair value adjustment related to the Debentures incurred in the fourth quarter of fiscal 2021 of \$423 million, an impairment of long-lived assets of \$22 million in the fourth quarter of fiscal 2021 which did not recur, a decrease of \$13 million in amortization expense, a decrease of \$12 million in stock compensation expense and a decrease of \$9 million in the Company’s deferred share unit liability due to a decrease in the Company’s stock price.

#### *Adjusted Operating Expenses*

Adjusted operating expenses decreased by \$25 million, or 17.6%, to \$117 million in the fourth quarter of fiscal 2022 compared to \$142 million in the third quarter of fiscal 2022. The decrease was primarily attributable to a benefit of \$10 million in HHBRP funding, a decrease of \$9 million in variable incentive plan costs, a decrease of \$3 million in amortization expense and a decrease of \$2 million in salaries and benefits expenses.

Adjusted operating expenses decreased by \$20 million, or 14.6%, to \$117 million in the fourth quarter of fiscal 2022, compared to \$137 million in the fourth quarter of fiscal 2021. The decrease was primarily attributable to a decrease of \$9 million in the Company’s deferred share unit liability due to a decrease in the Company’s stock price, a decrease of \$6 million in legal expenses, a decrease of \$4 million in consulting fees and a decrease of \$3 million in amortization expense.

### 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 \$1 million, or 2.1%, to \$47 million in the fourth quarter of fiscal 2022 compared to \$48 million in the fourth quarter of fiscal 2021. The decrease was primarily attributable to a decrease of \$2 million in salaries and benefits expense and a decrease of \$1 million in facilities costs, partially offset by an increase of \$3 million in variable incentive plan costs.

Adjusted research and development expenses were \$45 million in the fourth quarter of fiscal 2022, consistent with \$45 million in the fourth quarter of fiscal 2021.

### Selling, Marketing and Administration Expenses

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

Selling, marketing and administration expenses decreased by \$28 million, or 30.4%, to \$64 million in the fourth quarter of fiscal 2022 compared to \$92 million in the fourth quarter of fiscal 2021. This decrease was primarily attributable to a decrease of \$11 million in stock compensation expense, a decrease of \$9 million in the Company's deferred share unit liability due to a decrease in the Company's stock price and a decrease of \$6 million in legal expenses.

Adjusted selling, marketing and administration expenses decreased by \$17 million, or 21.5%, to \$62 million in the fourth quarter of fiscal 2022 compared to \$79 million in the fourth quarter of fiscal 2021. This decrease was primarily due a decrease of \$9 million in the Company's deferred share unit liability due to a decrease in the Company's stock price, a decrease of \$6 million in legal expenses and a decrease of \$4 million on consulting fees.

### 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 February 28, 2022 compared to the quarter ended February 28, 2021 and for the quarter ended February 28, 2021 compared to the quarter ended February 29, 2020. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Three Months Ended (in millions)				
	<b>Included in Operating Expense</b>				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
Property, plant and equipment	\$ 2	\$ 4	\$ (2)	\$ 4	\$ —
Intangible assets	30	41	(11)	44	(3)
<b>Total</b>	<b>\$ 32</b>	<b>\$ 45</b>	<b>\$ (13)</b>	<b>\$ 48</b>	<b>\$ (3)</b>

  

	<b>Included in Cost of Sales</b>				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
Property, plant and equipment	\$ 1	\$ 1	\$ —	\$ 2	\$ (1)
Intangible assets	1	3	(2)	2	1
<b>Total</b>	<b>\$ 2</b>	<b>\$ 4</b>	<b>\$ (2)</b>	<b>\$ 4</b>	<b>\$ —</b>

#### Amortization included in Operating Expense

Amortization expense relating to certain property, plant and equipment and certain intangible assets decreased by \$13 million to \$32 million for the fourth quarter of fiscal 2022 compared to \$45 million for the fourth quarter of fiscal 2021. The decrease in amortization expense was due to the lower cost base of assets.

Adjusted amortization expense decreased by \$3 million to \$10 million in the fourth quarter of fiscal 2022 compared to \$13 million in the fourth quarter of fiscal 2021 due to the reasons described above on a U.S. GAAP basis.

#### Amortization included in Cost of Sales

Amortization expense relating to certain property, plant and equipment and certain intangible assets employed in the Company's service operations decreased by \$2 million to \$2 million in the fourth quarter of fiscal 2022 compared to \$4 million in the fourth quarter of fiscal 2021 due to the lower cost base of assets.

### **Investment Income (Loss), Net**

Investment income (loss), net decreased by \$1 million to investment loss, net of \$1 million in the fourth quarter of fiscal 2022, compared to investment income, net of nil in the fourth quarter of fiscal 2021. The decrease is primarily due to a decrease in unrealized gains on public equity securities in the fourth quarter of fiscal 2022 compared to the fourth quarter of fiscal 2021.

### **Income Taxes**

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

### **Net Income (Loss)**

The Company's net income for the fourth quarter of fiscal 2022 was \$144 million, or \$0.25 basic earnings per share and \$0.03 diluted loss per share on a U.S. GAAP basis, reflecting an increase in net income of \$459 million compared to a net loss of \$315 million, or \$0.56 basic and diluted loss per share, in the fourth quarter of fiscal 2021. The increase in net income of \$459 million was primarily due to a decrease in operating expenses due to the decrease in Debentures fair value adjustment and impairment of long-lived assets in the fourth quarter of fiscal 2021 that did not recur, as described above in "Operating Expenses", partially offset by a decrease in revenue as described above in "Revenue by Segment" and a decrease in gross margin percentage as described above in "Consolidated Gross Margin Percentage".

Adjusted net income was \$6 million in the fourth quarter of fiscal 2022 compared to \$14 million in the fourth quarter of fiscal 2021, reflecting a decrease in adjusted net income of \$8 million primarily due to a decrease in revenue as described above in "Revenue by Segment" and a decrease in gross margin percentage, as described above in "Consolidated Gross Margin Percentage", partially offset by a decrease in operating expenses, as described above in "Operating Expenses".

The weighted average number of shares outstanding was 576 million common shares for basic earnings per share and 637 million common shares for diluted loss per share for the fourth quarter of fiscal 2022. The weighted average number of shares outstanding was 566 million common shares for basic and diluted loss per share for the fourth quarter of fiscal 2021.

### **Financial Condition**

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

Cash, cash equivalents, and investments decreased by \$34 million to \$770 million as at February 28, 2022 from \$804 million as at February 28, 2021, primarily as a result of changes in working capital, partially offset by investment gains from non-marketable securities. The majority of the Company's cash, cash equivalents, and investments are denominated in U.S. dollars as at February 28, 2022.

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

	As at (in millions)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
Cash and cash equivalents	\$ 378	\$ 214	\$ 164	\$ 377	\$ (163)
Restricted cash equivalents and restricted short-term investments	28	28	—	49	(21)
Short-term investments	334	525	(191)	532	(7)
Long-term investments	30	37	(7)	32	5
Cash, cash equivalents, and investments	<u>\$ 770</u>	<u>\$ 804</u>	<u>\$ (34)</u>	<u>\$ 990</u>	<u>\$ (186)</u>

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

	As at (in millions)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
Current assets	\$ 1,043	\$ 1,006	\$ 37	\$ 1,196	\$ (190)
Current liabilities	397	429	(32)	1,121	(692)
Working capital	<u>\$ 646</u>	<u>\$ 577</u>	<u>\$ 69</u>	<u>\$ 75</u>	<u>\$ 502</u>

#### *Current Assets*

The increase in current assets of \$37 million at the end of fiscal 2022 from the end of fiscal 2021 was primarily due to an increase in cash and cash equivalents of \$164 million and an increase in other current assets of \$109 million, partially offset by decreases in short term investments of \$191 million, accounts receivable, net of allowance of \$44 million and income taxes receivable of \$1 million.

At February 28, 2022, other current assets was \$159 million, an increase of \$109 million from February 28, 2021. The increase is primarily due to intellectual property relating to the patent sale agreement of \$118 million, partially offset by a decrease in prepaid maintenance of \$3 million and decrease in deferred commissions of \$3 million.

At February 28, 2022, accounts receivable, net of allowance was \$138 million, a decrease of \$44 million from February 28, 2021. The decrease was primarily due to lower revenue recognized over the three months ended February 28, 2022 compared to the three months ended February 29, 2020 and a decrease in days sales outstanding to 67 days at the end of the fourth quarter of fiscal 2022 from 85 days at the end of the fourth quarter of fiscal 2021.

At February 28, 2022, other receivables was \$25 million, consistent with \$25 million as at February 28, 2021. The increase in SIF claims of \$2 million was offset by a decrease in CEWS program of \$2 million.

At February 28, 2022, income taxes receivable was \$9 million, a decrease of \$1 million from February 28, 2021. The decrease was primarily due to the refund received from tax loss carry backs.

#### *Current Liabilities*

The decrease in current liabilities of \$32 million at the end of fiscal 2022 from the end of fiscal 2021 was primarily due to a decrease in accrued liabilities of \$21 million, a decrease in deferred revenue, current of \$18 million, partially offset by an increase in income taxes payable of \$5 million and an increase in accounts payable of \$2 million.

Accrued liabilities was \$157 million, reflecting a decrease of \$21 million compared to February 28, 2021, which was primarily attributable to a decrease of \$6 million in the liability associated with the CEO contingent cash award, a decrease of \$5 million in current operating lease liabilities, a decrease of \$3 million in the Company's deferred share unit liability due to a decrease in the Company's stock price, partially offset by an increase of \$4 million in variable incentive plan costs.

Deferred revenue, current was \$207 million, which reflects a decrease of \$18 million compared to February 28, 2021 that was attributable to a \$29 million decrease in deferred revenue, current related to BlackBerry Spark partially offset by a \$12 million increase in deferred revenue, current related to BlackBerry QNX.

Income taxes payable was \$11 million, reflecting an increase of \$5 million compared to February 28, 2021, which was primarily due to income earned in taxable jurisdictions.

As at February 28, 2022, accounts payable were \$22 million, reflecting an increase of \$2 million from February 28, 2021, which was primarily due to timing of payments of accounts payable.

Cash flows for the fiscal year ended February 28, 2022 compared to the fiscal year ended February 28, 2021 were as follows:

	For the Fiscal Years Ended (in millions)				
	February 28, 2022	February 28, 2021	Change	February 29, 2020	Change
<b>Net cash flows provided by (used in):</b>					
Operating activities	\$ (28)	\$ 82	\$ (110)	\$ 26	\$ 56
Investing activities	207	(65)	272	(188)	123
Financing activities	10	(227)	237	7	(234)
Effect of foreign exchange gain (loss) on cash and cash equivalents	(1)	2	(3)	(1)	3
Net increase (decrease) in cash and cash equivalents	<u>\$ 188</u>	<u>\$ (208)</u>	<u>\$ 396</u>	<u>\$ (156)</u>	<u>\$ (52)</u>

#### *Operating Activities*

The decrease in net cash flows provided by operating activities of \$110 million primarily reflects the decrease in revenue and net changes in working capital.

#### *Investing Activities*

During the fiscal year ended February 28, 2022, cash flows provided by investing activities were \$207 million and included cash provided by transactions involving the acquisitions of restricted short-term, short-term and long-term investments, net of the proceeds on sale or maturity in the amount of \$211 million and a distribution from a non-marketable equity investment without readily determinable fair value in the amount of \$35 million, partially offset by intangible asset additions of \$31 million, and acquisitions of property, plant and equipment of \$8 million. During fiscal 2021, cash flows used in investing activities were \$65 million and included cash flows used in transactions involving the acquisitions of short-term and long-term investments, net of the proceeds on sale or maturity in the amount of \$21 million, intangible asset additions of \$36 million, and acquisitions of property, plant and equipment of \$8 million.

#### *Financing Activities*

The increase in cash flows provided by financing activities was \$237 million for fiscal 2022 due to the redemption of the 3.75% Debentures and issuance of the 1.75% Debentures in fiscal 2021, partially offset by a decrease in common shares issued for stock options exercised.

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

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

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

Cash, cash equivalents, and investments were approximately \$770 million as at February 28, 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 February 28, 2022:

	<i>(in millions)</i>		
	Total	Short-term (next 12 months)	Long-term (>12 months)
Operating lease obligations	\$ 101	\$ 31	\$ 70
Purchase obligations and commitments	125	85	40
Debt interest and principal payments	377	6	371
Total	<u>\$ 603</u>	<u>\$ 122</u>	<u>\$ 481</u>

Contractual and other obligations amounted to approximately \$603 million as at February 28, 2022, including future principal and interest payments of \$377 million on the 1.75% Debentures and operating lease obligations of \$101 million. The remaining balance consists of purchase orders for goods and services utilized in the operations of the Company. Total aggregate contractual obligations as at February 28, 2022 decreased by approximately \$73 million as compared to the February 28, 2021 balance of approximately \$676 million, which was attributable to decreases in operating lease obligations and purchase obligations and commitments.

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

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

#### ***Accounting Policies***

See Note 1 to the Consolidated Financial Statements for a description of the Company's significant accounting policies and the adoption of the new standard in accounting for income taxes.

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

#### ***Critical Accounting Estimates***

The preparation of the consolidated financial statements requires management to make estimates and assumptions with respect to the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to revenue-related estimates including variable consideration, standalone selling price ("SSP"), estimated customer life, if control of licenses to intellectual property has transferred, the value of non-cash consideration, right of return and customer incentive commitments, fair value of reporting units in relation to actual or potential goodwill impairment, fair value of the Debentures, fair value of share-based liability award, fair value of long-lived assets in relation to actual or potential impairment, the Company's long-lived asset groupings, useful lives of property, plant and equipment and intangible assets, provision for income taxes, realization of deferred income tax assets and the related components of the valuation allowance, allowance for credit losses, incremental borrowing rate in determining the present value of lease liabilities and the determination of reserves for various litigation claims. Actual results could differ from these estimates, which were based upon circumstances that existed as of the date of the consolidated financial statements, February 28, 2022.

The Company's critical accounting estimates have been reviewed and discussed with the Company's Audit & Risk Management Committee and are set out below. Except as noted, there have not been any changes to the critical accounting estimates made by the Company, during the past three fiscal years.

#### ***Valuation of Long-Lived Assets***

The LLA impairment test prescribed by U.S. GAAP requires the Company to identify its asset groups and test impairment of each asset group separately. To conduct the LLA impairment test, the asset group is tested for recoverability using undiscounted cash flows over the remaining useful life of the primary asset. If forecasted net cash flows are less than the carrying value of the asset group, an impairment charge is measured by comparing the fair value of the asset group to its carrying value. Determining the Company's asset groups and related primary assets requires significant judgment by management. Different judgments could yield different results.

The Company's determination of its asset groups, its primary asset and its remaining useful life, and estimated cash flows are significant factors in assessing the recoverability of the Company's assets for the purposes of LLA impairment testing. The Company's share price can be affected by, among other things, changes in industry or market conditions, including the effect of competition, changes in the Company's results of operations, changes in the Company's forecasts or market expectations

relating to future results, and the Company's strategic initiatives and the market's assessment of any such factors. See Part 1, Item 1A "Risk Factors - The market price of the Company's common shares is volatile". The current macroeconomic environment and competitive dynamics continue to be challenging to the Company's business and the Company cannot be certain of the duration of these conditions and their potential impact on the Company's future financial results and cash flows. A decline in the Company's performance, the Company's market capitalization and future changes to the Company's assumptions and estimates used in the LLA impairment test, particularly the expected future cash flows, remaining useful life of the primary asset and terminal value of the asset group, may result in further impairment charges in future periods of some or all of the assets on the Company's balance sheet. Although it does not affect the Company's cash flow, an impairment charge to earnings has the effect of decreasing the Company's earnings or increasing the Company's losses, as the case may be. The Company's share price could also be adversely affected by the Company's recorded LLA impairment charges.

The Company used various valuation techniques to determine the fair values of its assets to measure and allocate impairment. Techniques related to capital equipment and intangible assets included the direct capitalization method, market comparable transactions, the replacement cost method, discounted cash flow analysis, as well as the relief from royalty and excess earnings valuation methods. Determining valuations using these valuation techniques requires significant judgment and assumptions by management. Different judgments could yield different results.

#### *Valuation of Goodwill Reporting Units*

Goodwill represents the excess of the acquisition price in a business combination over the fair value of identifiable net assets acquired. Goodwill is allocated at the date of the business combination. Goodwill is not amortized but is tested for impairment annually on December 31 or more frequently if events or changes in circumstances indicate the asset may be impaired. These events and circumstances may include a significant change in legal factors or in the business climate, a significant decline in the Company's share price, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant disposal activity and the testing of recoverability for a significant asset group.

On March 1, 2020, the Company adopted Accounting Standards Update 2017-04 on the topic of Intangibles - Goodwill and Other (ASC 350) ("ASU 2017-40"). ASU 2017-04 simplifies the subsequent measurement of goodwill, enabling the Company to carry out its goodwill impairment test in one step, instead of two steps. In the test, the carrying value of the reporting unit, including goodwill, was compared with its fair value. The estimated fair value was determined utilizing multiple approaches based on the nature of the reporting units being valued. In its analysis, the Company utilized multiple valuation techniques, including the income approach using a discounted future cash flow model, market-based approaches, and the asset value approach. The analysis requires significant judgment, including estimation of future cash flows, which 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 carrying value of the Company's assets was assigned to reporting units using reasonable methodologies based on the asset type. When the carrying value of a reporting unit exceeds its fair value, goodwill of the reporting unit is considered to be impaired and written down to its fair value. Different judgments could yield different results. Events and circumstances resulted in an additional goodwill impairment test being conducted as at May 31, 2020, in addition to the Company's annual impairment test.

Prior to the adoption of ASU 2017-04, the Company's annual impairment test was carried out in two steps. In the first step, the carrying value of the reporting unit, including goodwill, was compared with its fair value. The estimated fair value was determined utilizing multiple approaches based on the nature of the reporting units being valued. In its analysis, the Company utilized multiple valuation techniques, including the income approach, discounted future cash flows, market-based approaches, and the asset value approach. The analysis requires significant judgment, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of revenue growth for our reporting units, estimation of the useful life over which cash flows will occur, terminal growth rate, profitability measures, and determination of the discount rates for the reporting units. The carrying value of the Company's assets was assigned to reporting units using reasonable methodologies based on the asset type. When the carrying value of a reporting unit exceeded its fair value, goodwill of the reporting unit was considered to be impaired and the second step was necessary. Different judgments could have yielded different results. In fiscal 2020, the Company disaggregated one reporting unit and goodwill was assigned to the disaggregated reporting units based upon the relative fair value allocation approach.

In the second step, the implied fair value of the reporting unit's goodwill was compared with its carrying value to measure the amount of the impairment loss, if any. The second step involved significant judgment in the selection of assumptions necessary to arrive at an implied fair value of goodwill. Different judgments could have yielded different results.

#### *Valuation Allowance Against Deferred Tax Assets*

The Company regularly assesses the need for a valuation allowance against its deferred tax assets. A valuation allowance is required for deferred tax assets if it is more likely than not that all or some portion of the asset will not be realized. All available evidence, both positive and negative, that may affect the realization of deferred tax assets must be identified and considered in

determining the appropriate amount of the valuation allowance. Additionally, for interim periods, the estimated annual effective tax rate should include the valuation allowance for current year changes in temporary differences and losses or income arising during the year. For interim periods, the Company needs to consider the valuation allowance that it expects to recognize at the end of the fiscal year as part of the estimated annual effective tax rate. During interim quarters, the Company uses estimates including pre-tax results and ending position of temporary differences as at the end of the fiscal year to estimate the valuation allowance that it expects to recognize at the end of the fiscal year. This accounting treatment has no effect on the Company's actual ability to utilize deferred tax assets to reduce future cash tax payments. Different judgments could yield different results. See "Results of Operations - Fiscal year ended February 28, 2022 compared to fiscal year ended February 28, 2021 - Income Taxes" and "Results of Operations - Three months ended February 28, 2022 compared to three months ended February 28, 2021 - Income Taxes".

#### *Revenue Recognition*

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue recognized under the contract will not occur. Any estimates, including any constraints on variable consideration, are evaluated at each reporting period. Judgment is required to determine the fair value of non-cash consideration at contract inception. The Company uses an independent third-party valuator for the fair value of non-cash consideration.

Judgment is required to determine the SSP for each distinct performance obligation. The Company's products and services often have observable SSP when the Company sells a promised product or service separately to similar customers. A contractually stated price or list price for a good or service may be the SSP of that good or service. However, in instances where SSP is not directly observable, the Company determines the SSP by maximizing observable inputs and using an adjusted market assessment approach using information that may include market conditions and other observable inputs from the Company's pricing team, including historical SSP.

Judgment is required to determine in certain agreements if the Company is the principal or agent in the arrangement. The Company considers factors such as, but not limited to, which party can direct the usage of the product or service, which party obtains substantially all the remaining benefits and which party has the ability to establish the selling price.

Significant judgment is required to determine the estimated customer life used in perpetual license contracts that require access to the Company's proprietary secure network infrastructure to function. The Company uses historical experience regarding the length of the technology upgrade cycle and the expected life of the product to draw this conclusion.

### **ITEM 7A. 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 fiscal 2022 was transacted in U.S. dollars. Portions of the revenue were denominated in Canadian dollars, euros and British pounds. Expenses, consisting mainly of salaries and certain other operating costs, were incurred primarily in Canadian dollars, but were also incurred in U.S. dollars, euros and British pounds. At February 28, 2022, approximately 37% of cash and cash equivalents, 23% of accounts receivables and 30% of accounts payable were denominated in foreign currencies (February 28, 2021 – 20%, 25% and 34%, respectively). These foreign currencies primarily include the Canadian dollar, euro and British pound. As part of its risk management strategy, the Company maintains net monetary asset and/or liability balances in foreign currencies and engages in foreign currency hedging activities using derivative financial instruments, including currency forward contracts and currency options. The Company does not use derivative instruments for speculative purposes. If overall foreign currency exchange rates to the U.S. dollar uniformly weakened or strengthened by 10% related to the Company's net monetary asset or liability balances in foreign currencies at February 28, 2022 or February 28, 2021 (after hedging activities), the impact to the Company would be immaterial.

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