

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the unaudited interim consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of BlackBerry Limited for the three and nine months ended November 30, 2024, included in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as the Company's audited consolidated financial statements and accompanying notes and MD&A for the fiscal year ended February 29, 2024 (the "Annual MD&A"). The Consolidated Financial Statements are presented in U.S. dollars and have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). All financial information in this MD&A is presented in U.S. dollars, unless otherwise indicated.

Additional information about the Company, which is included in the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2024 (the "Annual Report"), can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

### Cautionary Note Regarding Forward-Looking Statements

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

- the Company's plans, strategies and objectives, including its intentions to increase and enhance its product and service offerings and to patent new innovations;
- the Company's expectations with respect to the sale of its Cylance® endpoint security assets to Arctic Wolf Networks, Inc. ("Arctic Wolf");
- the Company's expectations with respect to its revenue, segment EBITDA, adjusted EBITDA, non-GAAP EPS and operating cash flow in the fourth quarter of fiscal 2025, and these items for fiscal 2025 as a whole;
- the Company's estimates of purchase obligations and other contractual commitments; and
- the Company's expectations with respect to the sufficiency of its financial resources.

The words "expect", "anticipate", "estimate", "may", "will", "should", "could", "intend", "believe", "target", "plan" and similar expressions are intended to identify forward-looking statements in this MD&A, including in the sections entitled "Business Overview", "Business Overview - Products and Services", "Results of Operations - Three months ended November 30, 2024 compared to the three months ended November 30, 2023 - Revenue - Revenue by Segment", "Results of Operations - Three months ended November 30, 2024 compared to the three months ended November 30, 2023 - Net Income (loss)" 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, competition, and the Company's expectations regarding its financial performance. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risk factors discussed in Part I, Item 1A "Risk Factors" in the Annual Report.

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

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

## **Business Overview**

BlackBerry (NYSE: BB; TSX: BB) provides enterprises and governments the intelligent software and services that power the world around us. Based in Waterloo, Ontario, the Company offers the embedded OS of choice across industries and powers the safety-critical systems of over 255M vehicles. With a deep heritage in its Secure Communications, BlackBerry delivers operational resiliency with the most comprehensive, highly secure, and extensively certified platform for mobile fortification, mission-critical communications, and critical events management. The Company is also a pioneer in leveraging Artificial Intelligence and Machine Learning to deliver advanced cybersecurity solutions to its customers.

The Company has two core divisions, Secure Communications and IoT, each addressing large and growing market opportunities.

The Company's Secure Communications division delivers operational resiliency with the most comprehensive, highly secure, and extensively certified solutions for mobile fortification, mission-critical communications, and critical events management.

The Company's IoT division provides embedded software solutions and the Company believes it is the world's leading automotive foundational software supplier. Its customers include major automotive original equipment manufacturers ("OEMs") and Tier 1 suppliers that use its products in vehicles, as well as top medical OEMs. The Company's solutions are implemented into all of the top ten automotive OEMs, top seven Tier 1 suppliers, 24 of the 25 top EV OEMs, and nine of the ten top medical OEMs.

The Company primarily generates revenue from the licensing of enterprise software and sales of associated services, including its secure communications solutions, BlackBerry QNX® software for the embedded market, technology licensing and professional consulting services. The Company focuses on strategic industries with vertical-specific use cases, including regulated enterprise markets such as financial services, government, healthcare, professional services and automotive, and other markets where embedded software and critical infrastructure are important, such as medical equipment and industrial automation.

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

The Company has a rich pedigree in innovation and has developed a range of products and services that assist customers in addressing their needs as their industries evolve, which are structured in three segments: Secure Communications, IoT (collectively with Secure Communications, "software and services") and Licensing.

Prior to the third quarter of fiscal 2025, the Company's Secure Communications segment included the Company's Cylance® cybersecurity solutions business and was reported as the Cybersecurity segment. See "*Business Overview - Cylance*" below.

#### *Secure Communications*

The Secure Communications business consists of BlackBerry unified endpoint management ("UEM") solutions, SecuSUITE® and BlackBerry® AtHoc®.

The Company's UEM offerings include BlackBerry® UEM, BlackBerry® Dynamics™, BlackBerry® Workspaces, and BlackBerry Messenger (BBM®) Enterprise. BlackBerry UEM employs a containerized approach to manage and secure devices, third party and custom applications, identity, content and endpoints across all leading operating systems, as well as providing regulatory compliance tools. BlackBerry Dynamics offers a best-in-class development platform and secure container for mobile applications, including the Company's own enterprise applications such as BlackBerry® Work and BlackBerry® Connect for secure collaboration. BlackBerry Workspaces is a secure Enterprise File Sync and Share (EFSS) solution. BBM Enterprise is an enterprise-grade secure instant messaging solution for messaging, voice and video.

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

BlackBerry AtHoc is a secure, networked critical event management solution that enables people, devices and organizations to exchange critical information in real time during business continuity and life safety operations. The platform securely connects with a diverse set of endpoints to distribute emergency mass notifications, improves personnel accountability and facilitates the bidirectional collection and sharing of data within and between organizations.

#### *IoT*

The IoT business consists of BlackBerry QNX, BlackBerry Radar®, BlackBerry® Certicom®, and BlackBerry IVY®.

BlackBerry QNX is a global provider of real-time operating systems, hypervisors, middleware, development tools, and professional services for connected embedded systems in the automotive, medical, industrial automation and other markets. A recognized leader in automotive software, BlackBerry QNX offers a growing portfolio of safety-certified, secure and reliable platform solutions and is focused on achieving design wins with automotive OEMs, Tier 1 vendors and automotive

semiconductor suppliers. These solutions include the BlackBerry QNX real-time operating system, QNX® Hypervisor for Safety and QNX® Software Development Platform (SDP), as well as other products designed to alleviate the challenges of compliance with ISO 26262, the automotive industry's functional safety standard. The QNX pre-certified microkernel operating system is specifically tailored for safety-critical embedded systems and toolchains that are pre-qualified for building these systems. The QNX Hypervisor for Safety prevents safety systems from potential impact of malfunction in other systems. These products help drive a faster time to market and also reduce developer friction.

BlackBerry QNX is also a preferred supplier of embedded systems for companies building medical devices, train-control systems, industrial robots, hardware security modules, building automation systems, green energy solutions, and other mission-critical applications. BlackBerry QNX collaborates closely with customers to understand their specific requirements and more quickly and effectively develop solutions to meet their evolving needs.

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

BlackBerry Certicom leverages patented elliptic curve cryptography to provide device security, anti-counterfeiting and product authentication solutions to protect vehicles, critical infrastructure and IoT deployments from product counterfeiting, re-manufacturing and unauthorized network access.

BlackBerry IVY is an emerging intelligent vehicle data platform that allows automakers to safely access a vehicle's sensor data, normalize it, and apply machine learning at the edge to generate and share predictive insights and inferences. Automakers and developers can use this information to create responsive in-vehicle applications and services that enhance driver and passenger experiences.

The BlackBerry Secure Communications and IoT divisions are complemented by the enterprise and cybersecurity consulting services offered by the Company's BlackBerry® Professional Services business. BlackBerry Professional Services provides platform-agnostic strategies to address mobility-based challenges, providing expert deployment support, end-to-end delivery (from system design to user training), application consulting, and experienced project management.

### *Licensing*

Licensing consists primarily of the Company's patent licensing business.

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

### *Cylance*

On October 16, 2024, the Company announced that it was revisiting capital allocation priorities, noting that estimates of the level of investment required to grow the Cylance business to scale and profitability would be substantial and would require a number of years and, as such, the Company would begin exploring opportunities for the business. At November 30, 2024, the Company determined that the assets and liabilities constituting the Cylance business met the criteria requiring them to be classified as held for sale as specified in Accounting Standards Codification ("ASC") 360 Property, Plant and Equipment, which in turn meant that the Cylance business met the criteria for presentation as a discontinued operations under ASC 205 Presentation of Financial Statements. While presented as a discontinued operations in its Consolidated Statement of Operations, the Company continues to operate Cylance during the time that the assets and liabilities constituting its business are held for sale. As a result of Cylance becoming a discontinued operation, it is no longer reported alongside UEM, SecuSuite and AtHoc as the Cybersecurity segment, and those three businesses are now reported separately from Cylance as the Secure Communications segment.

On December 15, 2024, the Company entered into an agreement to sell the Company's Cylance endpoint security assets to Arctic Wolf for a purchase price consisting of \$160 million of cash, subject to certain purchase price adjustments (the "Cash Consideration"), and 5.5 million common shares in Arctic Wolf. After giving effect to the purchase price adjustments, the Company will receive the common shares and approximately \$80 million of the Cash Consideration at the closing of the transaction, and approximately \$40 million of the Cash Consideration on the one-year anniversary of closing.

Cylance's cybersecurity solutions include: CylanceENDPOINT™, an integrated endpoint security solution that leverages the Cylance AI model and OneAlert EDR console, to prevent, detect and remediate cyber threats at the endpoint, including on mobile; CylanceMDR™, a managed detection and response solution that provides 24/7 threat hunting and monitoring, as well as integrated critical event management communications during a cyber incident; and CylanceEDGE™, an AI-powered

continuous authentication zero trust network access solution that provides secure access to applications and data loss prevention. The Company also offers incident response, compromise assessment and containment services to assist clients with forensic analysis, state of existing systems and remediation of attacks.

### Recent Developments

The Company has continued to execute on its strategy in fiscal 2025 and announced the following significant achievements during and subsequent to the most recent quarter:

#### Products and Innovation:

- Announced that QNX embedded technology powers more than 255 million vehicles;
- BlackBerry QNX introduced software-defined functional safety platform in collaboration with Intel for industrial automation; and
- Announced that BlackBerry AtHoc is "in process" to become the first critical events management solution to obtain FedRAMP high authorization.

#### Customers and Partners:

- BlackBerry QNX was selected by Hyundai Mobis to power its next-generation digital cockpit platform; and
- Announced the Government of Canada's investment in the Malaysia Cybersecurity Center of Excellence to enhance cyber resilience in Southeast Asia.

#### Environmental, Sustainability and Corporate Governance:

- BlackBerry and Arctic Wolf announced that they have entered into a definitive agreement for Arctic Wolf to acquire BlackBerry's Cylance endpoint security assets; and
- Appointed Lisa Bahash, an automotive OEM and Tier 1 supplier veteran, to the Board of Directors.

### Third Quarter Fiscal 2025 Summary Results of Operations

The following table sets forth certain consolidated statements of operations data for the quarter ended November 30, 2024 compared to the quarter ended November 30, 2023 under U.S. GAAP:

|   | For the Three Months Ended                                   |                   |              |
|---|--|-------------------|--------------|
|   | <i>(in millions, except for share and per share amounts)</i> |                   |              |
|   | November 30, 2024  | November 30, 2023 | Change       |
| Revenue   | \$ 143   | \$ 152            | \$ (9)       |
| Gross margin  | 112  | 119               | (7)          |
| Operating expenses                                    | 93   | 101               | (8)          |
| Investment income, net                                | —  | 5                 | (5)          |
| Income before income taxes                            | 19   | 23                | (4)          |
| Provision for income taxes                            | 7  | 15                | (8)          |
| Income from continuing operations                     | 12   | 8                 | 4            |
| Loss from discontinued operations                     | (23)   | (29)              | 6            |
| Net loss  | <u>\$ (11)</u>   | <u>\$ (21)</u>    | <u>\$ 10</u> |
| Loss per share - reported                             |  |                   |              |
| Basic   | <u>\$ (0.02)</u>   | <u>\$ (0.04)</u>  |              |
| Diluted   | <u>\$ (0.02)</u>   | <u>\$ (0.05)</u>  |              |
| Weighted-average number of shares outstanding (000's) |  |                   |              |
| Basic   | 591,240  | 584,331           |              |
| Diluted <sup>(1)</sup>                                | 593,530  | 638,470           |              |

<sup>(1)</sup> Diluted loss per share on a U.S. GAAP basis for the third quarter of fiscal 2025 does not include the dilutive effect of the Debentures (as defined in "Financial Condition - Debt Financing and Other Funding Sources"), as to do so would be anti-dilutive. Diluted loss per share on a U.S. GAAP basis for the third quarter of fiscal 2024 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 Company's calculation of the diluted weighted average number of shares outstanding.

The following tables show information by operating segment for the three and nine months ended November 30, 2024 and November 30, 2023. The Company reports segment information in accordance with U.S. GAAP ASC Section 280 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 of the Company’s reportable operating segments. During the third quarter of fiscal 2025, the CODM changed the measure of profit or loss used under the “management” approach in reviewing the results of the Company’s operating segments from segment gross margin to segment EBITDA. Prior period comparatives have been recast to reflect the change in metric along with the significant categories of operating expenses included within this metric, and the change in presentation relating to facilities reclassified as disclosed in Note 1 to the Consolidated Financial Statements. See Note 11 to the Consolidated Financial Statements for a description of the Company’s operating segments.

For the Three Months Ended  
(in millions)

|   | Secure Communications |                   |                | IoT               |                   |             | Licensing         |                   |             | Segment Totals    |                   |               |
|---|-----------------------|-------------------|----------------|-------------------|-------------------|-------------|-------------------|-------------------|-------------|-------------------|-------------------|---------------|
|   | November 30, 2024     | November 30, 2023 | Change         | November 30, 2024 | November 30, 2023 | Change      | November 30, 2024 | November 30, 2023 | Change      | November 30, 2024 | November 30, 2023 | Change        |
| Segment revenue                         | \$ 74                 | \$ 91             | \$ (17)        | \$ 62             | \$ 55             | \$ 7        | \$ 7              | \$ 6              | \$ 1        | \$ 143            | \$ 152            | \$ (9)        |
| Segment cost of sales                   | 20                    | 23                | (3)            | 9                 | 8                 | 1           | 2                 | 1                 | 1           | 31                | 32                | (1)           |
| Segment gross margin                    | \$ 54                 | \$ 68             | \$ (14)        | \$ 53             | \$ 47             | \$ 6        | \$ 5              | \$ 5              | \$ —        | \$ 112            | \$ 120            | \$ (8)        |
| Segment research and development        | 11                    | 12                | (1)            | 16                | 15                | 1           | —                 | —                 | —           | 27                | 27                | —             |
| Segment sales and marketing             | 12                    | 15                | (3)            | 11                | 10                | 1           | —                 | —                 | —           | 23                | 25                | (2)           |
| Segment general and administrative      | 10                    | 9                 | 1              | 9                 | 10                | (1)         | 1                 | 6                 | (5)         | 20                | 25                | (5)           |
| Less amortization included in the above | 1                     | 1                 | —              | 1                 | —                 | 1           | 2                 | 3                 | (1)         | 4                 | 4                 | —             |
| Segment EBITDA                          | <u>\$ 22</u>          | <u>\$ 33</u>      | <u>\$ (11)</u> | <u>\$ 18</u>      | <u>\$ 12</u>      | <u>\$ 6</u> | <u>\$ 6</u>       | <u>\$ 2</u>       | <u>\$ 4</u> | <u>\$ 46</u>      | <u>\$ 47</u>      | <u>\$ (1)</u> |

For the Nine Months Ended  
(in millions)

|   | Secure Communications |                   |              | IoT               |                   |              | Licensing         |                   |               | Segment Totals    |                   |               |
|---|-----------------------|-------------------|--------------|-------------------|-------------------|--------------|-------------------|-------------------|---------------|-------------------|-------------------|---------------|
|   | November 30, 2024     | November 30, 2023 | Change       | November 30, 2024 | November 30, 2023 | Change       | November 30, 2024 | November 30, 2023 | Change        | November 30, 2024 | November 30, 2023 | Change        |
| Segment revenue                         | \$ 205                | \$ 212            | \$ (7)       | \$ 170            | \$ 149            | \$ 21        | \$ 16             | \$ 245            | \$(229)       | \$ 391            | \$ 606            | \$(215)       |
| Segment cost of sales                   | 67                    | 62                | 5            | 28                | 24                | 4            | 5                 | 150               | (145)         | 100               | 236               | (136)         |
| Segment gross margin                    | \$ 138                | \$ 150            | \$(12)       | \$ 142            | \$ 125            | \$ 17        | \$ 11             | \$ 95             | \$(84)        | \$ 291            | \$ 370            | \$(79)        |
| Segment research and development        | 36                    | 44                | (8)          | 47                | 49                | (2)          | —                 | —                 | —             | 83                | 93                | (10)          |
| Segment sales and marketing             | 34                    | 45                | (11)         | 32                | 31                | 1            | —                 | —                 | —             | 66                | 76                | (10)          |
| Segment general and administrative      | 30                    | 35                | (5)          | 25                | 32                | (7)          | 5                 | 19                | (14)          | 60                | 86                | (26)          |
| Less amortization included in the above | 3                     | 4                 | (1)          | 2                 | 2                 | —            | 6                 | 8                 | (2)           | 11                | 14                | (3)           |
| Segment EBITDA                          | <u>\$ 41</u>          | <u>\$ 30</u>      | <u>\$ 11</u> | <u>\$ 40</u>      | <u>\$ 15</u>      | <u>\$ 25</u> | <u>\$ 12</u>      | <u>\$ 84</u>      | <u>\$(72)</u> | <u>\$ 93</u>      | <u>\$ 129</u>     | <u>\$(36)</u> |

The following tables reconcile the Company’s segment gross margin results for the three and nine months ended November 30, 2024 to consolidated U.S. GAAP results:

For the Three Months Ended November 30, 2024  
(in millions)

|                             | Secure Communications | IoT   | Licensing | Segment Totals | Reconciling Items | Consolidated U.S. GAAP |
|-----------------------------|-----------------------|-------|-----------|----------------|-------------------|------------------------|
| Revenue                     | \$ 74                 | \$ 62 | \$ 7      | \$ 143         | \$ —              | \$ 143                 |
| Cost of sales               | 20                    | 9     | 2         | 31             | —                 | 31                     |
| Gross margin <sup>(1)</sup> | \$ 54                 | \$ 53 | \$ 5      | \$ 112         | \$ —              | \$ 112                 |
| Operating expenses          |                       |       |           |                | 93                | 93                     |
| Investment income, net      |                       |       |           |                | —                 | —                      |
| Income before income taxes  |                       |       |           |                |                   | \$ 19                  |

For the Nine Months Ended November 30, 2024  
(in millions)

|                             | Secure Communications | IoT    | Licensing | Segment Totals | Reconciling Items | Consolidated U.S. GAAP |
|-----------------------------|-----------------------|--------|-----------|----------------|-------------------|------------------------|
| Revenue                     | \$ 205                | \$ 170 | \$ 16     | \$ 391         | \$ —              | \$ 391                 |
| Cost of sales               | 67                    | 28     | 5         | 100            | 2                 | 102                    |
| Gross margin <sup>(1)</sup> | \$ 138                | \$ 142 | \$ 11     | \$ 291         | \$ (2)            | \$ 289                 |
| Operating expenses          |                       |        |           |                | 282               | 282                    |
| Investment income, net      |                       |        |           |                | 8                 | 8                      |
| Income before income taxes  |                       |        |           |                |                   | \$ 15                  |

<sup>(1)</sup> See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three and nine months ended November 30, 2024.

The following tables reconcile the Company’s segment gross margin results for the three and nine months ended November 30, 2023 to consolidated U.S. GAAP results:

For the Three Months Ended November 30, 2023  
(in millions)

|                             | Secure Communications | IoT   | Licensing | Segment Totals | Reconciling Items | Consolidated U.S. GAAP |
|-----------------------------|-----------------------|-------|-----------|----------------|-------------------|------------------------|
| Revenue                     | \$ 91                 | \$ 55 | \$ 6      | \$ 152         | \$ —              | \$ 152                 |
| Cost of sales               | 23                    | 8     | 1         | 32             | 1                 | 33                     |
| Gross margin <sup>(1)</sup> | \$ 68                 | \$ 47 | \$ 5      | \$ 120         | \$ (1)            | \$ 119                 |
| Operating expenses          |                       |       |           |                | 101               | 101                    |
| Investment income, net      |                       |       |           |                | 5                 | 5                      |
| Income before income taxes  |                       |       |           |                |                   | \$ 23                  |

For the Nine Months Ended November 30, 2023  
(in millions)

|                             | Secure Communications | IoT    | Licensing | Segment Totals | Reconciling Items | Consolidated U.S. GAAP |
|-----------------------------|-----------------------|--------|-----------|----------------|-------------------|------------------------|
| Revenue                     | \$ 212                | \$ 149 | \$ 245    | \$ 606         | \$ —              | \$ 606                 |
| Cost of sales               | 62                    | 24     | 150       | 236            | 3                 | 239                    |
| Gross margin <sup>(1)</sup> | \$ 150                | \$ 125 | \$ 95     | \$ 370         | \$ (3)            | \$ 367                 |
| Operating expenses          |                       |        |           |                | 342               | 342                    |
| Investment income, net      |                       |        |           |                | 15                | 15                     |
| Income before income taxes  |                       |        |           |                |                   | \$ 40                  |

<sup>(1)</sup> See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three and nine months ended November 30, 2023.

The following tables reconcile the Company’s segment EBITDA results for the three and nine months ended November 30, 2024 and November 30, 2023 to consolidated U.S. GAAP results:

|   | For the Three Months Ended |                      | For the Nine Months Ended |                      |
|---|----------------------------|----------------------|---------------------------|----------------------|
|   | <i>(in millions)</i>       |                      | <i>(in millions)</i>      |                      |
|   | November 30,<br>2024       | November 30,<br>2023 | November 30,<br>2024      | November 30,<br>2023 |
| <b>Total Segment EBITDA</b>   | \$ 46                      | \$ 47                | \$ 93                     | \$ 129               |
| <b>Adjustments <sup>(1)</sup>:</b>  |                            |                      |                           |                      |
| Stock compensation expense  | 4                          | 7                    | 16                        | 25                   |
| Restructuring expenses  | 7                          | 9                    | 16                        | 17                   |
| <b>Less</b>   |                            |                      |                           |                      |
| Corporate general and administrative expense                              | 9                          | 10                   | 31                        | 24                   |
| Amortization  | 6                          | 7                    | 19                        | 26                   |
| Impairment of long-lived assets   | 1                          | 9                    | 4                         | 9                    |
| Prior Debentures fair value adjustment                                    | —                          | (13)                 | —                         | 3                    |
| Investment income   | —                          | (5)                  | (8)                       | (15)                 |
| <b>Consolidated income from continuing operations before income taxes</b> | <u>\$ 19</u>               | <u>\$ 23</u>         | <u>\$ 15</u>              | <u>\$ 40</u>         |

<sup>(1)</sup> See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three and nine months ended November 30, 2024 and November 30, 2023.

### **Financial Highlights**

The Company had \$266 million in cash, cash equivalents and investments as of November 30, 2024 (February 29, 2024 - \$298 million).

In the third quarter of fiscal 2025, the Company recognized revenue from continuing operations of \$143 million and incurred a net loss of \$11 million, or \$0.02 basic and diluted loss per share, on a U.S. GAAP basis (third quarter of fiscal 2024 - revenue from continuing operations of \$152 million and net loss of \$21 million, or \$0.04 basic loss per share and \$0.05 diluted loss per share).

The Company recognized adjusted net income of \$12 million, and adjusted earnings of \$0.02 per share, on a non-GAAP basis in the third quarter of fiscal 2025 (third quarter of fiscal 2024 - adjusted net income of \$3 million, and adjusted earnings of \$0.01 per share). See “Non-GAAP Financial Measures” below.

### **Non-GAAP Financial Measures**

The Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, and information contained in this MD&A is presented on that basis. On December 19, 2024, the Company announced financial results for the three and nine months ended November 30, 2024, which included certain non-GAAP financial measures and non-GAAP ratios, including revenue from continuing and discontinued operation, Cybersecurity revenue from continuing and discontinued operations, adjusted gross margin, adjusted gross margin percentage, Cybersecurity gross margin from continuing and discontinued operations, adjusted gross margin from continuing and discontinued operations, adjusted gross margin percentage from continuing and discontinued operations, adjusted operating expense, adjusted operating expense from continuing and discontinued operations, adjusted net income (loss), adjusted earnings (loss) per share, adjusted research and development expense, adjusted sales and marketing expense, adjusted general and administrative expense, adjusted amortization expense, adjusted operating income (loss), adjusted EBITDA from continuing and discontinued operations, adjusted Cybersecurity EBITDA from continuing and discontinued operations 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 are useful in helping management and readers

understand the Company's operating results and underlying operational trends. Non-GAAP financial measures and non-GAAP ratios exclude certain amounts as described below:

- *Prior Debentures fair value adjustment.* The Company elected to measure the Prior Debentures at fair value in accordance with the fair value option under U.S. GAAP. Each period, the fair value of the Prior Debentures were recalculated and the resulting non-cash income and charges from the change in fair value from non-credit components of the Prior Debentures were recognized in income. The amount varied each period depending on changes to the Company's share price, share price volatility and credit indices. This was not indicative of the Company's core operating performance, and may not be meaningful when comparing the Company's operating performance against that of prior periods.
- *Restructuring charges.* The Company believes that restructuring costs relating to employee termination benefits, facilities, streamlining many of the Company's centralized corporate functions into Secure Communications (previously Cybersecurity) and IoT specific teams, and other costs pursuant to programs to reduce the Company's annual expenses amongst R&D, infrastructure and other functions do not reflect expected future operating expenses, are not indicative of the Company's core operating performance, and may not be meaningful when comparing the Company's operating performance against that of prior periods.
- *Stock compensation expenses.* Equity compensation is a non-cash expense and does not impact the ongoing operating decisions taken by the Company's management.
- *Amortization of acquired intangible assets.* When the Company acquires intangible assets through business combinations, the assets are recorded as part of purchase accounting and contribute to revenue generation. Such acquired intangible assets depreciate over time and the related amortization will recur in future periods until the assets have been fully amortized. This is not indicative of the Company's core operating performance, and may not be meaningful when comparing the Company's operating performance against that of prior periods.
- *Long-lived asset impairment charge.* The Company believes that long-lived asset impairment charges do not reflect expected future operating expenses, are not indicative of the Company's core operating performance, and may not be meaningful when comparing the Company's operating performance against that of prior periods.

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

**Reconciliation of non-GAAP based measures with most directly comparable U.S. GAAP based measures for the three months ended November 30, 2024 and November 30, 2023**

Readers are cautioned that revenue from continuing and discontinued operation, Cybersecurity revenue from continuing and discontinued operations, adjusted gross margin, adjusted gross margin percentage, Cybersecurity gross margin from continuing and discontinued operations, adjusted gross margin from continuing and discontinued operations, adjusted gross margin percentage from continuing and discontinued operations, adjusted operating expense, adjusted operating expense from continuing and discontinued operations, adjusted net income (loss), adjusted earnings (loss) per share, adjusted research and development expense, adjusted sales and marketing expense, adjusted general and administrative expense, adjusted amortization expense, adjusted operating income (loss), adjusted EBITDA from continuing and discontinued operations, adjusted Cybersecurity EBITDA from continuing and discontinued operations 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 November 30, 2024 and November 30, 2023 to adjusted financial measures is reflected in the table below:

| For the Three Months Ended (in millions)                                      | November 30, 2024 | November 30, 2023 |
|---|-------------------|-------------------|
| <b>Revenue</b>  | \$ 143            | \$ 152            |
| Cylance revenue   | 19                | 23                |
| <b>Revenue from continuing and discontinued operations</b>                    | <u>\$ 162</u>     | <u>\$ 175</u>     |
| <b>Secure Communication revenue</b>   | \$ 74             | \$ 91             |
| Cylance revenue   | 19                | 23                |
| <b>Cybersecurity revenue from continuing and discontinued operations</b>      | <u>\$ 93</u>      | <u>\$ 114</u>     |
| <b>Gross margin</b>   | \$ 112            | \$ 119            |
| Stock compensation expense  | —                 | 1                 |
| <b>Adjusted gross margin</b>  | <u>\$ 112</u>     | <u>\$ 120</u>     |
| <b>Gross margin %</b>   | 78.3 %            | 78.3 %            |
| Stock compensation expense  | — %               | 0.6 %             |
| <b>Adjusted gross margin %</b>  | <u>78.3 %</u>     | <u>78.9 %</u>     |
| <b>Secure Communication gross margin</b>                                      | \$ 54             | \$ 68             |
| Cylance gross margin  | 8                 | 10                |
| <b>Cybersecurity gross margin from continuing and discontinued operations</b> | <u>\$ 62</u>      | <u>\$ 78</u>      |
| <b>Gross margin</b>   | \$ 112            | \$ 119            |
| Cylance gross margin  | 8                 | 10                |
| Stock compensation expense  | —                 | 1                 |
| <b>Adjusted gross margin from continuing and discontinued operations</b>      | <u>\$ 120</u>     | <u>\$ 130</u>     |
| <b>Gross margin %</b>   | 78.3 %            | 78.3 %            |
| Cylance gross margin  | (4.2)%            | (4.6)%            |
| Stock compensation expense  | — %               | 0.6 %             |
| <b>Adjusted gross margin % from continuing and discontinued operations</b>    | <u>74.1 %</u>     | <u>74.3 %</u>     |

Reconciliation of U.S. GAAP operating expense for the three months ended November 30, 2024, August 31, 2024 and November 30, 2023 to adjusted operating expense and adjusted operating expense from continuing and discontinued operations is reflected in the table below:

| For the Three Months Ended (in millions) | November 30, 2024 | August 31, 2024 | November 30, 2023 |
|--|-------------------|-----------------|-------------------|
| <b>Operating expense</b>                 | \$ 93             | \$ 85           | \$ 101            |
| Restructuring charges                    | 7                 | 1               | 9                 |
| Stock compensation expense               | 4                 | 4               | 6                 |
| Prior Debentures fair value adjustment   | —                 | —               | (13)              |
| Acquired intangibles amortization        | 2                 | 3               | 2                 |
| LLA impairment charge                    | 1                 | —               | 9                 |
| <b>Adjusted operating expense</b>        | <u>\$ 79</u>      | <u>\$ 77</u>    | <u>\$ 88</u>      |

| For the Three Months Ended (in millions)                                      | November 30, 2024 | August 31, 2024 | November 30, 2023 |
|---|-------------------|-----------------|-------------------|
| <b>Operating expense</b>  | \$ 93             | \$ 85           | \$ 101            |
| Add:  |                   |                 |                   |
| Cylance operating expenses  | 31                | 31              | 39                |
| Less:   |                   |                 |                   |
| Restructuring charges   | 7                 | 1               | 9                 |
| Stock compensation expense  | 4                 | 4               | 6                 |
| Prior Debentures fair value adjustment  | —                 | —               | (13)              |
| Acquired intangibles amortization   | 2                 | 3               | 2                 |
| LLA impairment charge   | 1                 | —               | 9                 |
| Cylance stock compensation expense  | 2                 | 2               | 1                 |
| Cylance acquired intangible amortization                                      | 7                 | 6               | 7                 |
| Cylance LLA impairment charge   | —                 | —               | 2                 |
| <b>Adjusted operating expense from continuing and discontinued operations</b> | <u>\$ 101</u>     | <u>\$ 100</u>   | <u>\$ 117</u>     |

Reconciliation of U.S. GAAP net loss and U.S. GAAP basic loss per share for the three months ended November 30, 2024 and November 30, 2023 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) | November 30, 2024 |                                 | November 30, 2023 |                                 |
|--|-------------------|---------------------------------|-------------------|---------------------------------|
|  |                   | Basic earnings (loss) per share |                   | Basic earnings (loss) per share |
| <b>Net loss</b>  | \$ (11)           | \$ (0.02)                       | \$ (21)           | \$ (0.04)                       |
| Restructuring charges  | 7                 |                                 | 9                 |                                 |
| Stock compensation expense   | 6                 |                                 | 8                 |                                 |
| Prior Debentures fair value adjustment                             | —                 |                                 | (13)              |                                 |
| Acquired intangibles amortization                                  | 9                 |                                 | 9                 |                                 |
| LLA impairment charge  | 1                 |                                 | 11                |                                 |
| <b>Adjusted net income</b>   | <u>\$ 12</u>      | <u>\$ 0.02</u>                  | <u>\$ 3</u>       | <u>\$ 0.01</u>                  |

Reconciliation of U.S. GAAP research and development, sales and marketing, general and administrative, and amortization expense for the three months ended November 30, 2024 and November 30, 2023 to adjusted research and development, sales and marketing, general and administrative, and amortization expense is reflected in the table below:

| For the Three Months Ended (in millions)           | November 30, 2024 | November 30, 2023 |
|--|-------------------|-------------------|
| <b>Research and development</b>                    | \$ 27             | \$ 29             |
| Stock compensation expense                         | 1                 | 2                 |
| <b>Adjusted research and development expense</b>   | <u>\$ 26</u>      | <u>\$ 27</u>      |
| <b>Sales and marketing</b>                         | \$ 23             | \$ 25             |
| Stock compensation expense                         | 1                 | —                 |
| <b>Adjusted sales and marketing expense</b>        | <u>\$ 22</u>      | <u>\$ 25</u>      |
| <b>General and administrative</b>                  | \$ 38             | \$ 45             |
| Restructuring charges                              | 7                 | 9                 |
| Stock compensation expense                         | 2                 | 4                 |
| <b>Adjusted general and administrative expense</b> | <u>\$ 29</u>      | <u>\$ 32</u>      |
| <b>Amortization</b>                                | \$ 4              | \$ 6              |
| Acquired intangibles amortization                  | 2                 | 2                 |
| <b>Adjusted amortization expense</b>               | <u>\$ 2</u>       | <u>\$ 4</u>       |

Adjusted EBITDA from continuing and discontinued operations, and adjusted Cybersecurity EBITDA from continuing and discontinued operations for the three months ended November 30, 2024 and November 30, 2023 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)                           | November 30, 2024 | November 30, 2023 |
|--|-------------------|-------------------|
| <b>Net loss</b>  | \$ (11)           | \$ (21)           |
| Non-GAAP adjustments to net loss                                   |                   |                   |
| Restructuring charges  | 7                 | 9                 |
| Stock compensation expense   | 6                 | 8                 |
| Prior Debentures fair value adjustment                             | —                 | (13)              |
| Acquired intangibles amortization                                  | 9                 | 9                 |
| LLA impairment charge  | 1                 | 11                |
| Total non-GAAP adjustments to net loss                             | 23                | 24                |
| Amortization   | 13                | 14                |
| Acquired intangibles amortization                                  | (9)               | (9)               |
| Investment income, net   | —                 | (5)               |
| Provision for income taxes   | 7                 | 15                |
| <b>Adjusted EBITDA from continuing and discontinued operations</b> | <b>\$ 23</b>      | <b>\$ 18</b>      |

| For the Three Months Ended (in millions)   | November 30, 2024 | November 30, 2023 |
|--|-------------------|-------------------|
| <b>Net loss</b>  | \$ (11)           | \$ (21)           |
| Non-GAAP adjustments to net loss   |                   |                   |
| Restructuring charges  | 7                 | 9                 |
| Stock compensation expense   | 6                 | 8                 |
| Prior Debentures fair value adjustment   | —                 | (13)              |
| Acquired intangibles amortization  | 9                 | 9                 |
| LLA impairment charge  | 1                 | 11                |
| Total non-GAAP adjustments to net loss   | 23                | 24                |
| Amortization   | 13                | 14                |
| Acquired intangibles amortization  | (9)               | (9)               |
| Investment income, net   | —                 | (5)               |
| Provision for income taxes   | 7                 | 15                |
| Less:  |                   |                   |
| IoT Segment EBITDA   | 18                | 12                |
| Licensing Segment EBITDA   | 6                 | 2                 |
| Corporate general and administrative expense                                     | (9)               | (10)              |
| <b>Adjusted Cybersecurity EBITDA from continuing and discontinued operations</b> | <b>\$ 8</b>       | <b>\$ 14</b>      |

**Reconciliation of non-GAAP based measures with most directly comparable U.S. GAAP based measures for the nine months ended November 30, 2024 and November 30, 2023.**

A reconciliation of the most directly comparable U.S. GAAP financial measures for the nine months ended November 30, 2024 and November 30, 2023 to adjusted financial measures is reflected in the table below:

| For the Nine Months Ended (in millions) | November 30, 2024 | November 30, 2023 |
|---|-------------------|-------------------|
| <b>Gross margin</b>                     | \$ 289            | \$ 367            |
| Stock compensation expense              | 2                 | 3                 |
| <b>Adjusted gross margin</b>            | <u>\$ 291</u>     | <u>\$ 370</u>     |
| <b>Gross margin %</b>                   | 73.9 %            | 60.6 %            |
| Stock compensation expense              | 0.5 %             | 0.5 %             |
| <b>Adjusted gross margin %</b>          | <u>74.4 %</u>     | <u>61.1 %</u>     |

Reconciliation of U.S. GAAP operating expense for the nine months ended November 30, 2024 and November 30, 2023 to adjusted operating expense is reflected in the table below:

| For the Nine Months Ended (in millions) | November 30, 2024 | November 30, 2023 |
|---|-------------------|-------------------|
| <b>Operating expense</b>                | \$ 282            | \$ 342            |
| Restructuring charges                   | 16                | 17                |
| Stock compensation expense              | 14                | 22                |
| Prior Debentures fair value adjustment  | —                 | 3                 |
| Acquired intangibles amortization       | 6                 | 9                 |
| LLA impairment charge                   | 4                 | 9                 |
| <b>Adjusted operating expense</b>       | <u>\$ 242</u>     | <u>\$ 282</u>     |

Reconciliation of U.S. GAAP net loss and U.S. GAAP basic loss per share for the nine months ended November 30, 2024 and November 30, 2023 to the adjusted net income (loss) and adjusted basic earnings (loss) per share is reflected in the table below:

| For the Nine Months Ended (in millions, except per share amounts) | November 30, 2024 |                            | November 30, 2023 |  |
|---|-------------------|----------------------------|-------------------|--|
|   |                   | Basic<br>loss per<br>share |                   | Basic<br>earnings<br>(loss)<br>per share |
| <b>Net loss</b>   | \$ (72)           | \$ (0.12)                  | \$ (74)           | \$ (0.13)                                |
| Restructuring charges   | 16                |                            | 17                |  |
| Stock compensation expense  | 21                |                            | 28                |  |
| Prior Debentures fair value adjustment                            | —                 |                            | 3                 |  |
| Acquired intangibles amortization                                 | 26                |                            | 29                |  |
| LLA impairment charge   | 4                 |                            | 11                |  |
| <b>Adjusted net income (loss)</b>                                 | <u>\$ (5)</u>     | <u>\$ (0.01)</u>           | <u>\$ 14</u>      | <u>\$ 0.02</u>                           |

Reconciliation of U.S. GAAP research and development, sales and marketing, general and administrative, and amortization expense for the nine months ended November 30, 2024 and November 30, 2023 to adjusted research and development, sales and marketing, general and administrative, and amortization expense is reflected in the table below:

| For the Nine Months Ended (in millions)            | November 30, 2024 | November 30, 2023 |
|--|-------------------|-------------------|
| <b>Research and development</b>                    | \$ 85             | \$ 98             |
| Stock compensation expense                         | 4                 | 6                 |
| <b>Adjusted research and development expense</b>   | <u>\$ 81</u>      | <u>\$ 92</u>      |
| <b>Sales and marketing</b>                         | \$ 68             | \$ 77             |
| Stock compensation expense                         | 2                 | 2                 |
| <b>Adjusted sales and marketing expense</b>        | <u>\$ 66</u>      | <u>\$ 75</u>      |
| <b>General and administrative</b>                  | \$ 111            | \$ 133            |
| Restructuring charges                              | 16                | 17                |
| Stock compensation expense                         | 8                 | 14                |
| <b>Adjusted general and administrative expense</b> | <u>\$ 87</u>      | <u>\$ 102</u>     |
| <b>Amortization</b>                                | \$ 14             | \$ 22             |
| Acquired intangibles amortization                  | 6                 | 9                 |
| <b>Adjusted amortization expense</b>               | <u>\$ 8</u>       | <u>\$ 13</u>      |

Adjusted EBITDA from continuing and discontinued operations for the nine months ended November 30, 2024 and November 30, 2023 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 Nine Months Ended (in millions)                            | November 30, 2024   | November 30, 2023   |
|--|---------------------|---------------------|
| <b>Net loss</b>  | \$ (72)             | \$ (74)             |
| Non-GAAP adjustments to operating loss                             |                     |                     |
| Restructuring charges  | 16                  | 17                  |
| Stock compensation expense   | 21                  | 28                  |
| Prior Debentures fair value adjustment                             | —                   | 3                   |
| Acquired intangibles amortization                                  | 26                  | 29                  |
| LLA impairment charge  | 4                   | 11                  |
| Total non-GAAP adjustments to net loss                             | <u>67</u>           | <u>88</u>           |
| Amortization   | 39                  | 46                  |
| Acquired intangibles amortization                                  | (26)                | (29)                |
| Investment income, net   | (8)                 | (15)                |
| Provision for income taxes   | 16                  | 20                  |
| <b>Adjusted EBITDA from continuing and discontinued operations</b> | <u><u>\$ 16</u></u> | <u><u>\$ 36</u></u> |

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

Reconciliation of U.S. GAAP net cash used in operating activities for the three months ended November 30, 2024 and November 30, 2023 to free cash flow (usage) is reflected in the table below:

| For the Three Months Ended (in millions)                   | November 30, 2024 | November 30, 2023 |
|--|-------------------|-------------------|
| <b>Net cash provided by (used in) operating activities</b> | \$ 3              | \$ (31)           |
| Acquisition of property, plant and equipment               | —                 | (2)               |
| <b>Free cash flow (usage)</b>                              | <u>\$ 3</u>       | <u>\$ (33)</u>    |

### 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"), and recurring revenue percentage do not have any standardized meaning and are unlikely to be comparable to similarly titled measures reported by other companies. Each of Cybersecurity ARR, DBNRR, and recurring revenue percentage includes both continuing operations and discontinued operations.

Comparative breakdowns of certain key metrics for the three months ended or as at November 30, 2024 and November 30, 2023 are set forth below.

| For the Three Months Ended (in millions)              | November 30, 2024 | November 30, 2023 | Change |
|---|-------------------|-------------------|--------|
| Cybersecurity Annual Recurring Revenue                | \$ 281            | \$ 273            | \$ 8   |
| Secure Communications Annual Recurring Revenue        | \$ 215            | \$ 199            | \$ 16  |
| Cybersecurity Dollar-Based Net Retention Rate         | 90 %              | 82 %              | 8%     |
| Secure Communications Dollar-Based Net Retention Rate | 95 %              | 91 %              | 4%     |
| Recurring Software Product Revenue Percentage         | 80 %              | ~ 70 %            | 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 previously used ARR as an indicator of business momentum for the Cybersecurity business and currently uses ARR as an indicator of business momentum for the Secure Communications business.

Cybersecurity ARR was approximately \$281 million as at November 30, 2024 and increased compared to \$279 million as at August 31, 2024 and increased compared to \$273 million as at November 30, 2023.

Secure Communications ARR was approximately \$215 million as at November 30, 2024 and increased compared to \$209 million as at August 31, 2024 and increased compared to \$199 million as at November 30, 2023.

### Dollar-Based Net Retention Rate

The Company calculates the Cybersecurity and Secure Communications DBNRR as of period end by first calculating the Cybersecurity ARR and Secure Communications ARR, respectively, from the customer base as at 12 months prior to the current period end ("Prior Period ARR"). The Company then calculates the Cybersecurity and Secure Communications 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 90% as at November 30, 2024 and increased compared to 88% as at August 31, 2024 and increased compared to 82% as at November 30, 2023.

Secure Communications DBNRR was 95% as at November 30, 2024 and increased compared to 93% as at August 31, 2024 and increased compared to 91% as at November 30, 2023.

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

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 for the three months ended November 30, 2024 and was consistent with approximately 80% recurring for the three months ended August 31, 2024 and increased from approximately 70% for the three months ended November 30, 2023 due to product mix.

### **Results of Operations - Three months ended November 30, 2024 compared to the three months ended November 30, 2023**

#### **Revenue**

##### *Revenue by Segment*

Comparative breakdowns of revenue by segment are set forth below.

|                             | For the Three Months Ended<br>(in millions) |                   |               |
|-----------------------------|---|-------------------|---------------|
|                             | November 30, 2024                           | November 30, 2023 | Change        |
| <b>Revenue by Segment</b>   |   |                   |               |
| Secure Communications       | \$ 74                                       | \$ 91             | \$ (17)       |
| IoT                         | 62  | 55                | 7             |
| Licensing                   | 7   | 6                 | 1             |
|                             | <u>\$ 143</u>                               | <u>\$ 152</u>     | <u>\$ (9)</u> |
| <b>% Revenue by Segment</b> |   |                   |               |
| Secure Communications       | 51.7 %                                      | 59.9 %            |               |
| IoT                         | 43.4 %                                      | 36.2 %            |               |
| Licensing                   | 4.9 %                                       | 3.9 %             |               |
|                             | <u>100.0 %</u>                              | <u>100.0 %</u>    |               |

#### Secure Communications

The decrease in Secure Communications revenue of \$17 million was primarily due to a decrease of \$17 million in product revenue in Secusmart, a decrease of \$1 million of BlackBerry UEM licenses revenue and a decrease of \$1 million in BlackBerry AtHoc, partially offset by an increase of \$2 million in professional services.

The Company previously stated that it expected Cybersecurity revenue to be in the range of \$86 million to \$90 million in the third quarter of fiscal 2025. Cybersecurity revenue (consisting of Secure Communications plus Cylance) was \$93 million in the third quarter of fiscal 2025, higher than expected due to strong Secusmart revenue.

The Company expects Secure Communications revenue to be in the range of \$62 million to \$66 million in the fourth quarter of fiscal 2025.

The Company previously stated that it expected Cybersecurity revenue to be in the range of \$345 million to \$365 million in each of fiscal years 2026 and 2027. Due to the reporting of the Cylance business as a discontinued operation, the Company is retracting this guidance.

#### IoT

The increase in IoT revenue of \$7 million was primarily due to an increase of \$5 million in BlackBerry QNX royalty revenue, an increase of \$2 million in BlackBerry QNX development seat revenue, and an increase of \$1 million in BlackBerry Radar, partially offset by a decrease of \$2 million in professional services revenue.

The Company previously stated that it expected IoT revenue to be in the range of \$56 million to \$60 million in the third quarter of fiscal 2025. IoT revenue was \$62 million due to stronger than expected BlackBerry QNX royalty revenue.

The Company expects IoT revenue to be in the range of \$60 million to \$65 million in the fourth quarter of fiscal 2025.

The Company previously stated that it expected IoT revenue to be in the range of \$225 million to \$235 million in fiscal 2025. The Company now expects IoT revenue to be in the range of \$230 million to \$235 million in fiscal 2025 due to stronger than expected BlackBerry QNX revenue in the first nine months of fiscal 2025.

The Company expects IoT revenue to be in the range of \$260 million to \$270 million in fiscal 2026 and to be in the range of \$295 million to \$305 million in fiscal 2027.

#### Licensing

The increase in Licensing revenue was \$1 million.

The Company previously stated that it expected revenue from intellectual property licensing to be approximately \$4 million in each of the four quarters of fiscal 2025. Intellectual property licensing revenue was \$7 million in the third quarter of fiscal 2025.

The Company expects Licensing revenue of \$16 million in each of fiscal 2026 and fiscal 2027.

#### Total BlackBerry Revenue

The Company previously stated that it expected total BlackBerry revenue to be in the range of \$146 million to \$154 million in the third quarter of fiscal 2025. Total BlackBerry revenue from both continuing and discontinued operations was \$162 million in the third quarter of fiscal 2025, better than expected due to the reasons noted above.

The Company expects total BlackBerry revenue from continuing operations to be in the range of \$126 million to \$135 million in the fourth quarter of fiscal 2025. The Company previously stated that it expected total BlackBerry revenue to be in the range of \$591 million to \$616 million in fiscal 2025, to be in the range of \$620 million to \$650 million in fiscal 2026 and to be in the range of \$655 million to \$685 million in fiscal 2027. Due to the reporting of the Cylance business as a discontinued operation, the Company is retracting this guidance, and expects total BlackBerry revenue from continuing operations to be in the range of \$517 million and \$526 million for fiscal 2025 as a whole.

#### *Revenue by Geography*

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

|                                | For the Three Months Ended<br>(in millions) |                   |               |
|--------------------------------|---|-------------------|---------------|
|                                | November 30, 2024                           | November 30, 2023 | Change        |
| <b>Revenue by Geography</b>    |   |                   |               |
| North America                  | \$ 63                                       | \$ 62             | \$ 1          |
| Europe, Middle East and Africa | 53  | 47                | 6             |
| Other regions                  | 27  | 43                | (16)          |
|                                | <u>\$ 143</u>                               | <u>\$ 152</u>     | <u>\$ (9)</u> |
| <b>% Revenue by Geography</b>  |   |                   |               |
| North America                  | 44.1 %                                      | 40.8 %            |               |
| Europe, Middle East and Africa | 37.0 %                                      | 30.9 %            |               |
| Other regions                  | 18.9 %                                      | 28.3 %            |               |
|                                | <u>100.0 %</u>                              | <u>100.0 %</u>    |               |

#### North America Revenue

The increase in North America revenue of \$1 million was primarily due to an increase of \$2 million in BlackBerry Radar, partially offset by a decrease of \$1 million in BlackBerry AtHoc.

#### Europe, Middle East and Africa Revenue

The increase in Europe, Middle East and Africa revenue of \$6 million was primarily due to an increase of \$9 million relating to product revenue in Secusmart, partially offset by a decrease of \$2 million in BlackBerry QNX royalty revenue, and a decrease of \$1 million in BlackBerry UEM license revenue.

## Other Regions Revenue

The decrease in Other regions revenue of \$16 million was primarily due to a decrease of \$25 million relating to revenue from the Company's agreement with the Government of Malaysia in the third quarter of fiscal 2024 that did not recur, partially offset by an increase of \$4 million in QNX royalty revenue, an increase of \$2 million in professional services and an increase of \$2 million in BlackBerry QNX development seat revenue.

## Gross Margin

### Consolidated Gross Margin

Consolidated gross margin decreased by \$7 million to approximately \$112 million in the third quarter of fiscal 2025 (third quarter of fiscal 2024 - \$119 million). The decrease was primarily due to a decrease in revenue from Secusmart, partially offset by an increase in revenue from BlackBerry UEM and BlackBerry QNX due to the reasons discussed above in "Revenue by Segment", as the cost of sales for most software and services products does not significantly fluctuate based on business volume.

### Consolidated Gross Margin Percentage

Consolidated gross margin percentage was consistent at 78.3% of consolidated revenue in the third quarter of fiscal 2025 (third quarter of fiscal 2024 - 78.3%).

The Company previously stated that it expected consolidated gross margin percentage to be 71% in fiscal 2025, 73% in fiscal 2026 and 74% in fiscal 2027. Due to the reporting of the Cylance business as a discontinued operation, the Company is retracting this guidance.

## Gross Margin and EBITDA by Segment

See "Third Quarter Fiscal 2025 Summary Results of Operations" for information about the Company's operating segments and the basis of operating segment results.

|   | For the Three Months Ended<br>(in millions) |       |        |                      |       |        |                      |      |        |                      |        |        |
|---|---|-------|--------|----------------------|-------|--------|----------------------|------|--------|----------------------|--------|--------|
|   | Secure Communications                       |       |        | IoT                  |       |        | Licensing            |      |        | Segment Totals       |        |        |
|   | November 30,<br>2024                        | 2023  | Change | November 30,<br>2024 | 2023  | Change | November 30,<br>2024 | 2023 | Change | November 30,<br>2024 | 2023   | Change |
| Segment revenue                         | \$ 74                                       | \$ 91 | \$(17) | \$ 62                | \$ 55 | \$ 7   | \$ 7                 | \$ 6 | \$ 1   | \$ 143               | \$ 152 | \$(9)  |
| Segment cost of sales                   | 20  | 23    | (3)    | 9                    | 8     | 1      | 2                    | 1    | 1      | 31                   | 32     | (1)    |
| Segment gross margin                    | \$ 54                                       | \$ 68 | \$(14) | \$ 53                | \$ 47 | \$ 6   | \$ 5                 | \$ 5 | \$ —   | \$ 112               | \$ 120 | \$(8)  |
| Segment gross margin %                  | 73 %  | 75 %  | (2%)   | 85 %                 | 85 %  | — %    | 71 %                 | 83 % | (12%)  | 78 %                 | 79 %   | (1%)   |
| Segment research and development        | 11  | 12    | (1)    | 16                   | 15    | 1      | —                    | —    | —      | 27                   | 27     | —      |
| Segment sales and marketing             | 12  | 15    | (3)    | 11                   | 10    | 1      | —                    | —    | —      | 23                   | 25     | (2)    |
| Segment general and administrative      | 10  | 9     | 1      | 9                    | 10    | (1)    | 1                    | 6    | (5)    | 20                   | 25     | (5)    |
| Less amortization included in the above | 1   | 1     | —      | 1                    | —     | 1      | 2                    | 3    | (1)    | 4                    | 4      | —      |
| Segment EBITDA                          | \$ 22                                       | \$ 33 | \$(11) | \$ 18                | \$ 12 | \$ 6   | \$ 6                 | \$ 2 | \$ 4   | \$ 46                | \$ 47  | \$(1)  |

## Secure Communications

The decrease in Secure Communications gross margin of \$14 million was primarily due to the reasons discussed above in "Revenue by Segment".

The decrease in Secure Communications gross margin percentage of 2% was due to a decrease in revenue from Secusmart, which had a higher gross margin percentage in the third quarter of fiscal 2024 due to revenue recognized on the Company's agreement with the Government of Malaysia that did not recur.

The decrease in Secure Communications EBITDA of \$11 million was primarily due to the reasons discussed above in "Revenue by Segment", partially offset by the decreases in salaries and benefits expense in research and development and sales and marketing.

Cybersecurity gross margin (consisting of Secure Communications plus Cylance) was 67% in the third quarter of fiscal 2025.

The Company expects Secure Communications EBITDA to be approximately \$52 million for fiscal 2025 as a whole.

The Company previously stated that Cybersecurity segment EBITDA was expected to be \$0 in fiscal 2025 as a whole, in the range of \$25 million to \$35 million in fiscal 2026 and in the range of \$30 million to \$40 million in fiscal 2027. Due to the reporting of the Cylance business as a discontinued operation, the Company is retracting this guidance.

The Company previously stated that Cybersecurity segment gross margin was expected to be 62% in fiscal 2025, 65% in fiscal 2026 and 66% in fiscal 2027. Due to the reporting of the Cylance business as a discontinued operation, the Company is retracting this guidance.

### IoT

The increase in IoT gross margin of \$6 million was primarily due to the reasons discussed above in “Revenue by Segment”.

IoT gross margin percentage of 85% was consistent with the third quarter of fiscal 2024.

The increase in IoT EBITDA of \$6 million was primarily due to the reasons discussed above in “Revenue by Segment”.

The Company expects IoT EBITDA to be in the range of \$40 million to \$45 million in fiscal 2025, \$55 million to \$65 million in fiscal 2026, and \$75 million to \$80 million in fiscal 2027.

The Company expects IoT EBITDA margin percentage to be approximately 18% in fiscal 2025, 22% in fiscal 2026 and 26% in fiscal 2027.

### Licensing

Licensing gross margin of \$5 million was consistent with the third quarter of fiscal 2024.

The decrease in Licensing gross margin percentage of 12% was due to an increase in patent amortization expense included in cost of sales.

The increase in Licensing EBITDA of \$4 million was primarily due to a decrease in legal expense.

The Company expects Licensing EBITDA margin percentage to be approximately 65% in each of fiscal 2025, fiscal 2026 and fiscal 2027.

## Operating Expenses

The table below presents a comparison of research and development, sales and marketing, general and administrative, and amortization expenses for the quarter ended November 30, 2024, compared to the quarter ended August 31, 2024 and the quarter ended November 30, 2023. The Company believes it is meaningful to provide a sequential comparison between the third quarter of fiscal 2025 and the second quarter of fiscal 2025.

|   | For the Three Months Ended<br>(in millions) |                 |                   |
|---|---|-----------------|-------------------|
|   | November 30, 2024                           | August 31, 2024 | November 30, 2023 |
| <b>Revenue</b>                            | <b>\$ 143</b>                               | <b>\$ 125</b>   | <b>\$ 152</b>     |
| <b>Operating expenses</b>                 |   |                 |                   |
| Research and development                  | 27  | 28              | 29                |
| Sales and marketing                       | 23  | 22              | 25                |
| General and administrative                | 38  | 30              | 45                |
| Amortization                              | 4   | 5               | 6                 |
| Impairment of long-lived assets           | 1   | —               | 9                 |
| Prior Debentures fair value adjustment    | —   | —               | (13)              |
| <b>Total</b>                              | <b>\$ 93</b>                                | <b>\$ 85</b>    | <b>\$ 101</b>     |
| <b>Operating Expenses as % of Revenue</b> |   |                 |                   |
| Research and development                  | 18.9%                                       | 22.4%           | 19.1%             |
| Sales and marketing                       | 16.1%                                       | 17.6%           | 16.4%             |
| General and administrative                | 26.6%                                       | 24.0%           | 29.6%             |
| Amortization                              | 2.8%  | 4.0%            | 3.9%              |
| Impairment of long-lived assets           | 0.7%  | —%              | 5.9%              |
| Prior Debentures fair value adjustment    | —%  | —%              | (8.6%)            |
| <b>Total</b>                              | <b>65.0 %</b>                               | <b>68.0 %</b>   | <b>66.4 %</b>     |

See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three months ended November 30, 2024, August 31, 2024 and November 30, 2023.

### U.S. GAAP Operating Expenses

Operating expenses increased by \$8 million sequentially, or 9.4%, in the third quarter of fiscal 2025, compared to the second quarter of fiscal 2025 primarily due to an increase of \$6 million in restructuring costs, an increase of \$1 million in the Company’s deferred share unit costs, and an increase of \$1 million in marketing and advertising costs.

Operating expenses decreased by \$8 million year-over-year, or 7.9%, in the third quarter of fiscal 2025, compared to the third quarter of fiscal 2024 primarily due to a decrease of \$10 million in salaries and benefits expenses, a decrease of \$8 million in impairment of long-lived assets, a decrease of \$2 million in facilities cost, a decrease of \$2 million in marketing and advertising costs, and a decrease of \$2 million in amortization expense, partially offset by the fair value adjustment related to the Prior Debentures incurred in the third quarter of fiscal 2024 of \$13 million which did not recur, and an increase of \$4 million in the Company’s deferred share unit costs.

### Adjusted Operating Expenses

Adjusted operating expenses increased by \$2 million sequentially, or 2.6%, to \$79 million in the third quarter of fiscal 2025 compared to \$77 million in the second quarter of fiscal 2025. The increase was primarily due to an increase of \$1 million in the Company’s deferred share unit costs, an increase of \$1 million in marketing and advertising costs, and an increase of \$1 million in sales incentive plan costs.

Adjusted operating expenses decreased by \$9 million year-over-year, or 10.2%, to \$79 million in the third quarter of fiscal 2025, compared to \$88 million in the third quarter of fiscal 2024. The decrease was primarily due to a decrease of \$10 million in salaries and benefits expenses, a decrease of \$2 million in facilities cost, a decrease of \$2 million in marketing and advertising costs, and a decrease of \$1 million in amortization expense, partially offset by an increase of \$4 million in the Company’s deferred share unit costs.

The Company previously stated that it expected its average quarterly non-GAAP operating expense run rate to be approximately \$110 million in fiscal 2025. Non-GAAP operating expense was \$101 million in the third quarter of fiscal 2025. Due to the reporting of the Cylance business as a discontinued operation, the Company is retracting this guidance.

#### *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 \$2 million, or 6.9%, in the third quarter of fiscal 2025 compared to the third quarter of fiscal 2024 primarily due to a decrease of \$4 million in salaries and benefits expense, and a decrease of \$1 million in consulting expenses, and a decrease of \$1 million in infrastructure costs, partially offset by an increase of \$4 million in variable incentive plan costs.

Adjusted research and development expenses decreased by \$1 million, or 3.7%, to \$26 million in the third quarter of fiscal 2025 compared to \$27 million the third quarter of fiscal 2025, primarily due to the same reasons described above on a U.S. GAAP basis.

#### *Sales and Marketing Expenses*

Sales and marketing expenses consist primarily of marketing, advertising and promotion, salaries and benefits, information technology costs and travel expenses.

Sales and marketing expenses decreased by \$2 million, or 8.0%, in the third quarter of fiscal 2025 compared to the third quarter of fiscal 2024, primarily due to a decrease of \$2 million in salaries and benefits expense and a decrease of \$1 million in marketing and advertising costs.

Adjusted sales and marketing expenses decreased by \$3 million, or 12.0%, to \$22 million in the third quarter of fiscal 2025 compared to \$25 million in the third quarter of fiscal 2024. The decrease was primarily due to the same reasons described above on a U.S. GAAP basis.

#### *General and Administrative Expenses*

General and administration expenses consist primarily of salaries and benefits, external advisory fees, information technology costs, office and related staffing infrastructure costs.

General and administrative expenses decreased by \$7 million, or 15.6%, in the third quarter of fiscal 2025 compared to the third quarter of fiscal 2024. The decrease was primarily due to a decrease of \$6 million in legal expense, a decrease of \$5 million in salaries and benefits, a decrease of \$2 million in facilities cost, and a decrease of \$2 million in stock compensation expense, partially offset by an increase of \$4 million in the Company's deferred share unit costs, and an increase of \$3 million in variable incentive plan cost.

Adjusted general and administrative expenses decreased by \$3 million, or 9.4%, to \$29 million in the third quarter of fiscal 2025 compared to \$32 million in the third quarter of fiscal 2024. The decrease was primarily due to a decrease of \$6 million in legal expense, a decrease of \$4 million in salaries and benefits expense, and a decrease of \$2 million in facilities cost, partially offset by an increase of \$4 million in the Company's deferred share unit costs, and an increase of \$3 million in variable incentive plan cost.

### *Amortization Expense*

The table below presents a comparison of amortization expense relating to property, plant and equipment and intangible assets recorded as amortization or cost of sales for the quarter ended November 30, 2024 compared to the quarter ended November 30, 2023. Intangible assets are comprised of patents, licenses and acquired technology.

|                               | For the Three Months Ended<br>(in millions) |                   |               |
|-------------------------------|---|-------------------|---------------|
|                               | <b>Included in Operating Expense</b>        |                   |               |
|                               | November 30, 2024                           | November 30, 2023 | Change        |
| Property, plant and equipment | \$ 2  | \$ 2              | \$ —          |
| Intangible assets             | 2   | 4                 | (2)           |
| <b>Total</b>                  | <b>\$ 4</b>                                 | <b>\$ 6</b>       | <b>\$ (2)</b> |

  

|  | <b>Included in Cost of Sales</b> |                   |        |
|--|----------------------------------|-------------------|--------|
|  | November 30, 2024                | November 30, 2023 | Change |
|  | Intangible assets                | \$ 2              | \$ 1   |

#### Amortization included in Operating Expense

The decrease in amortization expense included in operating expense of \$2 million was primarily due to the lower cost base of acquired technology assets.

Adjusted amortization expense decreased by \$2 million to \$2 million in the third quarter of fiscal 2025 compared to \$4 million in the third quarter of fiscal 2024 was primarily due to the lower cost base of assets.

#### Amortization included in Cost of Sales

Amortization expense relating to certain property, plant and equipment and certain intangible assets employed in the Company's service operations decreased by \$2 million to \$2 million in the third quarter of fiscal 2025 compared to \$1 million in the third quarter of fiscal 2024 due to an increase in patent amortization expense included in cost of sales.

### ***Investment Income, Net***

Investment income, net, which includes the interest expense from the Debentures (as defined in "Financial Condition - Debt Financing and Other Funding Sources"), was nil in the third quarter of fiscal 2025 and decreased by \$5 million from investment income, net of \$5 million in the third quarter of fiscal 2024 primarily due to unrealized losses recognized from observable price changes on non-marketable equity investments without readily determinable fair value in the third quarter of fiscal 2025 and a lower yield on cash and investments.

### ***Income Taxes***

For the third quarter of fiscal 2025, the Company's net effective income tax expense rate was approximately 175% (third quarter of fiscal 2024 - net effective income tax expense rate of approximately 250%). 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; in particular, any change in loss carry forwards or research and development credits, 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 from continuing operations for the third quarter of fiscal 2025 was \$12 million, or \$0.02 basic and diluted earnings per share on a U.S. GAAP basis (third quarter of fiscal 2024 - net income from continuing operations of \$8 million, or \$0.01 basic earnings per share and \$0.01 diluted loss per share). The increase in net income of \$4 million was primarily due to a decrease in operating expenses, as described above in "Operating Expenses", partially offset by a decrease in revenue, as described above in "Revenue by Segment".

The Company's net loss from discontinued operations for the third quarter of fiscal 2025 was \$23 million, or \$0.04 basic and diluted loss per share on a U.S. GAAP basis (third quarter of fiscal 2024 - net loss from discontinued operations of \$29 million, or \$0.05 basic loss per share and \$0.06 diluted loss per share). The decrease in net loss of \$6 million was primarily due to a decrease in operating expenses primarily due to a decrease in salaries and benefits expense, partially offset by a decrease in revenue in Cylance cybersecurity solutions.

Adjusted net income was \$12 million in the third quarter of fiscal 2025, or \$0.02 adjusted basic loss per share (third quarter of fiscal 2024 - adjusted net income of \$3 million, or \$0.01 adjusted basic loss per share). The increase in adjusted net income of \$9 million was primarily due to the same reasons described above on a U.S. GAAP basis.

The Company previously stated that it expected a sequential improvement in operating cash flow in the third quarter of fiscal 2025. Operating cash flow usage was \$3 million in the third quarter of fiscal 2025 and improved sequentially compared to the second quarter of fiscal 2025.

The Company previously stated that it expected non-GAAP EPS to be in the range of (\$0.01) to \$0.01, adjusted EBITDA to be in the range of breakeven to \$10 million and adjusted EBITDA to improve sequentially in the third quarter of fiscal 2025. Non-GAAP EPS was \$0.02 and adjusted EBITDA was \$23 million in the third quarter of fiscal 2025 due to strong revenue and lower-than-expected operating costs and improved sequentially in the third quarter of fiscal 2025.

The Company previously stated it expected adjusted EBITDA to be in the range of \$0 million to \$10 million in fiscal 2025, to be in the range of \$50 million to \$65 million in fiscal 2026 and to be in the range of \$80 million to \$95 million in fiscal 2027. Due to the reporting of the Cylance business as a discontinued operation, the Company is retracting this guidance. The Company now expects total Company adjusted EBITDA from continuing operations to be in the range of \$60 million to \$70 million in fiscal 2025 and total Company adjusted EBITDA from continuing operations to be in the range of \$10 million to \$20 million in the fourth quarter of fiscal 2025.

The Company previously stated it expected adjusted EBITDA margin percentage to be 2% in fiscal 2025, 10% in fiscal 2026 and 14% in fiscal 2027. Due to the reporting of the Cylance business as a discontinued operation, the Company is retracting this guidance.

The Company expects the impact to adjusted EBITDA from its Corporate functions to be approximately \$48 million in fiscal 2025, \$40 million in fiscal 2026, and \$35 million in fiscal 2027.

The Company expects non-GAAP EPS to be in the range of (\$0.01) and \$0.01 in the fourth quarter of fiscal 2025. The Company previously stated that it expected non-GAAP EPS to be in the range of (\$0.05) to (\$0.02) for fiscal 2025 as a whole. Due to the reporting of the Cylance business as a discontinued operation, the Company is retracting this guidance and now expects non-GAAP EPS to be in the range of (\$0.02) to breakeven for fiscal 2025.

The Company does not provide a reconciliation of expected adjusted EBITDA and expected Non-GAAP basic EPS for the fourth quarter and full fiscal year 2025 to the most directly comparable expected GAAP measures because it is unable to predict with reasonable certainty, among other things, restructuring charges and impairment charges and, accordingly, a reconciliation is not available without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on GAAP reported results for the guidance period.

The weighted average number of shares outstanding was 591 million common shares for basic and diluted loss per share for the third quarter of fiscal 2025 (third quarter of fiscal 2024 - 584 million common shares for basic and diluted loss per share).

## Results of Operations - Nine months ended November 30, 2024 compared to the nine months ended November 30, 2023

The following section sets forth certain consolidated statements of operations data, which is expressed in millions of dollars, except for share and per share amounts and as a percentage of revenue, for the nine months ended November 30, 2024 and November 30, 2023:

|   | For the Nine Months Ended                                    |                   |           |
|---|--|-------------------|-----------|
|   | <i>(in millions, except for share and per share amounts)</i> |                   |           |
|   | November 30, 2024  | November 30, 2023 | Change    |
| Revenue   | \$ 391   | \$ 606            | \$ (215)  |
| Gross margin  | 289  | 367               | (78)      |
| Operating expenses                                    | 282  | 342               | (60)      |
| Investment income, net                                | 8  | 15                | (7)       |
| Loss before income taxes                              | 15   | 40                | (25)      |
| Provision for income taxes                            | 16   | 20                | (4)       |
| Income from continuing operations                     | (1)  | 20                | (21)      |
| Loss from discontinued operations                     | (71)   | (94)              | 23        |
| Net loss  | \$ (72)  | \$ (74)           | \$ 2      |
| Earnings per share - reported                         |  |                   |           |
| Basic   | \$ —   | \$ 0.03           | \$ (0.03) |
| Diluted   | \$ —   | \$ 0.03           | \$ (0.03) |
| Weighted-average number of shares outstanding (000's) |  |                   |           |
| Basic   | 590,537  | 583,559           |           |
| Diluted <sup>(1)</sup>                                | 590,537  | 590,013           |           |

<sup>(1)</sup> Diluted loss per share on a U.S. GAAP basis for the first nine months of fiscal 2025 does not include the dilutive effect of the Debentures as to do so would be anti-dilutive. Diluted loss per share on a U.S. GAAP basis for the first nine months of fiscal 2024 does not include the dilutive effect of the 2020 Debentures as to do so would be anti-dilutive. Diluted loss per share on a U.S. GAAP basis for the first nine months of fiscal 2025 does not include the dilutive effect of stock-based compensation as to do so would be anti-dilutive.

### Revenue

#### Revenue by Segment

Comparative breakdowns of revenue by segment are set forth below.

|                             | For the Nine Months Ended |                   |          |
|-----------------------------|---------------------------|-------------------|----------|
|                             | <i>(in millions)</i>      |                   |          |
|                             | November 30, 2024         | November 30, 2023 | Change   |
| <b>Revenue by Segment</b>   |                           |                   |          |
| Secure Communications       | \$ 205                    | \$ 212            | \$ (7)   |
| IoT                         | 170                       | 149               | 21       |
| Licensing                   | 16                        | 245               | (229)    |
|                             | \$ 391                    | \$ 606            | \$ (215) |
| <b>% Revenue by Segment</b> |                           |                   |          |
| Secure Communications       | 52.4 %                    | 35.0 %            |          |
| IoT                         | 43.5 %                    | 24.6 %            |          |
| Licensing                   | 4.1 %                     | 40.4 %            |          |
|                             | 100.0 %                   | 100.0 %           |          |

### Secure Communications

The decrease in Secure Communications revenue of \$7 million was primarily due to a decrease of \$15 million in BlackBerry UEM license revenue, partially offset by an increase of \$5 million in professional services revenue, an increase of \$2 million in BlackBerry AtHoc, and an increase of \$2 million relating to product revenue in Secusmart.

### IoT

The increase in IoT revenue of \$21 million was primarily due to an increase of \$20 million in BlackBerry QNX royalty revenue, and an increase of \$4 million in BlackBerry Radar, partially offset by a decrease of \$2 million in BlackBerry QNX development seat revenue.

### Licensing

The decrease in Licensing revenue of \$229 million was primarily due to \$218 million associated with the Company's patent sale in the first quarter of fiscal 2024, which was a one-time event, and a decrease of \$11 million in revenue from the Company's intellectual property licensing arrangements.

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

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

|                                | For the Nine Months Ended |                   |                 |
|--------------------------------|---------------------------|-------------------|-----------------|
|                                | <i>(in millions)</i>      |                   |                 |
|                                | November 30, 2024         | November 30, 2023 | Change          |
| <b>Revenue by Geography</b>    |                           |                   |                 |
| North America                  | \$ 177                    | \$ 418            | \$ (241)        |
| Europe, Middle East and Africa | 141                       | 116               | 25              |
| Other regions                  | 73                        | 72                | 1               |
|                                | <u>\$ 391</u>             | <u>\$ 606</u>     | <u>\$ (215)</u> |
| <b>% Revenue by Geography</b>  |                           |                   |                 |
| North America                  | 45.3 %                    | 69.0 %            |                 |
| Europe, Middle East and Africa | 36.0 %                    | 19.2 %            |                 |
| Other regions                  | 18.7 %                    | 11.9 %            |                 |
|                                | <u>100.0 %</u>            | <u>100.0 %</u>    |                 |

### North America Revenue

The decrease in North America revenue of \$241 million was primarily due to a decrease of \$228 million associated with the Company's patent sale in the nine months ended fiscal 2024, which was a one-time event, a decrease of \$15 million in BlackBerry UEM license revenue, and a decrease of \$3 million relating to product revenue in Secusmart, partially offset by an increase of \$4 million in BlackBerry Radar and an increase of \$1 million in BlackBerry AtHoc.

### Europe, Middle East and Africa Revenue

The increase in Europe, Middle East and Africa revenue of \$25 million was primarily due to an increase of \$26 million relating to product revenue in Secusmart, an increase of \$1 million in BlackBerry QNX royalty revenue, an increase of \$1 million in BlackBerry AtHoc, and an increase of \$1 million in professional services revenue, partially offset by a decrease of \$3 million BlackBerry UEM license revenue.

### Other Regions Revenue

The increase in other regions of \$1 million was primarily due to an increase of \$10 million in professional services, an increase of \$9 million relating to BlackBerry QNX royalty revenue, an increase of \$4 million in BlackBerry QNX development seat revenue, and an increase of \$2 million in BlackBerry UEM license revenue, partially offset by a decrease of \$24 million relating to the Company's agreement with the Government of Malaysia in third quarter of fiscal 2024 which did not recur.

### Consolidated Gross Margin

Consolidated gross margin decreased by \$78 million to approximately \$289 million in the first nine months of fiscal 2025 (first nine months of fiscal 2024 - \$367 million). The decrease was primarily due to the patent sale in the first quarter of fiscal 2024, which was a one-time event, and a decrease in product revenue in Secusmart, partially offset by an increase in revenue from BlackBerry QNX due to the reasons discussed above in “Revenue by Segment”, as the cost of sales for most software and services products does not significantly fluctuate based on business volume.

### Consolidated Gross Margin Percentage

Consolidated gross margin percentage increased by 13.3%, to approximately 73.9% of consolidated revenue in the first nine months of fiscal 2025 (first nine months of fiscal 2024 - 60.6%). The increase was primarily due to a change in mix, specifically a higher gross margin contribution from BlackBerry QNX, and a lower gross margin contribution from Licensing, which had a lower relative gross margin percentage in the first nine months of fiscal 2024 due to the patent sale.

### Gross Margin by Segment

See “Business Overview” and “Third Quarter Fiscal 2025 Summary Results of Operations” for information about the Company’s operating segments and the basis of operating segment results.

|   | For the Nine Months Ended |                   |        |                   |                   |        |                   |                   |         |                   |                   |         |
|---|---------------------------|-------------------|--------|-------------------|-------------------|--------|-------------------|-------------------|---------|-------------------|-------------------|---------|
|   | <i>(in millions)</i>      |                   |        |                   |                   |        |                   |                   |         |                   |                   |         |
|   | Secure Communications     |                   |        | IoT               |                   |        | Licensing         |                   |         | Segment Totals    |                   |         |
|   | November 30, 2024         | November 30, 2023 | Change | November 30, 2024 | November 30, 2023 | Change | November 30, 2024 | November 30, 2023 | Change  | November 30, 2024 | November 30, 2023 | Change  |
| Segment revenue                         | \$ 205                    | \$ 212            | \$ (7) | \$ 170            | \$ 149            | \$ 21  | \$ 16             | \$ 245            | \$(229) | \$ 391            | \$ 606            | \$(215) |
| Segment cost of sales                   | 67                        | 62                | 5      | 28                | 24                | 4      | 5                 | 150               | (145)   | 100               | 236               | (136)   |
| Segment gross margin                    | \$ 138                    | \$ 150            | \$(12) | \$ 142            | \$ 125            | \$ 17  | \$ 11             | \$ 95             | \$(84)  | \$ 291            | \$ 370            | \$(79)  |
| Segment gross margin %                  | 67%                       | 71%               | (4%)   | 84%               | 84%               | —%     | 69%               | 39%               | 30%     | 74%               | 61%               | 13%     |
| Segment research and development        | 36                        | 44                | (8)    | 47                | 49                | (2)    | —                 | —                 | —       | 83                | 93                | (10)    |
| Segment sales and marketing             | 34                        | 45                | (11)   | 32                | 31                | 1      | —                 | —                 | —       | 66                | 76                | (10)    |
| Segment general and administrative      | 30                        | 35                | (5)    | 25                | 32                | (7)    | 5                 | 19                | (14)    | 60                | 86                | (26)    |
| Less amortization included in the above | 3                         | 4                 | (1)    | 2                 | 2                 | —      | 6                 | 8                 | (2)     | 11                | 14                | (3)     |
| Segment EBITDA                          | \$ 41                     | \$ 30             | \$ 11  | \$ 40             | \$ 15             | \$ 25  | \$ 12             | \$ 84             | \$(72)  | \$ 93             | \$ 129            | \$(36)  |

### Secure Communications

The decrease in Secure Communications gross margin of \$12 million was primarily due to a change in mix, specifically a decrease in gross margin contribution from Secusmart software licenses, which had a higher relative gross margin percentage in the first nine months of fiscal 2024 due to revenue recognized on the Company’s agreement with the Government of Malaysia that did not recur.

The decrease in Secure Communications gross margin percentage of 4% was primarily due to the same reasons discussed above.

The increase in Secure Communications EBITDA of \$11 million was primarily due primarily due to the decreases in salaries and benefits expense in research and development and sales and marketing, partially offset by the reasons discussed above in “Revenue by Segment”.

### IoT

The increase of IoT gross margin of \$17 million was primarily due to the reasons discussed above in “Revenue by Segment”, partially offset by an increase in cost of sales related to Radar hardware devices.

IoT gross margin percentage of 84% was consistent with the first nine months of fiscal 2024.

The increase of IoT EBITDA of \$25 million was primarily due to the reasons discussed above in “Revenue by Segment” and a decrease in facilities costs and a decrease in consulting costs.

## Licensing

The decrease in Licensing gross margin of \$84 million was primarily due to the patent sale in the first quarter of fiscal 2024, which had a lower relative gross margin percentage due to the cost basis of the sold assets which was de-recognized.

The increase in Licensing gross margin percentage of 30% was primarily due to the same reason discussed above.

The decrease in Licensing EBITDA of \$72 million was primarily due to the same reason discussed above, partially offset by a decrease in legal expense.

## ***Operating Expenses***

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expense for the nine months ended November 30, 2024, compared to the nine months ended November 30, 2023.

|  | For the Nine Months Ended |                   |                 |
|--|---------------------------|-------------------|-----------------|
|  | <i>(in millions)</i>      |                   |                 |
|  | November 30, 2024         | November 30, 2023 | Change          |
| <b>Revenue</b>                           | <b>\$ 391</b>             | <b>\$ 606</b>     | <b>\$ (215)</b> |
| <b>Operating expenses</b>                |                           |                   |                 |
| Research and development                 | 85                        | 98                | (13)            |
| Sales and marketing                      | 68                        | 77                | (9)             |
| General and administrative               | 111                       | 133               | (22)            |
| Amortization                             | 14                        | 22                | (8)             |
| Impairment of long-lived assets          | 4                         | 9                 | (5)             |
| Prior Debentures fair value adjustment   | —                         | 3                 | (3)             |
| <b>Total</b>                             | <b>\$ 282</b>             | <b>\$ 342</b>     | <b>\$ (60)</b>  |
| <b>Operating Expense as % of Revenue</b> |                           |                   |                 |
| Research and development                 | 21.7 %                    | 16.2 %            |                 |
| Sales and marketing                      | 17.4 %                    | 12.7 %            |                 |
| General and administrative               | 28.4 %                    | 21.9 %            |                 |
| Amortization                             | 3.6 %                     | 3.6 %             |                 |
| Impairment of long-lived assets          | 1.0 %                     | 1.5 %             |                 |
| Prior Debentures fair value adjustment   | — %                       | 0.5 %             |                 |
| <b>Total</b>                             | <b>72.1 %</b>             | <b>56.4 %</b>     |                 |

See “Non-GAAP Financial Measures” for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the nine months ended November 30, 2024 and November 30, 2023.

## *U.S. GAAP Operating Expenses*

Operating expenses decreased by \$60 million, or 17.5%, in the first nine months of fiscal 2025, compared to the first nine months of fiscal 2024. The decrease was primarily due to a decrease of \$31 million in salaries and benefits expense, a decrease of \$11 million in legal expense, a decrease of \$8 million in amortization costs, a decrease of \$8 million in stock compensation costs, a decrease of \$8 million in facilities costs, a decrease of \$5 million in impairment of long-lived assets, a decrease of \$7 million in consulting expense, and a decrease of \$4 million in credit loss provision, partially offset by an increase of \$17 million related to the release of an accrued liability relating to the Company’s legacy mobile device business in the first nine months of fiscal 2024 which did not recur and an increase of \$10 million in variable incentive plan cost.

### *Adjusted Operating Expenses*

Adjusted operating expenses decreased by \$40 million, or 14.2%, to \$242 million in the first nine months of fiscal 2025, compared to \$282 million the first nine months of 2024. The decrease was primarily due to a decrease of \$31 million in salaries and benefits expense, a decrease of \$11 million in legal expense, a decrease of \$8 million in facilities costs, a decrease of \$7 million in consulting expense, a decrease of \$4 million in amortization costs, and a decrease of \$4 million in credit loss provision, partially offset by an increase of \$17 million related to the release of an accrued liability relating to the Company's legacy mobile device business in the first nine months of fiscal 2024 which did not recur and an increase of \$10 million in variable incentive plan cost.

### *Research and Development Expenses*

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

Research and development expenses decreased by \$13 million, or 13.3%, in the first nine months of fiscal 2025, compared to the first nine months of fiscal 2024. The decrease was primarily due to a decrease of \$10 million in salaries and benefits expenses, and a decrease of \$6 million in consulting costs, partially offset by an increase of \$7 million in variable incentive plan cost.

Adjusted research and development expenses decreased by \$11 million, or 12.0%, to \$81 million in the first nine months of fiscal 2025, compared to \$92 million in the first nine months of fiscal 2024. The decrease was primarily due to the same reasons described above on a U.S. GAAP basis.

### *Sales and Marketing Expenses*

Sales and marketing expenses consist primarily of marketing, advertising and promotion, salaries and benefits, information technology costs and travel expenses.

Sales and marketing expenses decreased by \$9 million, or 11.7%, in the first nine months of fiscal 2025 compared to the first nine months of fiscal 2024. The decrease was primarily due to a decrease of \$8 million in salaries, and benefits and a decrease of \$1 in variable incentive plan cost.

Adjusted sales and marketing expenses decreased by \$9 million, or 12.0%, to \$66 million in fiscal 2025 compared to \$75 million in fiscal 2024. The decrease was primarily due to the same reasons described above on a U.S. GAAP basis.

### *General and Administrative Expenses*

General and administration expenses consist primarily of salaries and benefits, external advisory fees, information technology costs, office and related staffing infrastructure costs.

General and administrative expenses decreased by \$22 million, or 16.5%, in the first nine months of fiscal 2025 compared to the first nine months of fiscal 2024. The decrease was primarily due to a decrease of \$13 million in salaries and benefits expenses, a decrease of \$11 million in legal expense, a decrease of \$6 million in stock compensation costs, a decrease of \$8 million in facilities cost, a decrease of \$4 million in credit loss provision, and a decrease of \$1 million in restructuring costs, partially offset by an increase of \$17 million related to the release of an accrued liability relating to the Company's legacy mobile device business in the first nine months of fiscal 2024 which did not recur.

Adjusted general and administrative expenses decreased by \$15 million, or 14.7%, to \$87 million in fiscal 2025 compared to \$102 million in fiscal 2024. The decrease was primarily due to a decrease of \$13 million in salaries and benefits expenses, a decrease of \$11 million in legal expense, a decrease of \$8 million in facilities cost, and a decrease of \$4 million in credit loss provision, partially offset by an increase of \$17 million related to the release of an accrued liability relating to the Company's legacy mobile device business in the first nine months of fiscal 2024, which did not recur.

### *Amortization Expense*

The table below presents a comparison of amortization expense relating to property, plant and equipment and intangible assets recorded as amortization or cost of sales for the nine months ended November 30, 2024 compared to the nine months ended November 30, 2023. Intangible assets are comprised of patents, licenses and acquired technology.

|                               | For the Nine Months Ended            |                   |               |
|-------------------------------|--------------------------------------|-------------------|---------------|
|                               | <i>(in millions)</i>                 |                   |               |
|                               | <b>Included in Operating Expense</b> |                   |               |
|                               | November 30, 2024                    | November 30, 2023 | Change        |
| Property, plant and equipment | \$ 6                                 | \$ 6              | \$ —          |
| Intangible assets             | 8                                    | 16                | (8)           |
| <b>Total</b>                  | <b>\$ 14</b>                         | <b>\$ 22</b>      | <b>\$ (8)</b> |
|                               | <b>Included in Cost of Sales</b>     |                   |               |
|                               | November 30, 2024                    | November 30, 2023 | Change        |
| Property, plant and equipment | \$ —                                 | \$ 2              | \$ (2)        |
| Intangible assets             | 5                                    | 2                 | 3             |
| <b>Total</b>                  | <b>\$ 5</b>                          | <b>\$ 4</b>       | <b>\$ 1</b>   |

#### Amortization included in Operating Expense

The decrease in amortization expense included in operating expense of \$8 million was primarily due to the lower cost base of acquired technology assets.

Adjusted amortization expense decreased by \$5 million to \$8 million in the first nine months of fiscal 2025 compared to \$13 million in the first nine months of fiscal 2024 due to the same reasons described above.

#### 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 increased by \$1 million to \$5 million in the first nine months of fiscal 2025 compared to \$4 million in the first nine months of fiscal 2024 due to an increase in patent amortization expense included in cost of sales.

#### ***Investment Income, Net***

Investment income, net, which includes the interest expense from the Debentures, was \$8 million in the first nine months of fiscal 2025 and decreased by \$7 million from \$15 million in the first nine months of fiscal 2024 primarily due to a lower average cash and investment balance.

#### ***Income Taxes***

For the first nine months of fiscal 2025, the Company's net effective income tax expense rate was approximately 29% (first nine months of fiscal 2024 - net effective income tax expense rate of approximately 37%). 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 loss carry forwards, research and development credits, amongst other items, was offset by a corresponding adjustment of the valuation allowance. The Company's net effective income tax rate also reflects the geographic mix of earnings in jurisdictions with different income tax rates.

#### ***Net Income (loss)***

The Company's net loss from continuing operations for the first nine months of fiscal 2025 was \$1 million, or \$0.00 basic and diluted loss per share on a U.S. GAAP basis (first nine months of fiscal 2024 - net income from continuing operations of \$20 million, or \$0.03 basic and diluted earnings per share). The decrease in net income of \$21 million was primarily due to a decrease in revenue as described above in "Revenue by Segment", partially offset by a decrease in operating expenses, as described above in "Operating Expenses" and an increase in gross margin percentage, as described above in "Consolidated Gross Margin Percentage".

The Company's net loss from discontinued operations for the first nine months of fiscal 2025 was \$71 million, or \$0.12 basic and diluted loss per share on a U.S. GAAP basis (first nine months of fiscal 2024 - net loss from discontinued operations of \$94 million, or \$0.16 basic and diluted loss per share). The decrease in net loss of \$21 million was primarily due to a decrease in operating expenses primarily due to a decrease in salaries and benefits expense, partially offset by a decrease in revenue.

Adjusted net loss was \$5 million in the first nine months of fiscal 2025 or \$0.01 adjusted basic loss per share (first nine months of fiscal 2024 - adjusted net income of \$14 million, or \$0.02 adjusted basic earnings per share). The decrease in adjusted net income of \$19 million was primarily due to the same reasons described above on a U.S. GAAP basis.

The weighted average number of shares outstanding was 591 million for basic and diluted loss per share for the first nine months of November 30, 2024. The weighted average number of shares outstanding was 584 million for basic and 590 million for diluted loss per share for the first nine months of November 30, 2023.

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

On December 17, 2024, there were 592 million voting common shares, options to purchase 0.2 million voting common shares, 17 million restricted share units and 2 million deferred share units outstanding. In addition, 51.5 million common shares are issuable upon conversion in full of the Notes as described in Note 6 to the Consolidated Financial Statements.

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

### **Financial Condition**

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

Cash, cash equivalents, and investments decreased by \$32 million to \$266 million as at November 30, 2024 from \$298 million as at February 29, 2024, primarily due to changes in working capital.

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

|   | As at<br>(in millions) |                   |                |
|---|------------------------|-------------------|----------------|
|   | November 30, 2024      | February 29, 2024 | Change         |
| Cash and cash equivalents               | \$ 189                 | \$ 175            | \$ 14          |
| Restricted cash and cash equivalents    | 11                     | 25                | (14)           |
| Short-term investments                  | 31                     | 62                | (31)           |
| Long-term investments                   | 35                     | 36                | (1)            |
| Cash, cash equivalents, and investments | <u>\$ 266</u>          | <u>\$ 298</u>     | <u>\$ (32)</u> |

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

|                     | As at<br>(in millions) |                   |                |
|---------------------|------------------------|-------------------|----------------|
|                     | November 30, 2024      | February 29, 2024 | Change         |
| Current assets      | \$ 455                 | \$ 508            | \$ (53)        |
| Current liabilities | 332                    | 356               | (24)           |
| Working capital     | <u>\$ 123</u>          | <u>\$ 152</u>     | <u>\$ (29)</u> |

#### ***Current Assets***

The decrease in current assets of \$53 million at the end of the third quarter of fiscal 2025 from the end of the fourth quarter of fiscal 2024 was primarily due to a decrease in short term investments of \$31 million, a decrease in accounts receivable, net of allowance of \$18 million, and a decrease in other receivables of \$13 million, partially offset by an increase in cash and cash equivalents of \$14 million, an increase in other current assets of \$7 million and an increase in income taxes receivable of \$1 million.

At November 30, 2024, accounts receivable, net of allowance was \$161 million, a decrease of \$18 million from February 29, 2024. The decrease was primarily due to lower revenue recognized over the three months ended November 30, 2024 compared to the three months ended February 29, 2024 and a decrease in days sales outstanding to 91 days at the end of the third quarter of fiscal 2025 from 100 days at the end of the fourth quarter of fiscal 2024.

At November 30, 2024, other receivables were \$6 million, a decrease of \$13 million from February 29, 2024. The decrease was primarily due to the reclassification of \$13 million in other receivables to long-term assets.

At November 30, 2024, other current assets were \$39 million, an increase of \$7 million from February 29, 2024. The increase was primarily due to an increase of \$2 million in inventory and an increase of \$1 million in prepaid software maintenance.

At November 30, 2024, income taxes receivables were \$5 million, an increase of \$1 million from February 29, 2024. The increase was primarily due to tax installments and prepayments required in certain taxable jurisdictions.

### *Current Liabilities*

The decrease in current liabilities of \$24 million at the end of the third quarter of 2025 from the end of the fourth quarter of fiscal 2024 was primarily due to a decrease in deferred revenue, current of \$15 million, a decrease in accounts payable of \$7 million, partially offset by an increase in income taxes payable of \$5 million and a decrease in accrued liabilities of \$3 million.

Deferred revenue, current was \$133 million, which reflects a decrease of \$15 million compared to February 29, 2024 that was attributable to a decrease of \$8 million in deferred revenue, current related to BlackBerry UEM, a decrease in \$4 million in deferred revenue, current related to BlackBerry QNX, and a decrease of \$2 million in deferred revenue, current related to Secusmart.

Accounts payable were \$9 million, reflecting a decrease of \$7 million from February 29, 2024, which was primarily due to timing of payments.

Income taxes payable were \$33 million, reflecting an increase of \$5 million from February 29, 2024, which was primarily due to changes in the quarterly tax provision.

Accrued liabilities were \$97 million at the end of the third quarter of 2025, reflecting a decrease of \$3 million compared to February 29, 2024, which was primarily due to a decrease of \$13 million in accrued restructuring costs and a decrease of \$3 million in operating lease liability, current, partially offset by an increase of \$10 million in variable incentive plan accrual and an increase of \$2 million in vacation accrual.

Cash flows for the nine months ended November 30, 2024 compared to the nine months ended November 30, 2023 were as follows:

|  | For the Nine Months Ended |                   |         |
|--|---------------------------|-------------------|---------|
|  | <i>(in millions)</i>      |                   |         |
|  | November 30, 2024         | November 30, 2023 | Change  |
| Net cash flows provided by (used in):                |                           |                   |         |
| Operating activities                                 | \$ (25)                   | \$ 12             | \$ (37) |
| Investing activities                                 | 22                        | 112               | (90)    |
| Financing activities                                 | 3                         | (211)             | 214     |
| Net increase (decrease) in cash and cash equivalents | \$ —                      | \$ (87)           | \$ 87   |

### *Operating Activities*

The increase in net cash flows used in operating activities of \$37 million was primarily a result of the Company's patent sale in the first quarter of fiscal 2024, which was a one-time event, and changes in working capital.

### *Investing Activities*

During the nine months ended November 30, 2024, cash flows provided by investing activities were \$22 million and included cash provided by transactions involving the acquisitions of short-term and long-term investments, net of the proceeds on sale or maturity in the amount of \$31 million, offset by cash used in the acquisition of intangible assets of \$6 million, and the acquisition of property, plant and equipment of \$3 million. For the same period in the prior fiscal year, cash flows provided by investing activities were \$112 million and included cash 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 \$129 million, offset by cash used in the acquisition of intangible assets of \$12 million, and the acquisition of property, plant and equipment of \$5 million.

### *Financing Activities*

The increase in cash flows provided by financing activities was \$214 million for the first nine months of fiscal 2025 primarily due the net effect of redemption of the 2020 Debentures and the issuance of the Extension Debentures, as defined below, which did not recur.

### ***Debt Financing and Other Funding Sources***

See Note 6 to the Consolidated Financial Statements for a description of the Company's \$200 million aggregate principal amount of 3.00% senior convertible unsecured notes issued in January 2024 (the "Notes"), the \$365 million aggregate principal amount of convertible debentures issued in September 2020, which matured in November 2023 (the "2020 Debentures"), and the \$150 million aggregate principal amount of convertible debentures issued in November 2023, which matured in February

2024 (the “Extension Debentures” and, collectively with the Notes and the 2020 Debentures, the “Debentures” and the “2020 Debentures” and, collectively with the Extension Debentures, the “Prior Debentures”).

The Company has \$11 million in collateralized outstanding letters of credit in support of certain leasing arrangements entered into in the ordinary course of business. See Note 3 to the Consolidated Financial Statements for further information concerning the Company’s restricted cash.

Cash, cash equivalents, and investments were approximately \$266 million as at November 30, 2024. 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, should be sufficient to meet funding requirements for current financial commitments and future operating expenditures not yet committed, and should provide the necessary financial capacity for the foreseeable future.

### ***Contractual and Other Obligations***

The following table sets out aggregate information about the Company’s contractual and other obligations and the periods in which payments are due as at November 30, 2024:

|                                      | <i>(in millions)</i> |                                |                           |
|--------------------------------------|----------------------|--------------------------------|---------------------------|
|                                      | Total                | Short-term<br>(next 12 months) | Long-term<br>(>12 months) |
| Operating lease obligations          | \$ 57                | \$ 20                          | \$ 37                     |
| Purchase obligations and commitments | 56                   | 56                             | —                         |
| Debt interest and principal payments | 227                  | 6                              | 221                       |
| Total                                | <u>\$ 340</u>        | <u>\$ 82</u>                   | <u>\$ 258</u>             |

Total contractual and other obligations as at November 30, 2024 decreased by approximately \$4 million as compared to the February 29, 2024 balance of approximately \$344 million, which was attributable to a decrease in operating lease obligations, partially offset by an increase in purchase obligations and commitments.

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

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

There have been no changes to the Company’s accounting policies or critical accounting estimates from those described under “Accounting Policies and Critical Accounting Estimates” in the Annual MD&A, other than as described in Note 1 to the Consolidated Financial Statements.

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

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

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

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the U.S. dollar. The majority of the Company’s revenue in the third quarter of fiscal 2025 was transacted in U.S. dollars. Portions of the revenue were denominated in Canadian dollars, euros and British pounds. Expenses, consisting mainly of salaries and certain other operating costs, were incurred primarily in Canadian dollars, but were also incurred in U.S. dollars, euros and British pounds. At November 30, 2024, approximately 23% of cash and cash equivalents, 24% of accounts receivables and 88% of accounts payable were denominated in foreign currencies (February 29, 2024 – 19%, 25% and 59%, 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 November 30, 2024 (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.