

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the unaudited interim consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of BlackBerry Limited for the three and six months ended August 31, 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 enhancing operational focus and flexibility, driving improved profitability, and increasing optionality for optimizing shareholder value through the virtual separation of its principal business units;
- the Company's expectations with respect to its revenue and adjusted EBITDA in the third and fourth quarters of fiscal 2025, non-GAAP EPS and operating cash flow in the third 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", "Business Overview - Business Separation", "Results of Operations - Three months ended August 31, 2024 compared to the three months ended August 31, 2023 - Revenue - Revenue by Segment", "Results of Operations - Three months ended August 31, 2024 compared to the three months ended August 31, 2023 - Net 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, the Company's expectations regarding its financial performance, and the Company's expectations regarding the ongoing separation of its businesses. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risk factors discussed in Part I, Item 1A "Risk Factors" in the Annual Report.

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

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

## **Business Overview**

The Company provides intelligent security software and services to enterprises and governments around the world. The Company secures more than 235 million vehicles. Based in Waterloo, Ontario, the Company leverages artificial intelligence (“AI”) and machine learning to deliver innovative solutions in the areas of cybersecurity, safety and data privacy, and is a leader in the areas of endpoint security, endpoint management, encryption, and embedded systems.

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

The Company’s Cybersecurity division is a pioneer in the use of artificial intelligence (“AI”) and machine learning to deliver innovative solutions in the areas of cybersecurity and data privacy. It is a leader in next-generation endpoint security, endpoint management, secure communications and critical event 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 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 endpoint management and cybersecurity 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 transportation, and other markets where embedded software and critical infrastructure are important, such as utilities, mining and manufacturing.

### ***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: Cybersecurity, IoT (collectively with Cybersecurity, “software and services”) and Licensing.

#### *Cybersecurity*

The Cybersecurity business consists of BlackBerry unified endpoint management (“UEM”) solutions, Cylance® cybersecurity, 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’s Cylance 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. These solutions are designed to provide a continuous state of resilience for the Company’s customers and support the outcomes they require by: (i) complementing, extending, or fully managing security capabilities with the Company’s experts and extended technology ecosystem, (ii) enabling the workforce in a way that is fast, easy and satisfying, while providing security visibility, controls and peace of mind; and (iii) reducing complexity and overhead costs associated with security operations.

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 Cybersecurity 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. The Company's cybersecurity consulting services and tools, combined with its other security solutions, help customers identify the latest cybersecurity threats, test for vulnerabilities, develop risk-appropriate mitigations, maintain IT security standards and techniques, and defend against the risk of future attacks.

## *Licensing*

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.

## ***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 BlackBerry QNX added QNX® Containers to support operating system (OS) virtualization and containerization on QNX-based devices;
- Launched CylanceMDR™ Pro, a cutting-edge managed detection and response (MDR) service built on an Open XDR platform powered by predictive AI; and
- Announced that CylanceENDPOINT™, was named a 2024 Customers' Choice for endpoint protection platforms (EPP) by Gartner® Peer Insights™.

### Customers and Partners:

- Announced a partnership between ETAS and BlackBerry QNX to jointly sell and market software solutions to provide the safe and secure foundation for software-defined vehicles; and
- Announced a collaboration with AMD to advance foundational precision and control for the robotics industry by enabling new levels of low latency and jitter, and repeatable determinism.

### Environmental, Sustainability and Corporate Governance:

- Appointed Tim Foote as Chief Financial Officer. Mr. Foote has served as the Chief Financial Officer of the Company's Cybersecurity division since February 2024 and as the Company's Vice President of Investor Relations since July 2020. He joined the Company in 2015 in connection with its acquisition of Good Technology and has more than 20 years of experience in financial leadership positions.

### Business Separation

In the third quarter of fiscal year 2024, the Company began a separation of its IoT and Cybersecurity businesses into two virtually autonomous business units, including the separation and streamlining of many of the Company's centralized corporate functions into business-unit specific teams. The intent of this process has been to enhance the operational focus and flexibility for each business, drive improved profitability and cash flow generation, and increase optionality for the Company to optimize shareholder value. The Company believes that this objective has been substantially realized, with a reduction in operating expenses of approximately \$130 million achieved since the beginning of the separation process, and that each business has now been established as a virtually independent division. The Company expects that further steps in the process will focus on continued cost management and improvement in both profitability and cash flow generation.

### Second Quarter Fiscal 2025 Summary Results of Operations

The following table sets forth certain consolidated statements of operations data for the quarter ended August 31, 2024 compared to the quarter ended August 31, 2023 under U.S. GAAP:

	For the Three Months Ended		
	<i>(in millions, except for share and per share amounts)</i>		
	August 31, 2024	August 31, 2023	Change
Revenue	\$ 145	\$ 132	\$ 13
Gross margin	94	85	9
Operating expenses	115	132	(17)
Investment income, net	3	7	(4)
Loss before income taxes	(18)	(40)	22
Provision for income taxes	1	2	(1)
Net loss	<u>\$ (19)</u>	<u>\$ (42)</u>	<u>\$ 23</u>
Loss per share - reported			
Basic	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>	
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>	
Weighted-average number of shares outstanding (000's)			
Basic	590,549	583,524	
Diluted <sup>(1)</sup>	590,549	583,524	

<sup>(1)</sup> Diluted loss per share on a U.S. GAAP basis for the second quarter of fiscal 2025 and the second quarter of fiscal 2024 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 second quarter of fiscal 2025 and the second quarter of fiscal 2024 does not include the dilutive effect of stock-based compensation as to do so would be anti-dilutive. See Note 7 to the Consolidated Financial Statements for the Company's calculation of the diluted weighted average number of shares outstanding.

The following tables show information by operating segment for the three and six months ended August 31, 2024 and August 31, 2023. The Company reports segment information in accordance with U.S. GAAP Accounting Standards Codification Section 280 based on the “management” approach. The management approach designates the internal reporting used by the Chief Operating Decision Maker for making decisions and assessing performance of the Company’s reportable operating segments. See Note 10 to the Consolidated Financial Statements for a description of the Company’s operating segments.

For the Three Months Ended  
(in millions)

	Cybersecurity			IoT			Licensing			Segment Totals		
	August 31, 2024	2023	Change	August 31, 2024	2023	Change	August 31, 2024	2023	Change	August 31, 2024	2023	Change
Segment revenue	\$ 87	\$ 79	\$ 8	\$ 55	\$ 49	\$ 6	\$ 3	\$ 4	\$ (1)	\$ 145	\$ 132	\$ 13
Segment cost of sales	39	36	3	10	8	2	1	2	(1)	50	46	4
Segment gross margin	<u>\$ 48</u>	<u>\$ 43</u>	<u>\$ 5</u>	<u>\$ 45</u>	<u>\$ 41</u>	<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 95</u>	<u>\$ 86</u>	<u>\$ 9</u>

For the Six Months Ended  
(in millions)

	Cybersecurity			IoT			Licensing			Segment Totals		
	August 31, 2024	2023	Change	August 31, 2024	2023	Change	August 31, 2024	2023	Change	August 31, 2024	2023	Change
Segment revenue	\$ 172	\$ 172	\$ —	\$ 108	\$ 94	\$ 14	\$ 9	\$ 239	\$(230)	\$ 289	\$ 505	\$(216)
Segment cost of sales	74	73	1	20	17	3	3	149	(146)	97	239	(142)
Segment gross margin	<u>\$ 98</u>	<u>\$ 99</u>	<u>\$ (1)</u>	<u>\$ 88</u>	<u>\$ 77</u>	<u>\$ 11</u>	<u>\$ 6</u>	<u>\$ 90</u>	<u>\$(84)</u>	<u>\$ 192</u>	<u>\$ 266</u>	<u>\$(74)</u>

The following tables reconcile the Company’s segment results for the three and six months ended August 31, 2024 to consolidated U.S. GAAP results:

For the Three Months Ended August 31, 2024  
(in millions)

	Cybersecurity	IoT	Licensing	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 87	\$ 55	\$ 3	\$ 145	\$ —	\$ 145
Cost of sales	39	10	1	50	1	51
Gross margin <sup>(1)</sup>	<u>\$ 48</u>	<u>\$ 45</u>	<u>\$ 2</u>	<u>\$ 95</u>	<u>\$ (1)</u>	<u>\$ 94</u>
Operating expenses					115	115
Investment income, net					3	3
Loss before income taxes						<u>\$ (18)</u>

For the Six Months Ended August 31, 2024  
(in millions)

	Cybersecurity	IoT	Licensing	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 172	\$ 108	\$ 9	\$ 289	\$ —	\$ 289
Cost of sales	74	20	3	97	2	99
Gross margin <sup>(1)</sup>	<u>\$ 98</u>	<u>\$ 88</u>	<u>\$ 6</u>	<u>\$ 192</u>	<u>\$ (2)</u>	<u>\$ 190</u>
Operating expenses					250	250
Investment income, net					8	8
Loss before income taxes						<u>\$ (52)</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 six months ended August 31, 2024.

The following tables reconcile the Company's segment results for the three and six months ended August 31, 2023 to consolidated U.S. GAAP results:

For the Three Months Ended August 31, 2023  
(in millions)

	Cybersecurity	IoT	Licensing	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 79	\$ 49	\$ 4	\$ 132	\$ —	\$ 132
Cost of sales	36	8	2	46	1	47
Gross margin <sup>(1)</sup>	\$ 43	\$ 41	\$ 2	\$ 86	\$ (1)	\$ 85
Operating expenses					132	132
Investment income, net					7	7
Loss before income taxes						\$ (40)

For the Six Months Ended August 31, 2023  
(in millions)

	Cybersecurity	IoT	Licensing	Segment Totals	Reconciling Items	Consolidated U.S. GAAP
Revenue	\$ 172	\$ 94	\$ 239	\$ 505	\$ —	\$ 505
Cost of sales	73	17	149	239	2	241
Gross margin <sup>(1)</sup>	\$ 99	\$ 77	\$ 90	\$ 266	\$ (2)	\$ 264
Operating expenses					322	322
Investment income, net					10	10
Loss before income taxes						\$ (48)

<sup>(1)</sup> See "Non-GAAP Financial Measures" for a reconciliation of selected U.S. GAAP-based measures to adjusted measures for the three and six months ended August 31, 2023.

### Financial Highlights

The Company had \$265 million in cash, cash equivalents and investments as of August 31, 2024 (February 29, 2024 - \$298 million).

In the second quarter of fiscal 2025, the Company recognized revenue of \$145 million and incurred a net loss of \$19 million, or \$0.03 basic and diluted loss per share, on a U.S. GAAP basis (second quarter of fiscal 2024 - revenue of \$132 million and net loss of \$42 million, or \$0.07 basic and diluted loss per share).

The Company recognized an adjusted net loss of \$2 million, and an adjusted loss of \$0.00 per share, on a non-GAAP basis in the second quarter of fiscal 2025 (second quarter of fiscal 2024 - adjusted net loss of \$23 million, and adjusted earnings of \$0.04 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 September 26, 2024, the Company announced financial results for the three and six months ended August 31, 2024, which included certain non-GAAP financial measures and non-GAAP ratios, including adjusted gross margin, adjusted gross margin percentage, adjusted operating expense, adjusted net income (loss), adjusted 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, adjusted operating income (loss) margin percentage, adjusted EBITDA margin percentage and free cash flow (usage).

In the Company's internal reports, management evaluates the performance of the Company's business on a non-GAAP basis by excluding the impact of certain items below from the Company's U.S. GAAP financial results. The Company believes that these non-GAAP financial measures and non-GAAP ratios provide management, as well as readers of the Company's financial statements, with a consistent basis for comparison across accounting periods and 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:

- *Debentures fair value adjustment.* The Company elected to measure the 2020 Debentures (as defined in “Financial Condition - Debt Financing and Other Funding Sources”) at fair value in accordance with the fair value option under U.S. GAAP. Each period, the fair value of the 2020 Debentures was recalculated and the resulting non-cash income and charges from the change in fair value from non-credit components of the 2020 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 Cybersecurity and IoT specific teams and other costs pursuant to the programs to reduce its annual expenses amongst R&D, infrastructure and other functions do not reflect expected future operating expenses, are not indicative of the Company’s core operating performance, and may not be meaningful when comparing the Company’s operating performance against that of prior periods
- *Stock compensation expenses.* Equity compensation is a non-cash expense and does not impact the ongoing operating decisions taken by the Company’s management.
- *Amortization of acquired intangible assets.* When the Company acquires intangible assets through business combinations, the assets are recorded as part of purchase accounting and contribute to revenue generation. Such acquired intangible assets depreciate over time and the related amortization will recur in future periods until the assets have been fully amortized. This is not indicative of the Company’s core operating performance, and may not be meaningful when comparing the Company’s operating performance against that of prior periods.
- *Long-lived asset impairment charge.* The Company believes that long-lived asset impairment charges do not reflect expected future operating expenses, are not indicative of the Company’s core operating performance, and may not be meaningful when comparing the Company’s operating performance against that of prior periods.

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 August 31, 2024 and August 31, 2023**

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

A reconciliation of the most directly comparable U.S. GAAP financial measures for the three months ended August 31, 2024 and August 31, 2023 to adjusted financial measures is reflected in the table below:

For the Three Months Ended (in millions)	August 31, 2024	August 31, 2023
<b>Gross margin</b>	\$ 94	\$ 85
Stock compensation expense	1	1
<b>Adjusted gross margin</b>	<b>\$ 95</b>	<b>\$ 86</b>
<b>Gross margin %</b>	64.8 %	64.4 %
Stock compensation expense	0.7 %	0.8 %
<b>Adjusted gross margin %</b>	<b>65.5 %</b>	<b>65.2 %</b>

Reconciliation of U.S. GAAP operating expense for the three months ended August 31, 2024, May 31, 2024 and August 31, 2023 to adjusted operating expense is reflected in the table below:

For the Three Months Ended (in millions)	August 31, 2024	May 31, 2024	August 31, 2023
<b>Operating expense</b>	\$ 115	\$ 135	\$ 132
Restructuring charges	1	8	3
Stock compensation expense	6	7	10
Debentures fair value adjustment	—	—	(6)
Acquired intangibles amortization	9	8	10
LLA impairment charge	—	3	1
<b>Adjusted operating expense</b>	<u>\$ 99</u>	<u>\$ 109</u>	<u>\$ 114</u>

Reconciliation of U.S. GAAP net loss and U.S. GAAP basic loss per share for the three months ended August 31, 2024 and August 31, 2023 to adjusted net loss and adjusted basic loss per share is reflected in the table below:

For the Three Months Ended (in millions, except per share amounts)	August 31, 2024		August 31, 2023	
		Basic loss per share		Basic loss per share
<b>Net loss</b>	\$ (19)	\$(0.03)	\$ (42)	\$(0.07)
Restructuring charges	1		3	
Stock compensation expense	7		11	
Debentures fair value adjustment	—		(6)	
Acquired intangibles amortization	9		10	
LLA impairment charge	—		1	
<b>Adjusted net loss</b>	<u>\$ (2)</u>	<u>\$0.00</u>	<u>\$ (23)</u>	<u>\$(0.04)</u>

Reconciliation of U.S. GAAP research and development, sales and marketing, general and administrative, and amortization expense for the three months ended August 31, 2024 and August 31, 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)	August 31, 2024	August 31, 2023
<b>Research and development</b>	\$ 37	\$ 50
Stock compensation expense	2	2
<b>Adjusted research and development expense</b>	<u>\$ 35</u>	<u>\$ 48</u>
<b>Sales and marketing</b>	\$ 34	\$ 43
Stock compensation expense	1	3
<b>Adjusted sales and marketing expense</b>	<u>\$ 33</u>	<u>\$ 40</u>
<b>General and administrative</b>	\$ 33	\$ 30
Restructuring charges	1	3
Stock compensation expense	3	5
<b>Adjusted general and administrative expense</b>	<u>\$ 29</u>	<u>\$ 22</u>
<b>Amortization</b>	\$ 11	\$ 14
Acquired intangibles amortization	9	10
<b>Adjusted amortization expense</b>	<u>\$ 2</u>	<u>\$ 4</u>

Adjusted operating loss, adjusted EBITDA, adjusted operating loss margin percentage and adjusted EBITDA margin percentage for the three months ended August 31, 2024 and August 31, 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.

<b>For the Three Months Ended (in millions)</b>	<b>August 31, 2024</b>	<b>August 31, 2023</b>
<b>Operating loss</b>	\$ (21)	\$ (47)
Non-GAAP adjustments to operating loss		
Restructuring charges	1	3
Stock compensation expense	7	11
Debentures fair value adjustment	—	(6)
Acquired intangibles amortization	9	10
LLA impairment charge	—	1
Total non-GAAP adjustments to operating loss	<u>17</u>	<u>19</u>
<b>Adjusted operating loss</b>	<u>(4)</u>	<u>(28)</u>
Amortization	13	16
Acquired intangibles amortization	<u>(9)</u>	<u>(10)</u>
<b>Adjusted EBITDA</b>	<u>\$ —</u>	<u>\$ (22)</u>
<b>Revenue</b>	<u>\$ 145</u>	<u>\$ 132</u>
<b>Adjusted operating loss margin % <sup>(1)</sup></b>	<u>(3%)</u>	<u>(21%)</u>
<b>Adjusted EBITDA margin % <sup>(2)</sup></b>	<u>—%</u>	<u>(17%)</u>

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

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

**Reconciliation of non-GAAP based measures with most directly comparable U.S. GAAP based measures for the six months ended August 31, 2024 and August 31, 2023.**

A reconciliation of the most directly comparable U.S. GAAP financial measures for the six months ended August 31, 2024 and August 31, 2023 to adjusted financial measures is reflected in the table below:

For the Six Months Ended (in millions)	August 31, 2024	August 31, 2023
<b>Gross margin</b>	\$ 190	\$ 264
Stock compensation expense	2	2
<b>Adjusted gross margin</b>	\$ 192	\$ 266
<b>Gross margin %</b>	65.7 %	52.3 %
Stock compensation expense	0.7 %	0.4 %
<b>Adjusted gross margin %</b>	66.4 %	52.7 %

Reconciliation of U.S. GAAP operating expense for the six months ended August 31, 2024 and August 31, 2023 to adjusted operating expense is reflected in the table below:

For the Six Months Ended (in millions)	August 31, 2024	August 31, 2023
<b>Operating expense</b>	\$ 250	\$ 322
Restructuring charges	9	8
Stock compensation expense	13	18
Debentures fair value adjustment	—	16
Acquired intangibles amortization	17	20
LLA impairment charge	3	1
<b>Adjusted operating expense</b>	\$ 208	\$ 259

Reconciliation of U.S. GAAP net loss and U.S. GAAP basic loss per share for the six months ended August 31, 2024 and August 31, 2023 to the adjusted net income (loss) and adjusted basic earnings (loss) per share is reflected in the table below:

For the Six Months Ended (in millions, except per share amounts)	August 31, 2024		August 31, 2023	
		Basic loss per share		Basic earnings (loss) per share
<b>Net loss</b>	\$ (61)	\$(0.10)	\$ (53)	\$(0.09)
Restructuring charges	9		8	
Stock compensation expense	15		20	
Debentures fair value adjustment	—		16	
Acquired intangibles amortization	17		20	
LLA impairment charge	3		1	
<b>Adjusted net income (loss)</b>	\$ (17)	\$(0.03)	\$ 12	\$0.02

Reconciliation of U.S. GAAP research and development, sales and marketing, general and administrative, and amortization expense for the six months ended August 31, 2024 and August 31, 2023 to adjusted research and development, sales and marketing, general and administrative, and amortization expense is reflected in the table below:

For the Six Months Ended (in millions)	August 31, 2024	August 31, 2023
<b>Research and development</b>	\$ 79	\$ 104
Stock compensation expense	4	4
<b>Adjusted research and development expense</b>	\$ 75	\$ 100
<b>Sales and marketing</b>	\$ 72	\$ 88
Stock compensation expense	3	4
<b>Adjusted sales and marketing expense</b>	\$ 69	\$ 84
<b>General and administrative</b>	\$ 73	\$ 84
Restructuring charges	9	8
Stock compensation expense	6	10
<b>Adjusted general and administrative expense</b>	\$ 58	\$ 66
<b>Amortization</b>	\$ 23	\$ 29
Acquired intangibles amortization	17	20
<b>Adjusted amortization expense</b>	\$ 6	\$ 9

Adjusted operating income (loss), adjusted EBITDA, adjusted operating income (loss) margin percentage and adjusted EBITDA margin percentage for the six months ended August 31, 2024 and August 31, 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 Six Months Ended (in millions)	August 31, 2024	August 31, 2023
<b>Operating loss</b>	\$ (60)	\$ (58)
Non-GAAP adjustments to operating loss		
Restructuring charges	9	8
Stock compensation expense	15	20
Debentures fair value adjustment	—	16
Acquired intangibles amortization	17	20
LLA impairment charge	3	1
Total non-GAAP adjustments to operating loss	44	65
<b>Adjusted operating income (loss)</b>	(16)	7
Amortization	26	32
Acquired intangibles amortization	(17)	(20)
<b>Adjusted EBITDA</b>	\$ (7)	\$ 19
<b>Revenue</b>	\$ 289	\$ 505
<b>Adjusted operating income (loss) margin % <sup>(1)</sup></b>	(6%)	1%
<b>Adjusted EBITDA margin % <sup>(2)</sup></b>	(2%)	4%

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

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

The Company uses free cash flow (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 August 31, 2024 and August 31, 2023 to free cash flow (usage) is reflected in the table below:

For the Three Months Ended (in millions)	August 31, 2024	August 31, 2023
<b>Net cash provided by (used in) operating activities</b>	\$ (13)	\$ (56)
Acquisition of property, plant and equipment	(2)	(1)
<b>Free cash flow (usage)</b>	<u>\$ (15)</u>	<u>\$ (57)</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.

Comparative breakdowns of certain key metrics for the three months ended or as at August 31, 2024 and August 31, 2023 are set forth below.

For the Three Months Ended (in millions)	August 31, 2024	August 31, 2023	Change
Cybersecurity Annual Recurring Revenue	\$ 279	\$ 279	\$ —
Cybersecurity Dollar-Based Net Retention Rate	88 %	81 %	7%
Recurring Software Product Revenue Percentage	~ 80 %	~ 90 %	10%

### *Cybersecurity Annual Recurring Revenue*

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

Cybersecurity ARR was approximately \$279 million as at August 31, 2024 and decreased compared to \$285 million as at May 31, 2024 and was consistent with \$279 million as at August 31, 2023.

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

The Company calculates the Cybersecurity DBNRR as of period end by first calculating the Cybersecurity ARR from the customer base as at 12 months prior to the current period end ("Prior Period ARR"). The Company then calculates the Cybersecurity 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 88% as at August 31, 2024 and increased compared to 87% as at May 31, 2024 and increased compared to 81% as at August 31, 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 August 31, 2024 and was consistent with approximately 80% recurring for the three months ended May 31, 2024 and decreased from approximately 90% for the three months ended August 31, 2023 due to product mix.

## Results of Operations - Three months ended August 31, 2024 compared to the three months ended August 31, 2023

### Revenue

#### Revenue by Segment

Comparative breakdowns of revenue by segment are set forth below.

	For the Three Months Ended (in millions)		
	August 31, 2024	August 31, 2023	Change
<b>Revenue by Segment</b>			
Cybersecurity	\$ 87	\$ 79	\$ 8
IoT	55	49	6
Licensing	3	4	(1)
	<u>\$ 145</u>	<u>\$ 132</u>	<u>\$ 13</u>

#### % Revenue by Segment

Cybersecurity	60.0 %	59.9 %
IoT	37.9 %	37.1 %
Licensing	2.1 %	3.0 %
	<u>100.0 %</u>	<u>100.0 %</u>

#### Cybersecurity

The increase in Cybersecurity revenue of \$8 million was primarily due to an increase of \$8 million relating to product revenue in Secusmart, an increase of \$2 million in professional services and an increase of \$2 million in BlackBerry AtHoc, partially offset by a decrease of \$5 million in Cylance cybersecurity solutions.

The Company previously stated that it expected Cybersecurity revenue in the second quarter of fiscal 2025 to be in the range of \$82 million to \$86 million. Cybersecurity revenue was \$87 million due to strong product revenue in Secusmart.

The Company expects Cybersecurity revenue to be in the range of \$86 million to \$90 million in the third quarter of fiscal 2025.

#### IoT

The increase in IoT revenue of \$6 million was primarily due to an increase of \$8 million in BlackBerry QNX royalty revenue and an increase of \$1 million in BlackBerry Radar, partially offset by a decrease of \$2 million in BlackBerry QNX development seat revenue.

The Company previously stated that it expected IoT revenue to be in the range of \$50 million to \$54 million in the second quarter of fiscal 2025. IoT revenue was \$55 million due to strong BlackBerry QNX royalty revenue.

The Company expects IoT revenue to be in the range of \$56 million to \$60 million in the third quarter of fiscal 2025.

The Company previously stated that it expected IoT revenue to be in the range of \$220 million to \$235 million in fiscal 2025. The Company now expects IoT revenue to be in the range of \$225 million to \$235 million in fiscal 2025 due to strong BlackBerry QNX revenue in the first half of fiscal 2025.

## Licensing

The decrease 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 \$3 million in the second quarter of fiscal 2025.

## Total BlackBerry Revenue

The Company previously stated that it expected total BlackBerry revenue to be in the range of \$136 million to \$144 million in the second quarter of fiscal 2025. Total Company revenue was \$145 million in the second quarter of fiscal 2025 due to strong product revenue in Secusmart and BlackBerry QNX royalty revenue.

The Company expects total BlackBerry revenue to be in the range of \$146 million to \$154 million in the third quarter of fiscal 2025. The Company expects total BlackBerry revenue to increase sequentially in the third and fourth quarters of fiscal 2025.

The Company previously stated that it expected total BlackBerry revenue to be in the range of \$586 million to \$616 million in fiscal 2025. The Company now expects IoT revenue to be in the range of \$591 million to \$616 million in fiscal 2025 due to strong revenue in the first half of fiscal 2025.

## *Revenue by Geography*

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

	For the Three Months Ended (in millions)		
	August 31, 2024	August 31, 2023	Change
<b>Revenue by Geography</b>			
North America	\$ 69	\$ 72	\$ (3)
Europe, Middle East and Africa	47	39	8
Other regions	29	21	8
	<u>\$ 145</u>	<u>\$ 132</u>	<u>\$ 13</u>
<b>% Revenue by Geography</b>			
North America	47.6 %	54.5 %	
Europe, Middle East and Africa	32.4 %	29.6 %	
Other regions	20.0 %	15.9 %	
	<u>100.0 %</u>	<u>100.0 %</u>	

## North America Revenue

The decrease in North America revenue of \$3 million was primarily due to a decrease of \$3 million in BlackBerry QNX development seat revenue, a decrease of \$2 million in Cylance cybersecurity solutions and a decrease of \$2 million in professional services, partially offset by an increase of \$4 million in BlackBerry QNX royalty revenue.

## Europe, Middle East and Africa Revenue

The increase in Europe, Middle East and Africa revenue of \$8 million was primarily due to an increase of \$8 million relating to product revenue in Secusmart and an increase of \$2 million in BlackBerry QNX royalty revenue, partially offset by a decrease of \$1 million in Cylance cybersecurity solutions.

## Other Regions Revenue

The increase in Other regions revenue of \$8 million was primarily due to an increase of \$4 million in professional services, an increase of \$2 million relating to BlackBerry QNX royalty revenue and an increase of \$1 million in BlackBerry QNX development seat revenue.

## **Gross Margin**

### *Consolidated Gross Margin*

Consolidated gross margin increased by \$9 million to approximately \$94 million in the second quarter of fiscal 2025 (second quarter of fiscal 2024 - \$85 million). The increase was primarily due to an increase in revenue from Cybersecurity 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, and a decrease of \$3 million in infrastructure costs.

#### *Consolidated Gross Margin Percentage*

Consolidated gross margin percentage increased by 0.4% to approximately 64.8% of consolidated revenue in the second quarter of fiscal 2025 (second quarter of fiscal 2024 - 64.4%). The increase was primarily due to the reasons discussed below in “Gross Margin by Segment”.

#### ***Gross Margin by Segment***

See “Second 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 (in millions)											
	Cybersecurity			IoT			Licensing			Segment Totals		
	August 31, 2024	2023	Change	August 31, 2024	2023	Change	August 31, 2024	2023	Change	August 31, 2024	2023	Change
Segment revenue	\$ 87	\$ 79	\$ 8	\$ 55	\$ 49	\$ 6	\$ 3	\$ 4	\$ (1)	\$ 145	\$ 132	\$ 13
Segment cost of sales	39	36	3	10	8	2	1	2	(1)	50	46	4
Segment gross margin	<u>\$ 48</u>	<u>\$ 43</u>	<u>\$ 5</u>	<u>\$ 45</u>	<u>\$ 41</u>	<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 95</u>	<u>\$ 86</u>	<u>\$ 9</u>
Segment gross margin %	<u>55 %</u>	<u>54 %</u>	<u>1%</u>	<u>82 %</u>	<u>84 %</u>	<u>(2)%</u>	<u>67 %</u>	<u>50 %</u>	<u>17%</u>	<u>66 %</u>	<u>65 %</u>	<u>1%</u>

#### Cybersecurity

The increase in Cybersecurity gross margin of \$5 million was primarily due to the reasons discussed above in “Revenue by Segment” and a decrease of \$3 million in infrastructure costs.

The increase in Cybersecurity gross margin percentage of 1% was due to the same reasons discussed above.

#### IoT

The increase in IoT gross margin of \$4 million was primarily due to the reasons discussed above in “Revenue by Segment”, partially offset by an increase in cost of sales related to professional services.

The decrease in IoT gross margin percentage of 2% was due to an increase in cost of sales related to professional services.

#### Licensing

Licensing gross margin of \$2 million was consistent with the second quarter of fiscal 2024.

The increase in Licensing gross margin percentage was 17%.

## 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 August 31, 2024, compared to the quarter ended May 31, 2024 and the quarter ended August 31, 2023. The Company believes it is meaningful to provide a sequential comparison between the second quarter of fiscal 2025 and the first quarter of fiscal 2025.

	For the Three Months Ended (in millions)		
	August 31, 2024	May 31, 2024	August 31, 2023
<b>Revenue</b>	\$ 145	\$ 144	\$ 132
<b>Operating expenses</b>			
Research and development	37	42	50
Sales and marketing	34	38	43
General and administrative	33	40	30
Amortization	11	12	14
Impairment of long-lived assets	—	3	1
Debentures fair value adjustment	—	—	(6)
<b>Total</b>	\$ 115	\$ 135	\$ 132
<b>Operating Expenses as % of Revenue</b>			
Research and development	25.5%	29.2%	37.9%
Sales and marketing	23.4%	26.4%	32.6%
General and administrative	22.8%	27.8%	22.7%
Amortization	7.6%	8.3%	10.6%
Impairment of long-lived assets	—%	2.1%	0.8%
Debentures fair value adjustment	—%	—%	(4.5%)
<b>Total</b>	<b>79.3 %</b>	<b>93.8 %</b>	<b>100.0 %</b>

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

### U.S. GAAP Operating Expenses

Operating expenses decreased by \$20 million sequentially, or 14.8%, in the second quarter of fiscal 2025, compared to the first quarter of fiscal 2025 primarily due to a decrease of \$9 million in restructuring costs, a decrease of \$6 million in salaries and benefits expenses and a decrease of \$2 million in marketing and advertising costs.

Operating expenses decreased by \$17 million year-over-year, or 12.9%, in the second quarter of fiscal 2025, compared to the second quarter of fiscal 2024 primarily due to a decrease of \$20 million in salaries and benefits expenses, a decrease of \$4 million in stock compensation costs, a decrease of \$3 million in amortization expense, a decrease of \$3 million in consulting expenses and a decrease of \$3 million in legal expense, partially offset by a benefit of \$17 million related to the release of an accrued liability relating to the Company’s legacy mobile device business in the second quarter of fiscal 2024, which did not recur, and the fair value adjustment related to the 2020 Debentures incurred in the second quarter of fiscal 2024 of \$6 million, which did not recur.

### Adjusted Operating Expenses

Adjusted operating expenses decreased by \$10 million sequentially, or 9.2%, to \$99 million in the second quarter of fiscal 2025 compared to \$109 million in the first quarter of fiscal 2025. The decrease was primarily due to a decrease of \$6 million in salaries and benefits expenses and a decrease of \$2 million in marketing and advertising costs.

Adjusted operating expenses decreased by \$15 million year-over-year, or 13.2%, to \$99 million in the second quarter of fiscal 2025, compared to \$114 million in the second quarter of fiscal 2024. The decrease was primarily due to a decrease of \$20 million in salaries and benefits expenses, a decrease of \$4 million in consulting expenses, a decrease of \$3 million in legal expense and a decrease of \$2 million in marketing and advertising costs, partially offset by a benefit of \$17 million related to the release of an accrued liability relating to the Company’s legacy mobile device business in the second quarter of fiscal 2024, which did not recur.

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 \$99 million in the second quarter of fiscal 2025 and an average of \$104 million per quarter in the first half of fiscal 2025.

#### *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 \$13 million, or 26.0%, in the second quarter of fiscal 2025 compared to the second quarter of fiscal 2024 primarily due to a decrease of \$9 million in salaries and benefits expense and a decrease of \$2 million in consulting expenses.

Adjusted research and development expenses decreased by \$13 million, or 27.1%, to \$35 million in the second quarter of fiscal 2025, compared to \$48 million in the second quarter 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 20.9%, in the second quarter of fiscal 2025 compared to the second quarter of fiscal 2024, primarily due to a decrease of \$5 million in salaries and benefits expense, a decrease of \$2 million in marketing and advertising costs and a decrease of \$1 million in sales incentive plan costs.

Adjusted sales and marketing expenses decreased by \$7 million, or 17.5%, to \$33 million in the second quarter of fiscal 2025 compared to \$40 million in the second 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 increased by \$3 million, or 10.0%, in the second quarter of fiscal 2025 compared to the second quarter of fiscal 2024. The increase was primarily due to a benefit of \$17 million in the second quarter of fiscal 2024 related to the release of an accrued liability relating to the Company's legacy mobile device business which did not recur, partially offset by a decrease of \$5 million in salaries and benefits expense, a decrease of \$3 million in legal expense, a decrease of \$2 million in stock compensation expense and a decrease of \$2 million in lease expense.

Adjusted general and administrative expenses increased by \$7 million, or 31.8%, to \$29 million in the second quarter of fiscal 2025 compared to \$22 million in the second quarter of fiscal 2024. The increase was primarily due to a benefit of \$17 million in the second quarter of fiscal 2024 related to the release of an accrued liability relating to the Company's legacy mobile device business which did not recur, partially offset by a decrease of \$5 million in salaries and benefits expense, a decrease of \$3 million in legal expense and a decrease of \$2 million in lease expense.

#### *Amortization Expense*

The table below presents a comparison of amortization expense relating to property, plant and equipment and intangible assets recorded as amortization or cost of sales for the quarter ended August 31, 2024 compared to the quarter ended August 31, 2023. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Three Months Ended (in millions)		
	Included in Operating Expense		
	August 31, 2024	August 31, 2023	Change
Property, plant and equipment	\$ 1	\$ 1	\$ —
Intangible assets	10	13	(3)
<b>Total</b>	<b>\$ 11</b>	<b>\$ 14</b>	<b>\$ (3)</b>
	Included in Cost of Sales		
	August 31, 2024	August 31, 2023	Change
Intangible assets	\$ 2	\$ —	\$ 2

### Amortization included in Operating Expense

The decrease in amortization expense included in operating expense of \$3 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 second quarter of fiscal 2025 compared to \$4 million in the second 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 was \$2 million in the second quarter of fiscal 2025 compared to nil in the second 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 Notes and the 2020 Debentures (as defined in "Financial Condition - Debt Financing and Other Funding Sources"), was \$3 million in the second quarter of fiscal 2025 and decreased by \$4 million from investment income, net of \$7 million in the second quarter of fiscal 2024 primarily due to a lower average cash and investment balances.

### ***Income Taxes***

For the second quarter of fiscal 2025, the Company's net effective income tax expense rate was approximately 6% (second quarter of fiscal 2024 - net effective income tax expense rate of approximately 5%). The Company's net effective income tax rate reflects the change in unrecognized income tax benefits, if any, and the fact that the Company has a significant valuation allowance against its deferred tax assets; 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 Loss***

The Company's net loss for the second quarter of fiscal 2025 was \$19 million, or \$0.03 basic and diluted loss per share on a U.S. GAAP basis (second quarter of fiscal 2024 - net loss of \$42 million, or \$0.07 basic and diluted loss per share). The decrease in net loss of \$23 million was primarily due to a decrease in operating expenses, as described above in "Operating Expenses" and an increase in revenue, as described above in "Revenue by Segment".

Adjusted net loss was \$2 million in the second quarter of fiscal 2025, or \$0.00 adjusted basic loss per share (second quarter of fiscal 2024 - adjusted net loss of \$23 million, or \$0.04 adjusted basic loss per share). The decrease in adjusted net loss of \$21 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 increase in operating cash usage in the second quarter of fiscal 2025, before improvement in the third quarter of fiscal 2025. Operating cash flow usage was \$13 million in the second quarter of fiscal 2025 and decreased compared to the first quarter of fiscal 2025 due to a combination of the timing of collections and lower costs.

The Company expects a sequential improvement in operating cash flow in the third quarter of fiscal 2025.

The Company previously stated that it expected non-GAAP EPS to be in the range of (\$0.02) to (\$0.04), and adjusted EBITDA to be in the range of negative \$5 million to negative \$15 million in the second quarter of fiscal 2025. Non-GAAP EPS was \$0.00 and adjusted EBITDA was nil in the second quarter of fiscal 2025 due to strong revenue and lower-than-expected operating costs.

The Company expects non-GAAP EPS to be in the range of (\$0.01) to \$0.01, and adjusted EBITDA to be in the range of breakeven to \$10 million in the third quarter of fiscal 2025. The Company expects sequential improvement in adjusted EBITDA in the third and fourth quarters of fiscal 2025.

The Company previously stated that it expected non-GAAP EPS to be in the range of (\$0.07) to (\$0.03) for fiscal 2025 as a whole. The Company now expects non-GAAP EPS to be in the range of (\$0.05) to (\$0.02) for fiscal 2025 as a whole due to strong results in the first half of fiscal 2025.

The Company does not provide a reconciliation of expected adjusted EBITDA and expected Non-GAAP basic EPS for the third 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 second quarter of fiscal 2025 (second quarter of fiscal 2024 - 584 million common shares for basic and diluted loss per share).

### Results of Operations - Six months ended August 31, 2024 compared to the six months ended August 31, 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 six months ended August 31, 2024 and August 31, 2023:

	For the Six Months Ended		
	<i>(in millions, except for share and per share amounts)</i>		
	August 31, 2024	August 31, 2023	Change
Revenue	\$ 289	\$ 505	\$ (216)
Gross margin	190	264	(74)
Operating expenses	250	322	(72)
Investment income, net	8	10	(2)
Loss before income taxes	(52)	(48)	(4)
Provision for income taxes	9	5	4
Net loss	<u>\$ (61)</u>	<u>\$ (53)</u>	<u>\$ (8)</u>
Loss per share - reported			
Basic	<u>\$ (0.10)</u>	<u>\$ (0.09)</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ (0.10)</u>	<u>\$ (0.09)</u>	<u>\$ (0.01)</u>
Weighted-average number of shares outstanding (000's)			
Basic	590,188	583,171	
Diluted <sup>(1)</sup>	590,188	583,171	

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

## Revenue

### Revenue by Segment

Comparative breakdowns of revenue by segment are set forth below.

	For the Six Months Ended		
	<i>(in millions)</i>		
	August 31, 2024	August 31, 2023	Change
<b>Revenue by Segment</b>			
Cybersecurity	\$ 172	\$ 172	\$ —
IoT	108	94	14
Licensing	9	239	(230)
	<u>\$ 289</u>	<u>\$ 505</u>	<u>\$ (216)</u>
<b>% Revenue by Segment</b>			
Cybersecurity	59.5 %	34.1 %	
IoT	37.4 %	18.6 %	
Licensing	3.1 %	47.3 %	
	<u>100.0 %</u>	<u>100.0 %</u>	

#### Cybersecurity

Cybersecurity revenue for the first six months of fiscal 2025 was \$172 million which was consistent with the first six months of fiscal 2024. Within Cybersecurity revenue, there was an increase of \$18 million relating to product revenue in Secusmart, an increase of \$2 million in BlackBerry AtHoc, and an increase of \$3 million in professional services, which were offset by a decrease of \$14 million in BlackBerry UEM licenses, and a decrease of \$9 million in Cylance cybersecurity solutions.

#### IoT

The increase in IoT revenue of \$14 million was primarily due to an increase of \$15 million in BlackBerry QNX royalty revenue, an increase of \$2 million in BlackBerry Radar and an increase of \$2 million in professional services, partially offset by a decrease of \$4 million in BlackBerry QNX development seat revenue.

#### Licensing

The decrease in Licensing revenue of \$230 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 Six Months Ended		
	<i>(in millions)</i>		
	August 31, 2024	August 31, 2023	Change
<b>Revenue by Geography</b>			
North America	\$ 137	\$ 389	\$ (252)
Europe, Middle East and Africa	94	76	18
Other regions	58	40	18
	<u>\$ 289</u>	<u>\$ 505</u>	<u>\$ (216)</u>
<b>% Revenue by Geography</b>			
North America	47.4 %	77.0 %	
Europe, Middle East and Africa	32.5 %	15.1 %	
Other regions	20.1 %	7.9 %	
	<u>100.0 %</u>	<u>100.0 %</u>	

### North America Revenue

The decrease in North America revenue of \$252 million was primarily due to a decrease of \$230 million in Licensing revenue due to the reasons discussed above in “Revenue by Segment”, a decrease of \$15 million in BlackBerry UEM license, a decrease of \$8 million in Cylance cybersecurity solutions, a decrease of \$5 million in BlackBerry QNX development seat revenue and a decrease of \$3 million in product revenue in Secusmart, partially offset by an increase of \$6 million in BlackBerry QNX royalty revenue.

### Europe, Middle East and Africa Revenue

The increase in Europe, Middle East and Africa revenue of \$18 million was primarily due to an increase of \$20 million relating to product revenue in Secusmart and an increase of \$3 million in BlackBerry QNX royalty revenue, partially offset by a decrease of \$2 million in Cylance cybersecurity solutions, a decrease of \$2 million in professional services and a decrease of \$1 million in BlackBerry UEM license.

### Other Regions Revenue

The increase in other regions of \$18 million was primarily due to an increase of \$8 million in professional services, an increase of \$5 million relating to BlackBerry QNX royalty revenue, an increase of \$2 million in BlackBerry QNX development seat revenue and an increase of \$1 million in product revenue in Secusmart.

### *Consolidated Gross Margin*

Consolidated gross margin decreased by \$74 million to approximately \$190 million in the first six months of fiscal 2025 (first six months of fiscal 2024 - \$264 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 revenue from Cylance cybersecurity solutions, partially offset by an increase in revenue from BlackBerry QNX, 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 13.4%, to approximately 65.7% of consolidated revenue in the first six months of fiscal 2025 (first six months of fiscal 2024 - 52.3%). 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 six months of fiscal 2024 due to the patent sale.

### Gross Margin by Segment

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

	For the Six Months Ended											
	<i>(in millions)</i>											
	Cybersecurity			IoT			Licensing			Segment Totals		
	August 31, 2024	2023	Change	August 31, 2024	2023	Change	August 31, 2024	2023	Change	August 31, 2024	2023	Change
Segment revenue	\$ 172	\$ 172	\$ —	\$ 108	\$ 94	\$ 14	\$ 9	\$ 239	\$(230)	\$ 289	\$ 505	\$(216)
Segment cost of sales	74	73	1	20	17	3	3	149	(146)	97	239	(142)
Segment gross margin	<u>\$ 98</u>	<u>\$ 99</u>	<u>\$ (1)</u>	<u>\$ 88</u>	<u>\$ 77</u>	<u>\$ 11</u>	<u>\$ 6</u>	<u>\$ 90</u>	<u>\$(84)</u>	<u>\$ 192</u>	<u>\$ 266</u>	<u>\$(74)</u>
Segment gross margin %	<u>57%</u>	<u>58%</u>	<u>(1%)</u>	<u>81%</u>	<u>82%</u>	<u>(1%)</u>	<u>67%</u>	<u>38%</u>	<u>29%</u>	<u>66%</u>	<u>53%</u>	<u>13%</u>

#### Cybersecurity

The decrease in Cybersecurity gross margin of \$1 million was primarily due to a change in mix, specifically a higher gross margin contribution from Secusmart, which had a lower relative gross margin percentage, partially offset by a decrease of \$6 million in infrastructure costs.

The decrease in Cybersecurity gross margin percentage of 1% was primarily due to the same reasons discussed above.

#### IoT

The increase of IoT gross margin of \$11 million was primarily due to the reasons discussed above in “Revenue by Segment”, partially offset by an increase in cost of sales related to professional services.

The decrease in IoT gross margin percentage of 1% was primarily due to an increase in cost of sales related to professional services.

#### 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 29% was primarily due to the same reason discussed above.

## Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expense for the six months ended August 31, 2024, compared to the six months ended August 31, 2023.

	For the Six Months Ended		
	<i>(in millions)</i>		
	August 31, 2024	August 31, 2023	Change
<b>Revenue</b>	\$ 289	\$ 505	\$ (216)
<b>Operating expenses</b>			
Research and development	79	104	(25)
Sales and marketing	72	88	(16)
General and administrative	73	84	(11)
Amortization	23	29	(6)
Impairment of long-lived assets	3	1	2
Debentures fair value adjustment	—	16	(16)
<b>Total</b>	<u>\$ 250</u>	<u>\$ 322</u>	<u>\$ (72)</u>

## Operating Expense as % of Revenue

Research and development	27.3 %	20.6 %
Sales and marketing	24.9 %	17.4 %
General and administrative	25.3 %	16.6 %
Amortization	8.0 %	5.7 %
Impairment of long-lived assets	1.0 %	0.2 %
Debentures fair value adjustment	— %	3.2 %
<b>Total</b>	<u>86.5 %</u>	<u>63.8 %</u>

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

### U.S. GAAP Operating Expenses

Operating expenses decreased by \$72 million, or 22.4%, in the first six months of fiscal 2025, compared to the first six months of fiscal 2024. The decrease was primarily due to a decrease of \$35 million in salaries and benefits expense, the fair value adjustment related to the 2020 Debentures in the first six months of fiscal 2024 of \$16 million, which did not recur, a decrease of \$7 million in amortization costs, a decrease of \$5 million in consulting expense, a decrease of \$5 million in legal expense, a decrease of \$5 million in marketing and advertising costs, a decrease of \$5 million in stock compensation costs, a decrease of \$4 million in credit loss provision and a decrease of \$3 million in lease expense, 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 six months of fiscal 2024, which did not recur.

### Adjusted Operating Expenses

Adjusted operating expenses decreased by \$51 million, or 19.7%, to \$208 million in the first six months of fiscal 2025, compared to \$259 million the first six months of 2024. The decrease was primarily due to a decrease of \$35 million in salaries and benefits expense, a decrease of \$5 million in consulting expense, a decrease of \$5 million in legal expense, a decrease of \$5 million in marketing and advertising costs, a decrease of \$4 million in credit loss provision, a decrease of \$3 million in lease expense, a decrease of \$3 million in the Company’s deferred share unit costs and a decrease of \$3 million in amortization 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 six months of fiscal 2024, which did not recur.

### 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 \$25 million, or 24.0%, in the first six months of fiscal 2025, compared to the first six months of fiscal 2024. The decrease was primarily due to a decrease of \$16 million in salaries and benefits expenses and a decrease of \$5 million in consulting costs.

Adjusted research and development expenses decreased by \$25 million, or 25.0%, to \$75 million in the first six months of fiscal 2025, compared to \$100 million in the first six 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 \$16 million, or 18.2%, in the first six months of fiscal 2025 compared to the first six months of fiscal 2024. The decrease was primarily due to a decrease of \$11 million in salaries and benefits and a decrease of \$4 million in marketing and advertising costs.

Adjusted sales and marketing expenses decreased by \$15 million, or 17.9%, to \$69 million in fiscal 2025 compared to \$84 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 \$11 million, or 13.1%, in the first six months of fiscal 2025 compared to the first six months of fiscal 2024. The decrease was primarily due to a decrease of \$8 million in salaries and benefits expenses, a decrease of \$5 million in legal expense, a decrease of \$4 million in credit loss provision, a decrease of \$4 million in stock compensation costs, a decrease of \$3 million in lease expense and a decrease of \$3 million in the Company's deferred share unit 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 second quarter of fiscal 2024, which did not recur.

Adjusted general and administrative expenses decreased by \$8 million, or 12.1%, to \$58 million in fiscal 2025 compared to \$66 million in fiscal 2024. The decrease was primarily due to a decrease of \$8 million in salaries and benefits expenses, a decrease of \$5 million in legal expense, a decrease of \$4 million in credit loss provision, a decrease of \$3 million in lease expense, and a decrease of \$3 million in the Company's deferred share unit 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 second quarter 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 six months ended August 31, 2024 compared to the six months ended August 31, 2023. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Six Months Ended		
	<i>(in millions)</i>		
	<b>Included in Operating Expense</b>		
	August 31, 2024	August 31, 2023	Change
Property, plant and equipment	\$ 4	\$ 4	\$ —
Intangible assets	19	25	(6)
<b>Total</b>	<b>\$ 23</b>	<b>\$ 29</b>	<b>\$ (6)</b>
	<b>Included in Cost of Sales</b>		
	August 31, 2024	August 31, 2023	Change
Property, plant and equipment	\$ —	\$ 2	\$ (2)
Intangible assets	3	1	2
<b>Total</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ —</b>

#### Amortization included in Operating Expense

The decrease in amortization expense included in operating expense of \$6 million was primarily due to the lower cost base of acquired technology assets.

Adjusted amortization expense decreased by \$3 million to \$6 million in the first six months of fiscal 2025 compared to \$9 million in the first six 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 was \$3 million in the first six months of fiscal 2025 and was consistent with the first six months of fiscal 2024.

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

Investment income, net, which includes the interest expense from the Debentures, was \$8 million in the first six months of fiscal 2025 and decreased by \$2 million from investment income, net of \$10 million in the first six months of fiscal 2024 primarily due to a lower average cash and investment balance, partially offset by unrealized gains recognized from observable price changes on non-marketable equity investments without readily determinable fair value in the first six months of fiscal 2025.

### ***Income Taxes***

For the first six months of fiscal 2025, the Company's net effective income tax expense rate was approximately 17% (first six months of fiscal 2024 - net effective income tax expense rate of approximately 10%). 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 Loss***

The Company's net loss for the first six months of fiscal 2025 was \$61 million, or \$0.10 basic and diluted loss per share on a U.S. GAAP basis (first six months of fiscal 2024 - net loss of \$53 million, or \$0.09 basic and diluted loss per share). The increase in net loss of \$8 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".

Adjusted net loss was \$17 million in the first six months of fiscal 2025 (first six months of fiscal 2024 - adjusted net income of \$12 million). The decrease in adjusted net income of \$29 million was primarily due to the same reasons described above on a U.S. GAAP basis.

The weighted average number of shares outstanding was 590 million for basic and diluted loss per share for the first six months of August 31, 2024. The weighted average number of shares outstanding was 583 million for basic and diluted loss per share for the first six months of August 31, 2023.

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

On September 24, 2024, there were 591 million voting common shares, options to purchase 0.2 million voting common shares, 18 million restricted share units and 1 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 5 to the Consolidated Financial Statements.

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

### **Financial Condition**

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

Cash, cash equivalents, and investments decreased by \$33 million to \$265 million as at August 31, 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 (in millions)		
	August 31, 2024	February 29, 2024	Change
Cash and cash equivalents	\$ 171	\$ 175	\$ (4)
Restricted cash and cash equivalents	17	25	(8)
Short-term investments	40	62	(22)
Long-term investments	37	36	1
Cash, cash equivalents, and investments	<u>\$ 265</u>	<u>\$ 298</u>	<u>\$ (33)</u>

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

	As at (in millions)		
	August 31, 2024	February 29, 2024	Change
Current assets	\$ 438	\$ 508	\$ (70)
Current liabilities	305	356	(51)
Working capital	<u>\$ 133</u>	<u>\$ 152</u>	<u>\$ (19)</u>

#### *Current Assets*

The decrease in current assets of \$70 million at the end of the second quarter of fiscal 2025 from the end of the fourth quarter of fiscal 2024 was primarily due to a decrease in accounts receivable, net of allowance of \$49 million, a decrease in short term investments of \$22 million and a decrease in cash and cash equivalents of \$4 million, partially offset by an increase of \$5 million in other current assets.

At August 31, 2024, accounts receivable, net of allowance was \$150 million, a decrease of \$49 million from February 29, 2024. The decrease was primarily due to lower revenue recognized over the three months ended August 31, 2024 compared to the three months ended February 29, 2024 and a decrease in days sales outstanding to 94 days at the end of the second quarter of fiscal 2025 from 100 days at the end of the fourth quarter of fiscal 2024.

At August 31, 2024, other current assets were \$52 million, an increase of \$5 million from February 29, 2024. The increase was primarily due to an increase of \$3 million in prepaid software maintenance.

At August 31, 2024, income taxes receivables were \$4 million, consistent with February 29, 2024.

At August 31, 2024, other receivables were \$21 million, consistent with February 29, 2024.

#### *Current Liabilities*

The decrease in current liabilities of \$51 million at the end of the second quarter of 2025 from the end of the fourth quarter of fiscal 2024 was primarily due to a decrease in deferred revenue, current of \$33 million, a decrease in accounts payable of \$10 million and a decrease in accrued liabilities of \$8 million.

Deferred revenue, current was \$161 million, which reflects a decrease of \$33 million compared to February 29, 2024 that was attributable to a decrease of \$13 million in deferred revenue, current related to BlackBerry UEM, a decrease in \$8 million in deferred revenue, current related to BlackBerry QNX, a decrease of \$7 million in deferred revenue, current related to BlackBerry Cylance and a decrease of \$4 million in deferred revenue, current related to BlackBerry AtHoc.

Accounts payable were \$7 million, reflecting a decrease of \$10 million from February 29, 2024, which was primarily due to timing of payments.

Accrued liabilities were \$109 million at the end of the second quarter of 2025, reflecting a decrease of \$8 million compared to February 29, 2024, which was primarily due to a decrease of \$12 million in accrued restructuring costs and a decrease of \$3 million in operating lease liability, current, partially offset by an increase of \$6 million in variable incentive plan accrual.

At August 31, 2024, income taxes payable were \$28 million, consistent with February 29, 2024.

Cash flows for the six months ended August 31, 2024 compared to the six months ended August 31, 2023 were as follows:

	For the Six Months Ended		
	<i>(in millions)</i>		
	August 31, 2024	August 31, 2023	Change
Net cash flows provided by (used in):			
Operating activities	\$ (28)	\$ 43	\$ (71)
Investing activities	15	76	(61)
Financing activities	1	2	(1)
Net increase (decrease) in cash and cash equivalents	<u>\$ (12)</u>	<u>\$ 121</u>	<u>\$ (133)</u>

#### *Operating Activities*

The increase in net cash flows used in operating activities of \$71 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 six months ended August 31, 2024, cash flows provided by investing activities were \$15 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 \$22 million, offset by cash used in the acquisition of intangible assets of \$4 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 \$76 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 \$89 million, offset by cash used in the acquisition of intangible assets of \$10 million, and the acquisition of property, plant and equipment of \$3 million.

#### *Financing Activities*

The decrease in cash flows provided by financing activities was \$1 million for the first six months of fiscal 2025 due to a decrease in common shares issued upon the exercise of stock options and under the employee share purchase plan.

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

See Note 5 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") and the \$365 million aggregate principal amount of convertible debentures issued in September 2020, which matured in November 2023 (the "2020 Debentures" and, collectively with the Notes, the "Debentures").

The Company has \$16 million in collateralized outstanding letters of credit in support of certain leasing arrangements entered into in the ordinary course of business. See Note 2 to the Consolidated Financial Statements for further information concerning the Company's restricted cash.

Cash, cash equivalents, and investments were approximately \$265 million as at August 31, 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 August 31, 2024:

	<i>(in millions)</i>		
	Total	Short-term (next 12 months)	Long-term (>12 months)
Operating lease obligations	\$ 60	\$ 18	\$ 42
Purchase obligations and commitments	48	48	—
Debt interest and principal payments	227	6	221
Total	<u>\$ 335</u>	<u>\$ 72</u>	<u>\$ 263</u>

Total contractual and other obligations as at August 31, 2024 decreased by approximately \$9 million as compared to the February 29, 2024 balance of approximately \$344 million, which was attributable to a decrease in operating lease obligations and a decrease 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 the accounting standards adopted during fiscal 2025 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 second 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 August 31, 2024, approximately 26% of cash and cash equivalents, 26% of accounts receivables and 73% 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 August 31, 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.

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

Cash and cash equivalents and investments are invested in certain instruments with fixed interest rates of varying maturities. Consequently, the Company is exposed to interest rate risk as a result of holding investments of varying maturities and the significant financing components within certain revenue contracts with customers. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. The Company also has significant financing components within certain revenue contracts with customers and is exposed to interest rate risk as a result of discounting the future payments from customers with a fixed interest rate. The Company has also issued Notes with