UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended August 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-38232

BlackBerry Limited

(Exact name of registrant as specified in its charter)

Canada	**98-0164408**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 University Ave East	
Waterloo Ontario Canada	**N2K 0A7**
(Address of Principal Executive Offices)	(Zip Code)

(519) 888-7465
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	BB	New York Stock Exchange
Common Shares	BB	Toronto Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 590,727,996 common shares issued and outstanding as of September 24, 2024.

BLACKBERRY LIMITED

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Unless the context otherwise requires, all references to the "Company" and "BlackBerry" include BlackBerry Limited and its subsidiaries.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BlackBerry Limited
Incorporated under the Laws of Ontario
(United States dollars, in millions) (unaudited)

Consolidated Balance Sheets

	As at	
	August 31, 2024	February 29, 2024
Assets		
Current		
Cash and cash equivalents (note 2)	$ 171	$ 175
Short-term investments (note 2)	40	62
Accounts receivable, net of allowance of $6 and $6, respectively (note 3)	150	199
Other receivables (note 3)	21	21
Income taxes receivable	4	4
Other current assets (note 3)	52	47
	438	508
Restricted cash and cash equivalents (note 2)	17	25
Long-term investments (note 2)	37	36
Other long-term assets (note 3)	59	57
Operating lease right-of-use assets, net	32	32
Property, plant and equipment, net (note 3)	17	21
Intangible assets, net (note 3)	136	154
Goodwill (note 3)	563	562
	$ 1,299	$ 1,395
Liabilities		
Current		
Accounts payable	$ 7	$ 17
Accrued liabilities (note 3)	109	117
Income taxes payable (note 4)	28	28
Deferred revenue, current (note 10)	161	194
	305	356
Deferred revenue, non-current (note 10)	28	28
Operating lease liabilities	38	38
Other long-term liabilities	1	3
Long-term notes (note 5)	195	194
	567	619
Commitments and contingencies (note 9)		
Shareholders' equity		
Capital stock and additional paid-in capital		
Preferred shares: authorized unlimited number of non-voting, cumulative, redeemable and retractable	—	—
Common shares: authorized unlimited number of non-voting, redeemable, retractable Class A common shares and unlimited number of voting common shares		
Issued and outstanding - 590,727,996 voting common shares (February 29, 2024 - 589,232,539)	2,964	2,948
Deficit	(2,219)	(2,158)
Accumulated other comprehensive loss (note 8)	(13)	(14)
	732	776
	$ 1,299	$ 1,395

See notes to consolidated financial statements.

On behalf of the Board:

John Giamatteo
Director

Lisa Disbrow
Director

BlackBerry Limited
(United States dollars, in millions) (unaudited)

Consolidated Statements of Shareholders' Equity

	Three Months Ended August 31, 2024			
	Capital Stock and Additional Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss	Total
Balance as at May 31, 2024	$ 2,957	$ (2,200)	$ (15)	$ 742
Net loss	—	(19)	—	(19)
Other comprehensive income	—	—	2	2
Stock-based compensation	7	—	—	7
Balance as at August 31, 2024	$ 2,964	$ (2,219)	$ (13)	$ 732

	Three Months Ended August 31, 2023			
	Capital Stock and Additional Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss	Total
Balance as at May 31, 2023	$ 2,920	$ (2,039)	$ (22)	$ 859
Net loss	—	(42)	—	(42)
Other comprehensive income	—	—	1	1
Stock-based compensation	11	—	—	11
Balance as at August 31, 2023	$ 2,931	$ (2,081)	$ (21)	$ 829

See notes to consolidated financial statements.

BlackBerry Limited
(United States dollars, in millions) (unaudited)

Consolidated Statements of Shareholders' Equity

	Six Months Ended August 31, 2024			
	Capital Stock and Additional Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss	Total
Balance as at February 29, 2024	$ 2,948	$ (2,158)	$ (14)	$ 776
Net loss	—	(61)	—	(61)
Other comprehensive income	—	—	1	1
Stock-based compensation (note 6)	15	—	—	15
Shares issued:				
Employee share purchase plan (note 6)	1	—	—	1
Balance as at August 31, 2024	$ 2,964	$ (2,219)	$ (13)	$ 732

	Six Months Ended August 31, 2023			
	Capital Stock and Additional Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss	Total
Balance as at February 28, 2023	$ 2,909	$ (2,028)	$ (24)	$ 857
Net loss	—	(53)	—	(53)
Other comprehensive income	—	—	3	3
Stock-based compensation	20	—	—	20
Shares issued:				
Employee share purchase plan	2	—	—	2
Balance as at August 31, 2023	$ 2,931	$ (2,081)	$ (21)	$ 829

See notes to consolidated financial statements.

BlackBerry Limited
(United States dollars, in millions, except per share data) (unaudited)

Consolidated Statements of Operations

	Three Months Ended		Six Months Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Revenue (note 10)	$ 145	$ 132	$ 289	$ 505
Cost of sales	51	47	99	241
Gross margin	94	85	190	264
Operating expenses				
Research and development	37	50	79	104
Sales and marketing	34	43	72	88
General and administrative	33	30	73	84
Amortization	11	14	23	29
Impairment of long-lived assets (note 2)	—	1	3	1
Debentures fair value adjustment (note 5)	—	(6)	—	16
	115	132	250	322
Operating loss	(21)	(47)	(60)	(58)
Investment income, net (note 2 and note 5)	3	7	8	10
Loss before income taxes	(18)	(40)	(52)	(48)
Provision for income taxes (note 4)	1	2	9	5
Net loss	$ (19)	$ (42)	$ (61)	$ (53)
Loss per share (note 7)				
Basic	$ (0.03)	$ (0.07)	$ (0.10)	$ (0.09)
Diluted	$ (0.03)	$ (0.07)	$ (0.10)	$ (0.09)

See notes to consolidated financial statements.

BlackBerry Limited
(United States dollars, in millions) (unaudited)

Consolidated Statements of Comprehensive Loss

	Three Months Ended		Six Months Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Net loss	$ (19)	$ (42)	$ (61)	$ (53)
Other comprehensive income				
Net change in fair value and amounts reclassified to net loss from derivatives designated as cash flow hedges during the period, net of income taxes of nil for the three and six months ended August 31, 2024 and August 31, 2023 (note 8)	—	—	—	1
Foreign currency translation adjustment	2	1	1	2
Other comprehensive income	2	1	1	3
Comprehensive loss	$ (17)	$ (41)	$ (60)	$ (50)

See notes to consolidated financial statements.

BlackBerry Limited
(United States dollars, in millions) (unaudited)

Consolidated Statements of Cash Flows

	Six Months Ended	
	August 31, 2024	August 31, 2023
Cash flows from operating activities		
Net loss	$ (61)	$ (53)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization	26	32
Stock-based compensation	15	20
Impairment of long-lived assets (note 2)	3	1
Intellectual property disposed of by sale	—	147
Debentures fair value adjustment (note 5)	—	16
Operating leases	(4)	(5)
Other	(2)	—
Net changes in working capital items		
Accounts receivable, net of allowance	49	(7)
Other receivables	—	4
Income taxes receivable	—	(2)
Other assets	(6)	(61)
Accounts payable	(10)	(6)
Accrued liabilities	(5)	(24)
Income taxes payable	—	1
Deferred revenue	(33)	(20)
Net cash provided by (used in) operating activities	(28)	43
Cash flows from investing activities		
Acquisition of long-term investments	—	(1)
Acquisition of property, plant and equipment	(3)	(3)
Acquisition of intangible assets	(4)	(10)
Acquisition of short-term investments	(72)	(92)
Proceeds on sale or maturity of short-term investments	94	182
Net cash provided by investing activities	15	76
Cash flows from financing activities		
Issuance of common shares	1	2
Net cash provided by financing activities	1	2
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents during the period	(12)	121
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	200	322
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	$ 188	$ 443

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Basis of Presentation and Preparation

These interim consolidated financial statements have been prepared by management in accordance with United States generally accepted accounting principles ("U.S. GAAP"). They do not include all of the disclosures required by U.S. GAAP for annual financial statements and should be read in conjunction with the audited consolidated financial statements of BlackBerry Limited (the "Company") for the year ended February 29, 2024 (the "Annual Financial Statements"), which have been prepared in accordance with U.S. GAAP. In the opinion of management, all normal recurring adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements. Operating results for the three and six months ended August 31, 2024 are not necessarily indicative of the results that may be expected for the full year ending February 28, 2025. The consolidated balance sheet at February 29, 2024 was derived from the audited Annual Financial Statements but does not contain all of the footnote disclosures from the Annual Financial Statements.

The preparation of the consolidated financial statements requires management to make estimates and assumptions with respect to the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates and any such differences may be material to the Company's consolidated financial statements.

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

The Company is organized and managed as three reportable operating segments: Cybersecurity, IoT (collectively, "Software & Services"), and Licensing, as further discussed in Note 10.

Significant Accounting Policies and Critical Accounting Estimates

There have been no material changes to the Company's accounting policies or critical accounting estimates from those described in the Annual Financial Statements.

Accounting Standards Adopted During Fiscal 2025

In November 2023, the Financial Accounting Standards Board (the "FASB") issued ASU 2023-07 on the topic of segment reporting. The standard requires additional disclosures for segment reporting. These requirements include: (i) disclosure of significant expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle"); (ii) disclosure of an amount for other segment items (equal to the difference between segment revenue less segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss) by reportable segment and a description of their composition; (iii) annual disclosure of a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods; (iv) clarification that, if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report those additional measures of segment profit or loss; (v) disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources; and (vi) requiring a public entity that has a single reportable segment provide all the disclosures required by the amendments in this ASU, and all existing segment disclosures in Topic 280. The guidance is effective for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company early adopted this guidance in the first quarter of fiscal 2025 and it did not have a material impact on its disclosures.

Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09 “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” on the topic of income taxes. The standard requires additional disclosure for income taxes. These requirements include: (i) requiring a public entity to disclose specific categories in the rate reconciliation; (ii) disclosure of additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5% of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate); (iii) annual disclosure of the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes; (iv) annual disclosure of the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5% of total income taxes paid (net of refunds received); (v) annual disclosure of income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign; and (vi) annual disclosure of income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. For public entities, the guidance is effective for annual periods beginning after December 15, 2024. The Company will adopt this guidance in fiscal 2026 and is in the process of evaluating the new requirements. As a result, the Company has not yet determined the impact this new ASU will have on its disclosures.

2. FAIR VALUE MEASUREMENTS, CASH, CASH EQUIVALENTS AND INVESTMENTS

Fair Value

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use in pricing the asset or liability, such as inherent risk, non-performance risk and credit risk. The Company applies the following fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company’s cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities are carried at amounts that approximate their fair values (Level 2 measurement) due to their short maturities.

Recurring Fair Value Measurements

In determining the fair value of investments held, the Company primarily relies on an independent third-party valuator for the fair valuation of securities. The Company also reviews the inputs used in the valuation process and assesses the pricing of the securities for reasonableness after conducting its own internal collection of quoted prices from brokers. Fair values for all investment categories provided by the independent third-party valuator that are in excess of 0.5% from the fair values determined by the Company are communicated to the independent third-party valuator for consideration of reasonableness. The independent third-party valuator considers the information provided by the Company before determining whether a change in their original pricing is warranted.

When the Company concludes that there is a significant financing component included within a contract with a customer due to timing differences between the fulfillment of certain performance obligations and the receipt of payment for those performance obligations, the Company determines the present value of the future consideration utilizing the discount rate that would be reflected in a separate financing transaction between the customer and the Company at contract inception based upon the credit characteristics of the customer receiving financing in the contract.

For a description of how the fair value of the 2020 Debentures (as defined in Note 5) was determined, see the “Convertible debentures” accounting policies in Note 1 to the Annual Financial Statements.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

Non-Recurring Fair Value Measurements

Upon the occurrence of certain events, the Company re-measures the fair value of non-marketable equity investments for which it utilizes the measurement alternative, and long-lived assets, including property, plant and equipment, operating lease ROU assets, intangible assets and goodwill if an impairment or observable price adjustment is recognized in the current period.

Non-Marketable Equity Investments Measured Using the Measurement Alternative

Non-marketable equity investments measured using the measurement alternative include investments in privately held companies without readily determinable fair values in which the Company does not own a controlling interest or have significant influence. The estimation of fair value used in the fair value measurements required the use of significant unobservable inputs, and as a result, the fair value measurements were classified as Level 3.

Impairment of Long-Lived Assets

During the three and six months ended August 31, 2024, the Company exited certain leased facilities and recorded a pre-tax and after-tax impairment charge of nil and $3 million, respectively, related to the operating lease right-of-use ("ROU") assets and property, plant and equipment associated with those facilities (three and six months ended August 31, 2023 - $1 million). The impairment was determined by comparing the fair value of the impacted ROU asset to the carrying value of the asset as of the impairment measurement date, as required under ASC Topic 360, Property, Plant, and Equipment, using Level 3 inputs. The fair value of the ROU asset was based on the estimated sublease income for certain facilities taking into consideration the estimated time period it will take to obtain a sublessor, the applicable discount rate and the sublease rate, which are considered unobservable inputs. The Company conducts an evaluation of the related liabilities and expenses and revises its assumptions and estimates as appropriate as new or updated information becomes available. The fair value measurement of ROU impaired assets is classified as Level 3.

Cash, Cash Equivalents and Investments

The components of cash, cash equivalents and investments by fair value level as at August 31, 2024 were as follows:

	Cost Basis [1]	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-term Investments	Long-term Investments	Restricted Cash and Cash Equivalents
Bank balances	$ 65	$ —	$ —	$ 65	$ 65	$ —	$ —	$ —
Other investments	28	6	—	34	—	—	34	—
	93	6	—	99	65	—	34	—
Level 1:								
Equity securities	10	—	(10)	—	—	—	—	—
Level 2:								
Term deposits, and certificates of deposits	23	—	—	23	10	—	—	13
Bearer deposit notes	31	—	—	31	29	2	—	—
Commercial paper	44	—	—	44	18	26	—	—
Non-U.S. promissory notes	42	—	—	42	30	12	—	—
U.S. treasury bills	23	—	—	23	19	—	—	4
	163	—	—	163	106	40	—	17
Level 3:								
Other investments	2	1	—	3	—	—	3	—
	$ 268	$ 7	$ (10)	$ 265	$ 171	$ 40	$ 37	$ 17

[1] Cost basis for other investments includes the effect of returns of capital and impairment.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

The components of cash, cash equivalents and investments by fair value level as at February 29, 2024 were as follows:

	Cost Basis [1]	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-term Investments	Long-term Investments	Restricted Cash and Cash Equivalents
Bank balances	$ 96	$ —	$ —	$ 96	$ 96	$ —	$ —	$ —
Other investments	30	6	—	36	—	—	36	—
	126	6	—	132	96	—	36	—
Level 1:								
Equity securities	10	—	(10)	—	—	—	—	—
Level 2:								
Term deposits, and certificates of deposits	21	—	—	21	—	—	—	21
Bearer deposit notes	53	—	—	53	28	25	—	—
Commercial paper	47	—	—	47	15	32	—	—
Non-U.S. promissory notes	35	—	—	35	30	5	—	—
U.S. treasury bills	10	—	—	10	6	—	—	4
	166	—	—	166	79	62	—	25
	$ 302	$ 6	$ (10)	$ 298	$ 175	$ 62	$ 36	$ 25

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[1] Cost basis for other investments includes the effect of returns of capital and impairment.

As at August 31, 2024, the Company had non-marketable equity investments without readily determinable fair value of $37 million (February 29, 2024 - $36 million). During the three and six months ended August 31, 2024, the Company recorded an upward adjustment of nil and $1 million, respectively, to the carrying value of a certain non-marketable equity investment without readily determinable fair value resulting from observable price changes in orderly transactions for identical or similar securities which have been included in investment income, net on the Company's consolidated statements of operations. As of August 31, 2024, the Company has recorded a cumulative impairment of $3 million to the carrying value of certain other non-marketable equity investments without readily determinable fair value (February 29, 2024 - $3 million).

There were no realized gains or losses on available-for-sale securities for the three and six months ended August 31, 2024 and August 31, 2023.

The Company has restricted cash and cash equivalents, consisting of cash and securities pledged as collateral to major banking partners in support of the Company's requirements for letters of credit. These letters of credit support certain leasing arrangements entered into in the ordinary course of business. The letters of credit are for terms ranging from one month to four years. The Company is legally restricted from accessing these funds during the term of the leases for which the letters of credit have been issued; however, the Company can continue to invest the funds and receive investment income thereon.

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents as at August 31, 2024 and February 29, 2024 from the consolidated balance sheets to the consolidated statements of cash flows:

	As at	
	August 31, 2024	February 29, 2024
Cash and cash equivalents	$ 171	$ 175
Restricted cash and cash equivalents	17	25
Total cash, cash equivalents, restricted cash, and restricted cash equivalents presented in the consolidated statements of cash flows	$ 188	$ 200

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

The contractual maturities of available-for-sale investments as at August 31, 2024 and February 29, 2024 were as follows:

	As at			
	August 31, 2024		February 29, 2024	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Due in one year or less	$ 163	$ 163	$ 166	$ 166
No fixed maturity	10	—	10	—
	$ 173	$ 163	$ 176	$ 166

As at August 31, 2024 and February 29, 2024, the Company had no available-for-sale debt securities with continuous unrealized losses.

3. CONSOLIDATED BALANCE SHEET DETAILS

Accounts Receivable, Net of Allowance

The current estimated credit losses ("CECL") for accounts receivable as at August 31, 2024 were $6 million (February 29, 2024 - $6 million).

The Company also has long-term accounts receivable included in Other Long-term Assets. The CECL for long-term accounts receivable is estimated using the probability of default method and the default exposure due to limited historical information. The exposure of default is represented by the assets' amortized carrying amount at the reporting date.

The following table sets forth the activity in the Company's allowance for credit losses:

	Carrying Amount
Beginning balance as of February 28, 2023	$ 1
Prior period provision for expected credit losses	5
Ending balance of the allowance for credit loss as at February 29, 2024	6
Current period recovery for expected credit losses	—
Ending balance of the allowance for credit loss as at August 31, 2024	$ 6

The allowance for credit losses as at August 31, 2024 consists of $1 million (February 29, 2024 - $1 million) relating to CECL estimated based on days past due and region and $5 million (February 29, 2024 - $5 million) relating to specific customers that were evaluated separately.

There was one customer that comprised more than 10% of accounts receivable as at August 31, 2024 (February 29, 2024 - two customers comprised more than 10%).

Other Receivables

As at August 31, 2024 and February 29, 2024, other receivables included items such as other receivables related to intellectual property sold in fiscal 2024, see Note 10 under the heading "Patent Sale", and claims filed with the Ministry of Innovation, Science and Economic Development Canada relating to its Strategic Innovation Fund program's investment in BlackBerry QNX, among other items, none of which were greater than 5% of the current assets balance.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

Other Current Assets

As at August 31, 2024 and February 29, 2024, other current assets included the current portion of deferred commissions and prepaid expenses, among other items, none of which were greater than 5% of the current assets balance as at the balance sheet dates.

Property, Plant and Equipment, Net

Property, plant and equipment comprised the following:

	As at	
	August 31, 2024	February 29, 2024
Cost		
BlackBerry operations and other information technology	$ 85	$ 85
Leasehold improvements and other	12	15
Furniture and fixtures	5	6
Manufacturing, repair and research and development equipment	2	3
	104	109
Accumulated amortization	87	88
Net book value	$ 17	$ 21

Intangible Assets, Net

Intangible assets comprised the following:

	As at August 31, 2024		
	Cost	Accumulated Amortization	Net Book Value
Acquired technology	$ 900	$ 855	$ 45
Other acquired intangibles	386	341	45
Intellectual property	111	65	46
	$ 1,397	$ 1,261	$ 136

	As at February 29, 2024		
	Cost	Accumulated Amortization	Net Book Value
Acquired technology	$ 900	$ 846	$ 54
Other acquired intangibles	386	334	52
Intellectual property	111	63	48
	$ 1,397	$ 1,243	$ 154

For the six months ended August 31, 2024, amortization expense related to intangible assets amounted to $22 million (six months ended August 31, 2023 - $26 million).

Total additions to intangible assets for the six months ended August 31, 2024 amounted to $4 million (six months ended August 31, 2023 - $10 million). During the six months ended August 31, 2024, additions to intangible assets primarily consisted of payments for intellectual property relating to patent maintenance, registration and license fees.

Based on the carrying value of the identified intangible assets as at August 31, 2024, and assuming no subsequent impairment of the underlying assets, the annual amortization expense for the remainder of fiscal 2025 and each of the five succeeding years is expected to be as follows: fiscal 2025 - $21 million; fiscal 2026 - $37 million; fiscal 2027 - $32 million; fiscal 2028 - $18 million; fiscal 2029 - $6 million and fiscal 2030 - $3 million.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

Goodwill

Changes to the carrying amount of goodwill during the six months ended August 31, 2024 were as follows:

	Carrying Amount
Carrying amount as at February 28, 2023	$ 595
Goodwill impairment charge	(35)
Effect of foreign exchange on non-U.S. dollar denominated goodwill	2
Carrying amount as at February 29, 2024	562
Effect of foreign exchange on non-U.S. dollar denominated goodwill	1
Carrying amount as at August 31, 2024	$ 563

Other Long-term Assets

As at August 31, 2024 and February 29, 2024, other long-term assets included long-term receivables related to intellectual property sold in fiscal 2024, see Note 10 under the heading "Patent Sale", other long-term receivables, and the long-term portion of deferred commission, among other items, none of which were greater than 5% of the total assets balance.

Accrued Liabilities

Accrued liabilities is comprised of the following:

	As at	
	August 31, 2024	February 29, 2024
Variable incentive accrual	$ 21	$ 15
Operating lease liabilities, current	17	20
Restructuring program liabilities, current portion	7	20
Other	64	62
	$ 109	$ 117

As at August 31, 2024 and February 29, 2024, other accrued liabilities included accrued director fees, accrued vendor liabilities, payroll withholding taxes and accrued royalties, among other items, none of which were greater than 5% of the current liabilities balance in any of the periods presented.

Restructuring

During fiscal 2023 and fiscal 2024, the Company commenced restructuring programs with the objectives of reducing its annual costs and expenses relating to the Cybersecurity business, and later significantly separating and streamlining the Company's centralized corporate functions into Cybersecurity and IoT specific teams such that the businesses may operate quasi-independently and on a profitable and cash flow positive basis. The reduction of overall Company costs had included and will continue to include rationalizing and streamlining existing central administrative functions, right-sizing cost structures within both business units including R&D and outsourced contracting, changes to overall product portfolio offerings and geographies the Company operates in and optimizing related support functions and organizational structure. Other charges and cash costs may occur as programs are implemented or changes are completed.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

The following table sets forth the activity in the Company's restructuring program liabilities:

	Employee Termination Benefits	Facilities Costs	Total
Balance as at February 28, 2023	2	1	3
Charges incurred	31	6	37
Cash payments made	(16)	(3)	(19)
Balance as at February 29, 2024	17	4	21
Charges incurred	7	2	9
Cash payments made	(20)	(2)	(22)
Balance as at August 31, 2024	$ 4	$ 4	$ 8
Current portion	$ 4	$ 3	$ 7
Long-term portion	—	1	1
	$ 4	$ 4	$ 8

The long-term portion of the restructuring liabilities is recorded at present value, determined by measuring the remaining payments at present value using an effective interest rate of 5.3%, and the Company recorded interest expense over time to arrive at the total face value of the remaining payments.

The restructuring charges included employee termination benefits and facilities costs to better align the Company's general and administrative and R&D cost profiles to its market competitors, create a more focused sales force and improve profitability and cash flow. Total charges incurred for the six months ended August 31, 2024 and August 31, 2023 were $9 million and $8 million, respectively, recorded within General and administrative on the Consolidated Statements of Operations.

4. INCOME TAXES

For the six months ended August 31, 2024, the Company's net effective income tax expense rate was approximately 17% compared to a net effective income tax expense rate of 10% for the six months ended August 31, 2023. The Company's income tax rate reflects the change in unrecognized income tax benefit, if any, and the fact that the Company has a significant valuation allowance against its deferred income tax assets; in particular, any change in loss carry forwards or research and development credits, amongst other items, is 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.

The Company's total unrecognized income tax benefits as at August 31, 2024 were $20 million (February 29, 2024 - $20 million). As at August 31, 2024, $20 million of the unrecognized income tax benefits have been netted against deferred income tax assets and nil has been recorded within income taxes payable on the Company's consolidated balance sheets.

The Company is subject to ongoing examination by tax authorities in certain jurisdictions in which it operates. The Company regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income taxes as well as the provisions for indirect and other taxes and related penalties and interest. While the final resolution of audits is uncertain, the Company believes the ultimate resolution of these audits will not have a material adverse effect on its consolidated financial position, liquidity or results of operations.

5. DEBENTURES

3.00% Convertible Senior Notes

On January 29, 2024, the Company issued $200 million aggregate principal amount of 3.00% senior convertible unsecured notes (the "Notes" and, collectively with the 2020 Debentures, the "Debentures") in an offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended.

The Notes are due on February 15, 2029 unless earlier converted, redeemed, or repurchased. Each $1,000 principal amount of the Notes is convertible into 257.5826 common shares of the Company based on the initial conversion rate, for a total of 52 million common shares at a price of $3.88 per share, subject to adjustments. Prior to the close of business on the business day immediately preceding November 15, 2028, the Notes will be convertible only upon satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding February 15, 2029. The Company may satisfy any conversions of the Notes by paying or delivering, as the case may be, cash, its common shares or a combination of cash and its common shares, at the Company's election (or, in the case of any Notes called for redemption that are converted during the related redemption period, solely its common shares). Covenants associated with the Notes include general corporate maintenance, existence and reporting requirements. The Notes bear interest at a rate of 3.00% per annum, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2024.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

The Company had recorded the Notes, including the debt itself and all embedded derivatives, at cost less debt issuance costs of $6 million and presents the Notes as a single hybrid financial instrument. No portion of the embedded derivatives required bifurcation from the host debt contract.

The following table summarizes the change in the Notes for the six months ended August 31, 2024:

	Carrying Amount
Balance as at February 29, 2024	$ 194
Amortization of debt issuance costs	1
Balance as at August 31, 2024	$ 195

2020 Debentures

On September 1, 2020, Hamblin Watsa Investment Counsel Ltd., in its capacity as investment manager of Fairfax Financial Holdings Limited ("Fairfax"), and another institutional investor invested in the Company through a $365 million private placement of debentures (the "2020 Debentures"). The 2020 Debentures matured on November 13, 2023.

Due to the conversion option and other embedded derivatives within the 2020 Debentures, the Company elected to record the 2020 Debentures, including the debt itself and all embedded derivatives, at fair value and presented the 2020 Debentures as a single hybrid financial instrument. No portion of the fair value of the 2020 Debentures was recorded as equity.

Each period, the fair value of the 2020 Debentures was recalculated and resulting gains and losses from the change in fair value of the 2020 Debentures associated with non-credit components were recognized in income, while the change in fair value associated with credit components was recognized in accumulated other comprehensive loss ("AOCL"). The fair value of the 2020 Debentures was determined using the significant Level 2 inputs interest rate curves, the market price and volatility of the Company's listed common shares, and the significant Level 3 inputs related to credit spread and the implied discount of the 2020 Debentures at issuance.

The following table shows the impact of the changes in fair value of the Debentures for the three and six months ended August 31, 2024 and August 31, 2023:

	Three Months Ended		Six Months Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Income (charge) associated with the change in fair value from non-credit components recorded in the consolidated statements of operations	$ —	$ 6	$ —	$ (16)
Total decrease (increase) in the fair value of the 2020 Debentures	$ —	$ 6	$ —	$ (16)

For the three and six months ended August 31, 2024, the Company recorded interest expense related to the Debentures of $2 million and $3 million, respectively, which has been included in investment income, net on the Company's consolidated statements of operations (three and six months ended August 31, 2023 - $2 million and $3 million).

Fairfax, a related party under U.S. GAAP due to its beneficial ownership of common shares in the Company after taking into account potential conversion of the 2020 Debentures, owned $330 million principal amount of the 2020 Debentures. As such, the payment of interest on the 2020 Debentures to Fairfax represented a related party transaction.

6. CAPITAL STOCK

The following details the changes in issued and outstanding common shares for the six months ended August 31, 2024:

	Capital Stock and Additional Paid-in Capital		
	Stock Outstanding (000s)		Amount
Common shares outstanding as at February 29, 2024	589,233	$	2,948
Common shares issued for restricted share unit settlements	940		—
Stock-based compensation	—		15
Common shares issued for employee share purchase plan	555		1
Common shares outstanding as at August 31, 2024	590,728	$	2,964

The Company had 591 million voting common shares outstanding, 0.2 million options to purchase voting common shares, 18 million RSUs and 1 million DSUs outstanding as at September 24, 2024. In addition, 51.5 million common shares are issuable upon conversion in full of the Notes as described in Note 5.

7. LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended				Six Months Ended			
	August 31, 2024		August 31, 2023		August 31, 2024		August 31, 2023	
Net loss for basic and diluted loss per share available to common shareholders	$	(19)	$	(42)	$	(61)	$	(53)
Weighted average number of shares outstanding (000's) - basic and diluted [(1)(2)]		590,549		583,524		590,188		583,171
Loss per share - reported								
Basic	$	(0.03)	$	(0.07)	$	(0.10)	$	(0.09)
Diluted	$	(0.03)	$	(0.07)	$	(0.10)	$	(0.09)

[(1)] The Company has not presented the dilutive effect of the Notes or 2020 Debentures using the if-converted method in the calculation of diluted loss per share for the three and six months ended August 31, 2024 and August 31, 2023, as to do so would be antidilutive. See Note 5 for details on the Notes and 2020 Debentures.

[(2)] The Company has not presented the dilutive effect of in-the-money options and RSUs that will be settled upon vesting by the issuance of new common shares in the calculation of diluted loss per share for the three and six months ended August 31, 2024 and August 31, 2023, as to do so would be antidilutive.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in AOCL by component net of tax, for the three and six months ended August 31, 2024 and August 31, 2023 were as follows:

	Three Months Ended		Six Months Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Cash Flow Hedges				
Balance, beginning of period	$ —	$ —	$ —	$ (1)
Amounts reclassified from AOCL into net loss	—	—	—	1
Accumulated net unrealized gains on derivative instruments designated as cash flow hedges	$ —	$ —	$ —	$ —
Foreign Currency Cumulative Translation Adjustment				
Balance, beginning of period	$ (15)	$ (15)	$ (14)	$ (16)
Other comprehensive income	2	1	1	2
Foreign currency cumulative translation adjustment	$ (13)	$ (14)	$ (13)	$ (14)
Change in Fair Value From Instrument-Specific Credit Risk On Debentures				
Change in fair value from instruments-specific credit risk on Debentures	$ —	$ (6)	$ —	$ (6)
Other Post-Employment Benefit Obligations				
Actuarial losses associated with other post-employment benefit obligations	$ —	$ (1)	$ —	$ (1)
Accumulated Other Comprehensive Loss, End of Period	$ (13)	$ (21)	$ (13)	$ (21)

9. COMMITMENTS AND CONTINGENCIES

(a) Letters of Credit

The Company had $16 million in collateralized outstanding letters of credit in support of certain leasing arrangements entered into in the ordinary course of business as of August 31, 2024. See the discussion of restricted cash in Note 2.

(b) Contingencies

Litigation

The Company is involved in litigation in the normal course of its business, both as a defendant and as a plaintiff. The Company is subject to a variety of claims (including claims related to patent infringement, purported class actions and other claims in the normal course of business) and may be subject to additional claims either directly or through indemnities against claims that it provides to certain of its partners and customers. In particular, the industry in which the Company competes has many participants that own, or claim to own, intellectual property, including participants that have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by the Company in its products. The Company has received, and may receive in the future, assertions and claims from third parties that the Company's products infringe on their patents or other intellectual property rights. Litigation has been, and will likely continue to be, necessary to determine the scope, enforceability and validity of third-party proprietary rights or to establish the Company's proprietary rights. Regardless of whether claims against the Company have merit, those claims could be time-consuming to evaluate and defend, result in costly litigation, divert management's attention and resources and subject the Company to significant liabilities.

Management reviews all of the relevant facts for each claim and applies judgment in evaluating the likelihood and, if applicable, the amount of any potential loss. Where a potential loss is considered probable and the amount is reasonably estimable, provisions for loss are made based on management's assessment of the likely outcome. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum amount in the range.

The Company does not provide for claims for which the outcome is not probable or claims for which the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

As of August 31, 2024, there are no material claims outstanding for which the Company has assessed the potential loss as both probable to result and reasonably estimable; therefore, no accrual has been made. Further, there are claims outstanding for which the Company has assessed the potential loss as reasonably possible to result; however, an estimate of the amount of loss cannot reasonably be made. There are many reasons that the Company cannot make these assessments, including, among others, one or more of the following: the early stages of a proceeding does not require the claimant to specifically identify the patent claims that have allegedly been infringed or the products that are alleged to infringe; damages sought are unspecified, unsupportable, unexplained or uncertain; discovery has not been started or is incomplete; the facts that are in dispute are highly complex; the difficulty of assessing novel claims; the parties have not engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and the often slow pace of litigation.

The Company has included the following summaries of certain of its legal proceedings though they do not meet the test for accrual described above.

Between October and December 2013, several purported class action lawsuits and one individual lawsuit were filed against the Company and certain of its former officers in various jurisdictions in the U.S. and Canada alleging that the Company and certain of its officers made materially false and misleading statements regarding the Company’s financial condition and business prospects and that certain of the Company’s financial statements contain material misstatements. The individual lawsuit was voluntarily dismissed and the consolidated U.S. class actions Stipulation of Settlement was executed effective June 7, 2022.

On July 23, 2014, the plaintiff in the putative Ontario class action (*Swisscanto Fondsleitung AG v. BlackBerry Limited, et al.*) filed a motion for class certification and for leave to pursue statutory misrepresentation claims. On November 17, 2015, the Ontario Superior Court of Justice issued an order granting the plaintiffs’ motion for leave to file a statutory claim for misrepresentation. On December 2, 2015, the Company filed a notice of motion seeking leave to appeal this ruling. On November 15, 2018, the Court denied the Company’s motion for leave to appeal the order granting the plaintiffs leave to file a statutory claim for misrepresentation. On February 5, 2019, the Court entered an order certifying a class comprised persons (a) who purchased BlackBerry common shares between March 28, 2013, and September 20, 2013, and still held at least some of those shares as of September 20, 2013, and (b) who acquired those shares on a Canadian stock exchange or acquired those shares on any other stock exchange and were a resident of Canada when the shares were acquired. Notice of class certification was published on March 6, 2019. The Company filed its Statement of Defence on April 1, 2019. Discovery is proceeding and the Court has not set a trial date.

On March 17, 2017, a putative employment class action was filed against the Company in the Ontario Superior Court of Justice (*Parker v. BlackBerry Limited*). The Statement of Claim alleges that actions the Company took when certain of its employees decided to accept offers of employment from Ford Motor Company of Canada amounted to a wrongful termination of the employees’ employment with the Company. The claim seeks (i) an unspecified quantum of statutory, contractual, or common law termination entitlements; (ii) punitive or breach of duty of good faith damages of CAD$20 million, or such other amount as the Court finds appropriate, (iii) pre- and post- judgment interest, (iv) attorneys’ fees and costs, and (v) such other relief as the Court deems just. The Court granted the plaintiffs’ motion to certify the class action on May 27, 2019. The Company commenced a motion for leave to appeal the certification order on June 11, 2019. The Court denied the motion for leave to appeal on September 17, 2019. The Company filed its Statement of Defence on December 19, 2019. The parties participated in a mediation on November 9, 2022, which did not result in an agreement. The Court has set a trial date of June 2, 2025, and scheduled a pre-trial conference on December 4, 2024. Discovery is proceeding.

Other contingencies

As at August 31, 2024, the Company has recognized $17 million (February 29, 2024 - $17 million) in funds from claims filed with the Ministry of Innovation, Science and Economic Development Canada relating to its Strategic Innovation Fund program’s investment in BlackBerry QNX. A portion of this amount may be repayable in the future under certain circumstances if certain terms and conditions are not met by the Company, which is not probable at this time.

(c) Indemnifications

The Company enters into certain agreements that contain indemnification provisions under which the Company could be subject to costs and damages, including in the event of an infringement claim against the Company or an indemnified third party. Such intellectual property infringement indemnification clauses are generally not subject to any dollar limits and remain in effect for the term of the Company's agreements. To date, the Company has not encountered material costs as a result of such indemnifications.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

The Company has entered into indemnification agreements with its current and former directors and executive officers. Under these agreements, the Company agreed, subject to applicable law, to indemnify its current and former directors and executive officers against all costs, charges and expenses reasonably incurred by such individuals in respect of any civil, criminal or administrative action that could arise by reason of their status as directors or officers. The Company maintains liability insurance coverage for the benefit of the Company, and its current and former directors and executive officers. The Company has not encountered material costs as a result of such indemnifications in the current period.

10. REVENUE AND SEGMENT DISCLOSURES

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by the CODM for making decisions and assessing performance as a source of the Company's reportable operating segments. The CODM, who is the CEO of the Company, makes decisions and assesses the performance of the Company using three operating segments.

The CODM does not evaluate operating segments using discrete asset information. The Company does not specifically allocate assets to operating segments for internal reporting purposes.

Segment Disclosures

The Company is organized and managed as three operating segments: Cybersecurity, IoT, and Licensing.

The following table shows information by operating segment for the three and six months ended August 31, 2024 and August 31, 2023:

	For the Three Months Ended							
	Cybersecurity		IoT		Licensing		Segment Totals	
	August 31,		August 31,		August 31,		August 31,	
	2024	2023	2024	2023	2024	2023	2024	2023
Segment revenue	$ 87	$ 79	$ 55	$ 49	$ 3	$ 4	$ 145	$ 132
Segment cost of sales	39	36	10	8	1	2	50	46
Segment gross margin [(1)]	$ 48	$ 43	$ 45	$ 41	$ 2	$ 2	$ 95	$ 86

	For the Six Months Ended							
	Cybersecurity		IoT		Licensing		Segment Totals	
	August 31,		August 31,		August 31,		August 31,	
	2024	2023	2024	2023	2024	2023	2024	2023
Segment revenue	$ 172	$ 172	$ 108	$ 94	$ 9	$ 239	$ 289	$ 505
Segment cost of sales	74	73	20	17	3	149	97	239
Segment gross margin [(1)]	$ 98	$ 99	$ 88	$ 77	$ 6	$ 90	$ 192	$ 266

[(1)] A reconciliation of total segment gross margin to consolidated totals is set forth below.

Cybersecurity consists of BlackBerry® UEM and Cylance® cybersecurity solutions, BlackBerry® AtHoc® and BlackBerry® SecuSUITE®. The Company's Cylance AI and machine learning-based platform consists of CylanceENDPOINT™, CylanceMDR™, CylanceEDGE™ and other cybersecurity applications. The Company's endpoint management platform includes BlackBerry® UEM, BlackBerry® Dynamics™, and BlackBerry® Workspaces solutions. Cybersecurity revenue is generated predominantly through software licenses, commonly bundled with support, maintenance and professional services.

IoT consists of BlackBerry® QNX®, BlackBerry® Certicom®, BlackBerry Radar®, BlackBerry IVY® and other IoT applications. IoT revenue is generated predominantly through software licenses, commonly bundled with support, maintenance and professional services.

Licensing consists of the Company's intellectual property arrangements and settlement awards.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

The following table reconciles total segment gross margin for the three and six months ended August 31, 2024 and August 31, 2023 to the Company's consolidated totals:

	Three Months Ended		Six Months Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Total segment gross margin	$ 95	$ 86	192	$ 266
Adjustments [1]:				
Less: Stock compensation	1	1	2	2
Less:				
Research & development	37	50	79	104
Sales and marketing	34	43	72	88
General and administrative	33	30	73	84
Amortization	11	14	23	29
Impairment of long-lived assets	—	1	3	1
Debentures fair value adjustment	—	(6)	—	16
Investment income, net	(3)	(7)	(8)	(10)
Loss before income taxes	$ (18)	$ (40)	$ (52)	$ (48)

[1] The CODM reviews segment information on an adjusted basis, which excludes certain amounts as described below:

Stock compensation expenses - Equity compensation is a non-cash expense and does not impact the ongoing operating decisions taken by the Company's management.

Patent Sale

On May 11, 2023, the Company completed the sale of certain non-core patent assets to Malikie Innovations Limited for $170 million in cash on closing, an additional $30 million in fixed consideration due by no later than the third anniversary of closing and variable consideration in the form of future royalties in the aggregate amount of up to $700 million (the "Malikie Transaction"). Pursuant to the terms of the Malikie Transaction, the Company received a license back to the patents sold, which relate primarily to mobile devices, messaging and wireless networking.

In the first quarter of fiscal 2024, the Company recognized revenue of $218 million and cost of sales of $147 million related to intellectual property sold. As at August 31, 2024, the remaining financing component on the patent sale was $8 million and will be recognized as interest income over the payment terms.

The Company estimated variable consideration from future royalty revenues using an expected value method including inputs from both internal and external sources related to patent monetization activities and cash flows, and constrained the recognition of that variable consideration based on the Company's accounting policies and critical accounting estimates as described in Note 1. The present value of variable consideration recognized as revenue was $23 million and the amount of variable consideration constrained was $210 million. The Company evaluates its conclusions as to whether the constraints are still applicable on an ongoing basis, and will make updates when it observes a sufficient amount of evidence that amounts of variable consideration are no longer subject to constraint or the estimated amount of variable consideration has changed.

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

Revenue

The Company disaggregates revenue from contracts with customers based on geographical regions, timing of revenue recognition, and the major product and service types, as discussed above in "Segment Disclosures".

The Company's revenue, classified by major geographic region in which the Company's customers are located, was as follows:

	Three Months Ended		Six Months Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
North America [1]	$ 69	$ 72	$ 137	$ 389
Europe, Middle East and Africa	47	39	94	76
Other regions	29	21	58	40
Total	$ 145	$ 132	$ 289	$ 505
North America [1]	47.6 %	54.5 %	47.4 %	77.0 %
Europe, Middle East and Africa	32.4 %	29.6 %	32.5 %	15.1 %
Other regions	20.0 %	15.9 %	20.1 %	7.9 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

[1] North America includes all revenue from the Company's intellectual property arrangements, due to the global applicability of the patent portfolio and licensing arrangements thereof.

Revenue, classified by timing of recognition, was as follows:

	Three Months Ended		Six Months Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Products and services transferred over time	$ 79	$ 79	$ 156	$ 165
Products and services transferred at a point in time	66	53	133	340
Total	$ 145	$ 132	$ 289	$ 505

Revenue contract balances

The following table sets forth the activity in the Company's revenue contract balances for the six months ended August 31, 2024:

	Accounts and Other Receivable	Deferred Revenue	Deferred Commissions
Opening balance as at February 29, 2024	$ 255	$ 222	$ 21
Increases due to invoicing of new or existing contracts, associated contract acquisition costs, or other	272	248	11
Decrease due to payment, fulfillment of performance obligations, or other	(317)	(281)	(12)
Decrease, net	(45)	(33)	(1)
Closing balance as at August 31, 2024	$ 210	$ 189	$ 20

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

Transaction price allocated to the remaining performance obligations

The table below discloses the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as at August 31, 2024 and the time frame in which the Company expects to recognize this revenue. The disclosure includes estimates of variable consideration, except when the variable consideration is a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

The disclosure excludes estimates of variable consideration relating to potential future royalty revenues from the Malikie Transaction, which have been constrained based on the Company's accounting policies and critical accounting estimates and as described under "Patent Sale" in this Note 10.

	As at August 31, 2024			
	Less than 12 Months	12 to 24 Months	Thereafter	Total
Remaining performance obligations	$ 161	$ 13	$ 15	$ 189

Revenue recognized for performance obligations satisfied in prior periods

For the three and six months ended August 31, 2024, revenue of $2 million and $2 million respectively, was recognized relating to performance obligations satisfied in a prior period (three and six months ended August 31, 2023 - $1 million and $12 million respectively).

Assets by Geography

Property, plant and equipment, intangible assets, operating lease ROU assets and goodwill, classified by geographic region in which the Company's assets are located, were as follows:

	As at			
	August 31, 2024		February 29, 2024	
	Property, Plant and Equipment, Intangible Assets, Operating Lease ROU Assets and Goodwill	Total Assets	Property, Plant and Equipment, Intangible Assets, Operating Lease ROU Assets and Goodwill	Total Assets
Canada	$ 79	$ 323	$ 78	$ 342
United States	640	886	662	923
Other	29	90	29	130
	$ 748	$ 1,299	$ 769	$ 1,395

Information About Major Customers

There was one customer that comprised 11% of the Company's revenue and one customer that comprised 12% of the Company's revenue in the three and six months ended August 31, 2024, respectively (three and six months ended August 31, 2023 - no customer that comprised more than 10% of the Company's revenue and one customer that comprised 45% of the Company's revenue, due to the completed Malikie Transaction).

In millions of United States dollars, except share and per share data, and except as otherwise indicated (unaudited)

11. CASH FLOW AND ADDITIONAL INFORMATION

(a) Certain consolidated statements of cash flow information related to interest and income taxes paid is summarized as follows:

	Three Months Ended		Six Months Ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Interest paid during the period	$ 2	$ 2	$ 3	$ 3
Income taxes paid during the period	3	2	10	4
Income tax refunds received during the period	—	—	—	—

(b) **Additional Information**

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. Other 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 receivable 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.

Interest rate risk

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 a fixed interest rate, as described in Note 5. The Company is exposed to interest rate risk as a result of the Notes. The Company does not currently utilize interest rate derivative instruments.

Credit risk

The Company is exposed to market and credit risk on its investment portfolio. The Company is also exposed to credit risk with customers, as described in Note 3. The Company reduces this risk from its investment portfolio by investing in liquid, investment-grade securities and by limiting exposure to any one entity or group of related entities. As at August 31, 2024, no single issuer represented more than 28% of the total cash, cash equivalents and investments (February 29, 2024 - no single issuer represented more than 30% of the total cash, cash equivalents and investments), with the largest such issuer representing bearer deposits, term deposits and cash balances with one of the Company's banking counterparties.

Liquidity risk

Cash, cash equivalents, and investments were approximately $265 million as at August 31, 2024. The Company's management remains focused on 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.

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 and on the SEC's website at www.sec.gov.

Cautionary Note Regarding Forward-Looking Statements

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

- the Company's plans, strategies and objectives, including its intentions to increase and enhance its product and service offerings 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 *(in millions, except for share and per share amounts)*		
	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	$ (19)	$ (42)	$ 23
Loss per share - reported			
Basic	$ (0.03)	$ (0.07)	
Diluted	$ (0.03)	$ (0.07)	
Weighted-average number of shares outstanding (000's)			
Basic	590,549	583,524	
Diluted [(1)]	590,549	583,524	

[(1)] 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	August 31, 2023	Change	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 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	$ 48	$ 43	$ 5	$ 45	$ 41	$ 4	$ 2	$ 2	$ —	$ 95	$ 86	$ 9

For the Six Months Ended
(in millions)

	Cybersecurity			IoT			Licensing			Segment Totals		
	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 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	$ 98	$ 99	$ (1)	$ 88	$ 77	$ 11	$ 6	$ 90	$ (84)	$ 192	$ 266	$ (74)

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 [(1)]	$ 48	$ 45	$ 2	$ 95	$ (1)	$ 94
Operating expenses					115	115
Investment income, net					3	3
Loss before income taxes						$ (18)

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 [(1)]	$ 98	$ 88	$ 6	$ 192	$ (2)	$ 190
Operating expenses					250	250
Investment income, net					8	8
Loss before income taxes						$ (52)

[(1)] 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 [1]	$ 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 [1]	$ 99	$ 77	$ 90	$ 266	$ (2)	$ 264
Operating expenses					322	322
Investment income, net					10	10
Loss before income taxes						$ (48)

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[1] 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
Gross margin	$ 94	$ 85
Stock compensation expense	1	1
Adjusted gross margin	$ 95	$ 86
Gross margin %	64.8 %	64.4 %
Stock compensation expense	0.7 %	0.8 %
Adjusted gross margin %	65.5 %	65.2 %

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
Operating expense	$ 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
Adjusted operating expense	$ 99	$ 109	$ 114

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
Net loss	$ (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	
Adjusted net loss	$ (2)	$0.00	$ (23)	$(0.04)

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
Research and development	$ 37	$ 50
Stock compensation expense	2	2
Adjusted research and development expense	$ 35	$ 48
Sales and marketing	$ 34	$ 43
Stock compensation expense	1	3
Adjusted sales and marketing expense	$ 33	$ 40
General and administrative	$ 33	$ 30
Restructuring charges	1	3
Stock compensation expense	3	5
Adjusted general and administrative expense	$ 29	$ 22
Amortization	$ 11	$ 14
Acquired intangibles amortization	9	10
Adjusted amortization expense	$ 2	$ 4

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.

For the Three Months Ended (in millions)	August 31, 2024	August 31, 2023
Operating loss	$ (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	17	19
Adjusted operating loss	(4)	(28)
Amortization	13	16
Acquired intangibles amortization	(9)	(10)
Adjusted EBITDA	$ —	$ (22)
Revenue	$ 145	$ 132
Adjusted operating loss margin % [1]	(3%)	(21%)
Adjusted EBITDA margin % [2]	—%	(17%)

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

Reconciliation of non-GAAP based measures with most directly comparable U.S. GAAP based measures for the 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
Gross margin	$ 190	$ 264
Stock compensation expense	2	2
Adjusted gross margin	$ 192	$ 266
Gross margin %	65.7 %	52.3 %
Stock compensation expense	0.7 %	0.4 %
Adjusted gross margin %	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
Operating expense	$ 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
Adjusted operating expense	$ 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**
Net loss	$ (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	
Adjusted net income (loss)	$ (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
Research and development	$ 79	$ 104
Stock compensation expense	4	4
Adjusted research and development expense	$ 75	$ 100
Sales and marketing	$ 72	$ 88
Stock compensation expense	3	4
Adjusted sales and marketing expense	$ 69	$ 84
General and administrative	$ 73	$ 84
Restructuring charges	9	8
Stock compensation expense	6	10
Adjusted general and administrative expense	$ 58	$ 66
Amortization	$ 23	$ 29
Acquired intangibles amortization	17	20
Adjusted amortization expense	$ 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
Operating loss	$ (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
Adjusted operating income (loss)	(16)	7
Amortization	26	32
Acquired intangibles amortization	(17)	(20)
Adjusted EBITDA	$ (7)	$ 19
Revenue	$ 289	$ 505
Adjusted operating income (loss) margin % (1)	(6 %)	1 %
Adjusted EBITDA margin % (2)	(2 %)	4 %

(1) Adjusted operating income (loss) margin % is calculated by dividing adjusted operating income (loss) by revenue.
(2) 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
Net cash provided by (used in) operating activities	$ (13)	$ (56)
Acquisition of property, plant and equipment	(2)	(1)
Free cash flow (usage)	$ (15)	$ (57)

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
Revenue by Segment			
Cybersecurity	$ 87	$ 79	$ 8
IoT	55	49	6
Licensing	3	4	(1)
	$ 145	$ 132	$ 13
% Revenue by Segment			
Cybersecurity	60.0 %	59.9 %	
IoT	37.9 %	37.1 %	
Licensing	2.1 %	3.0 %	
	100.0 %	100.0 %	

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
Revenue by Geography			
North America	$ 69	$ 72	$ (3)
Europe, Middle East and Africa	47	39	8
Other regions	29	21	8
	$ 145	$ 132	$ 13
% Revenue by Geography			
North America	47.6 %	54.5 %	
Europe, Middle East and Africa	32.4 %	29.6 %	
Other regions	20.0 %	15.9 %	
	100.0 %	100.0 %	

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	August 31, 2023	Change	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 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	$ 48	$ 43	$ 5	$ 45	$ 41	$ 4	$ 2	$ 2	$ —	$ 95	$ 86	$ 9
Segment gross margin %	55 %	54 %	1 %	82 %	84 %	(2)%	67 %	50 %	17 %	66 %	65 %	1 %

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
Revenue	$ 145	$ 144	$ 132
Operating expenses			
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)
Total	$ 115	$ 135	$ 132
Operating Expenses as % of Revenue			
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 %)
Total	79.3 %	93.8 %	100.0 %

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)
Total	$ 11	$ 14	$ (3)

	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 *(in millions, except for share and per share amounts)*		
	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	$ (61)	$ (53)	$ (8)
Loss per share - reported			
Basic	$ (0.10)	$ (0.09)	$ (0.01)
Diluted	$ (0.10)	$ (0.09)	$ (0.01)
Weighted-average number of shares outstanding (000's)			
Basic	590,188	583,171	
Diluted [1]	590,188	583,171	

[1] 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 (in millions)		
	August 31, 2024	August 31, 2023	Change
Revenue by Segment			
Cybersecurity	$ 172	$ 172	$ —
IoT	108	94	14
Licensing	9	239	(230)
	$ 289	$ 505	$ (216)
% Revenue by Segment			
Cybersecurity	59.5 %	34.1 %	
IoT	37.4 %	18.6 %	
Licensing	3.1 %	47.3 %	
	100.0 %	100.0 %	

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 (in millions)		
	August 31, 2024	August 31, 2023	Change
Revenue by Geography			
North America	$ 137	$ 389	$ (252)
Europe, Middle East and Africa	94	76	18
Other regions	58	40	18
	$ 289	$ 505	$ (216)
% Revenue by Geography			
North America	47.4 %	77.0 %	
Europe, Middle East and Africa	32.5 %	15.1 %	
Other regions	20.1 %	7.9 %	
	100.0 %	100.0 %	

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 (in millions)											
	Cybersecurity			IoT			Licensing			Segment Totals		
	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 2023	Change	August 31, 2024	August 31, 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	$ 98	$ 99	$ (1)	$ 88	$ 77	$ 11	$ 6	$ 90	$ (84)	$ 192	$ 266	$ (74)
Segment gross margin %	57 %	58 %	(1 %)	81 %	82 %	(1 %)	67 %	38 %	29 %	66 %	53 %	13 %

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 *(in millions)*		
	August 31, 2024	August 31, 2023	Change
Revenue	$ 289	$ 505	$ (216)
Operating expenses			
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)
Total	$ 250	$ 322	$ (72)

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 %
Total	86.5 %	63.8 %

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 *(in millions)*		
	Included in Operating Expense		
	August 31, 2024	August 31, 2023	Change
Property, plant and equipment	$ 4	$ 4	$ —
Intangible assets	19	25	(6)
Total	$ 23	$ 29	$ (6)

	Included in Cost of Sales		
	August 31, 2024	August 31, 2023	Change
Property, plant and equipment	$ —	$ 2	$ (2)
Intangible assets	3	1	2
Total	$ 3	$ 3	$ —

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	$ 265	$ 298	$ (33)

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	$ 133	$ 152	$ (19)

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 (in millions)		
	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	$ (12)	$ 121	$ (133)

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:

	(in millions)		
	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	$ 335	$ 72	$ 263

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 a fixed interest rate, as described in Note 5 to the Consolidated Financial Statements. The Company is exposed to interest rate risk as a result of the Notes. The Company does not currently utilize interest rate derivative instruments.

Credit and Customer Concentration

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company establishes an allowance for credit losses ("ACL") that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. The ACL as at August 31, 2024 was $6 million (February 29, 2024 - $6 million). There was one customer that comprised more than 10% of accounts receivable as at August 31, 2024 (February 29, 2024 - two customers that comprised more than 10%). During the second quarter of fiscal 2025, the percentage of the Company's receivable balance that was past due decreased by 11.1% compared to the fourth quarter of fiscal 2024. Although the Company actively monitors and attempts to collect on its receivables as they become due, the risk of further delays or challenges in obtaining timely payments of receivables from resellers and other distribution partners exists. The occurrence of such delays or challenges in obtaining timely payments could negatively impact the Company's liquidity and financial condition. There was one customer that comprised 11% of the Company's revenue and 12% of the Company's revenue in the three and six months ended August 31, 2024, respectively (three and six months ended August 31, 2023 - no customer that comprised more than 10% of the Company's revenue and one customer that comprised 45% of the Company's revenue, due to the completed patent sale transaction, respectively).

Market values are determined for each individual security in the investment portfolio. The Company assesses declines in the value of individual investments for impairment to determine whether the decline is other-than-temporary. The Company makes this assessment by considering available evidence including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition, the near-term prospects of the individual investment and the Company's ability and intent to hold the debt securities to maturity.

ITEM 4. CONTROLS AND PROCEDURES

As of August 31, 2024, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of such date, the Company's disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the three months ended August 31, 2024, no changes were made to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 9 to the Consolidated Financial Statements for information regarding certain legal proceedings in which the Company is involved.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements

During the three months ended August 31, 2024, neither the Company or any of its officers or directors adopted or terminated trading arrangements for the sale of the Company's common shares.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
10.1	Employment agreement with Tim Foote, dated July 26, 2024 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38232) filed with the SEC on July 29, 2024).
10.2*	Separation agreement with Steve Rai, dated July 26, 2024
31.1*	Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a)

31.2*	Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a)
32.1†	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	XBRL Instance Document – the document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document
101*	Inline XBRL Taxonomy Extension Schema Document
101*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101*	Inline XBRL Taxonomy Extension Label Linkbase Document
101*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File – formatted as Inline XBRL and contained in Exhibit 101

* Filed herewith
† Furnished (and not filed) herewith pursuant to Item 601(b)(32)(ii) of the SEC's Regulation S-K

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

BLACKBERRY LIMITED

Date: September 27, 2024

By:	/s/ John Giamatteo
Name:	John Giamatteo
Title:	Chief Executive Officer
By:	/s/ Tim Foote
Name:	Tim Foote
Title:	Chief Financial Officer

BlackBerry

July 26, 2024

Steve Rai
[redacted]

Dear Steve:

Further to our meeting and subsequent discussions, this confirms our discussion regarding the termination of your employment with BlackBerry Limited ("BlackBerry"), effective September 30, 2024 (the "Termination Date"), and reflects the agreement reached between you and BlackBerry. You will be paid all your eligible earnings to the Termination Date and a Record of Employment will be filed electronically on your behalf.

To assist you in your transition to new employment, we are prepared to put the following severance arrangements into effect, subject to your signing the enclosed Release and Indemnity attached as Schedule A and returning the same to us.

Employment Agreement Amendment

The definition of "Change of Control" in paragraph 4.7(d) of the amendment effective July 1, 2022 to your employment agreement with BlackBerry dated September 23, 2019 (the "Employment Agreement"), as amended, is hereby deleted and replaced in its entirety by the following new language:

(d) "Change of Control" means the occurrence of any of the following:

(i) an amalgamation, merger, share exchange, consolidation, arrangement or other reorganization (each, a "Transaction") involving either (A) BlackBerry Limited or (B) any present or future direct or indirect subsidiary of BlackBerry Limited which at the time of the completion of the Transaction directly or indirectly operates, or owns all or substantially all of the assets used solely in the operation of, either the Cybersecurity business of BlackBerry Limited or the IoT business of BlackBerry Limited (each, a "Business Unit"), in either case on a consolidated basis (a subsidiary in (B) being a "Business Unit Subsidiary") and another corporation or other legal entity, other than an affiliate of BlackBerry Limited, as a result of which the holders of the voting shares of BlackBerry Limited or the Business Unit Subsidiary, as the case may be, immediately prior to the completion of the Transaction hold less than 50% of the voting power of all of the shares of such entity immediately after completion of the Transaction;

(ii) any person (for the purposes of this paragraph 4.5(d), as defined in the *Business Corporations Act* (Ontario)) or group of persons acting jointly or in concert (within the meaning of Ontario securities law), other than any person that is an affiliate of BlackBerry Limited, acquires or becomes the beneficial owner of, directly or indirectly, shares possessing more than 50% of the voting power of all of the shares of BlackBerry Limited or of a Business Unit Subsidiary, whether through the acquisition of previously issued and outstanding shares or of shares that have not been previously issued, or any combination thereof, or any other transaction having similar effect;

(iii) the acquisition in one transaction or a series of transactions, whether related or unrelated, by any person or persons of all or substantially all of the assets (A) of BlackBerry Limited or (B) used solely in the operation of either Business Unit, in either case on a consolidated basis, and in the case of (A) or (B) other than a disposition or transfer of assets to BlackBerry Limited and/or an affiliate of BlackBerry Limited as part of a reorganization of assets of BlackBerry Limited and/or its affiliates; or

(iv) as a result of or in connection with an actual or threatened contested election of directors, the management nominees named in the most recent management proxy circular of BlackBerry Limited for election to the Board do not constitute a majority of the Board.

We confirm that the wording of the foregoing definition is identical to that of an amendment BlackBerry will agree to make to the definition of "Change of Control" in the employment agreement of its Chief Executive Officer on or about the date of this letter agreement.

Payment and Benefits

Pay in Lieu of Notice and Severance

A payment equivalent to your *Employment Standards Act, 2000* entitlement (the "Statutory Amount") will be paid to you seven (7) days following your Termination Date or on what would have been the next regular pay day, whichever is later. BlackBerry will also continue to pay you your current annual base salary ($600,000.00 CAD) for a period of twenty-two (22) months following the Termination Date (the "Severance Period"), less the Statutory Amount amortized over the Severance Period, provided that you sign and return the enclosed Release and Indemnity as further described below and remain in compliance with your obligations under both it and this letter agreement during the Severance Period.

Employee Benefits

All group benefit coverage which was available to you prior to the Termination Date will continue as though you remained actively employed by BlackBerry during a notice period of 6 weeks, pursuant to the *Employment Standards Act, 2000*. Provided you sign and return the enclosed Release and Indemnity, you will also receive continuing benefit coverage (excluding optional AD&D, travel insurance and assistance, RRSP contribution match, STD and LTD benefits, optional life and critical illness insurance) for the remainder of the Severance Period.

Incentive Compensation

BlackBerry will pay you a pro rata amount of any earned Fiscal 2025 Variable Incentive Plan (VIP) program bonus to you in accordance based on attainment of the performance targets set out in, and otherwise in accordance with the terms and conditions of, your applicable VIP plan. Such amount will be calculated on a pro rata basis for the portion of Fiscal 2025 completed up to and including the Termination Date and will be paid at the time that BlackBerry generally pays Fiscal 2025 VIP amounts to employees in Canada.

Career Transition Services and Support

Provided you sign and return the enclosed Release and Indemnity, you will be provided with professional career transition services and support through Right Management, details of which are enclosed.

Equity

Notwithstanding the terms of the BlackBerry Equity Incentive Plan (the "Plan") or any Restricted Share Unit (RSU) award agreement to the contrary, all of your entitlements or rights pursuant to any outstanding RSUs held by you will continue to vest during the Severance Period otherwise in accordance with the terms of the Plan and the applicable award agreements. At the end of the Severance Period, any unvested RSUs will expire immediately, be forfeited and of no force or effect.

Employee Share Purchase Plan

If you own BlackBerry shares through the BlackBerry Employee Share Purchase Plan (ESPP), you will need to access your Solium Shareworks account within 90 days and indicate how you would like to receive your proceeds.

Vacation Pay and Other Outstanding Amounts Owing

If there is any pro-rated vacation pay or other outstanding amounts owing to you as of the Termination Date, this will be paid to you in addition to the amounts set out herein.

Deductions

BlackBerry will deduct the amount of your employee contributions, if any, to the benefit plans outlined above, from any payments it makes to you. All required statutory deductions will be deducted from any amounts to be paid to you hereunder as well.

Expenses

You will be reimbursed for any allowable business expenses incurred up to and including the Termination Date. If you wish to claim any unclaimed allowable business expenses, please submit an expense report prior to the Termination Date or within 7 days of the Termination Date.

Tax Preparation

BlackBerry will pay for Canadian and, at your request, U.S. tax preparation and filing services for you and your spouse by a representative from BlackBerry's designated tax service provider for 2024.

Transition to Advisor

From July 29, 2024 to September 30, 2024, your position will be Advisor and you will not be an officer of BlackBerry. You will report to the Chief Executive Officer and your duties will be to assist him with his integration into his role together with such other duties as he may reasonably determine and assign. Throughout your fixed term as Advisor, your compensation and benefits will remain unchanged and your work will be on an as-needed (but no more than 40 hours per week) and hybrid basis. We acknowledge and agree that during your fixed term as Advisor you may undertake outside business and employment activities provided that they do not conflict or interfere with your assigned duties to BlackBerry and that you remain in compliance with the Restrictive Covenant Addendum that you signed in connection with the Employment Agreement and with the obligations described in the "Confidentiality and Ongoing Obligations" section immediately below.

Confidentiality and Ongoing Obligations

We would like to remind you that you continue to be bound by BlackBerry's Business Standards and Principles documentation and the Employee/Consultant Confidentiality and Intellectual Property Agreement agreed to with BlackBerry during your employment. In particular, we would draw your attention to the definition of "Confidential Information" in that Agreement, which expressly includes all trade secrets, confidential, private or secret information, know how, proprietary information, intellectual property, or information that has been specifically identified or designated as confidential or proprietary, in each case belonging to BlackBerry or BlackBerry's consultants, sponsored researchers, suppliers, distributors, customers, and other business partners.

We would also like to remind you of your ongoing non-solicitation obligations which continue to apply after the termination of your employment with BlackBerry.

During the course of your employment, you may have been the subject of one or more legal holds requiring you to, among other things, preserve documents relating to litigation involving BlackBerry. You confirm that during the course of your employment you at all times complied with all litigation holds to which you were subject.

During the course of your employment with BlackBerry, you acquired knowledge of matters which are now, or may become, the subject of disputed claims or litigation involving BlackBerry, its subsidiaries and affiliated or associated companies. As a result, you agree to provide all assistance and cooperation requested by BlackBerry and/or its counsel relating to any litigation involving BlackBerry when it is determined by BlackBerry that your assistance is needed. Your assistance may include, but is not limited to, participating in interviews, providing truthful information on factual issues, reviewing documents, and/or preparing for and giving truthful testimony, whether orally or by affidavit at discovery, in a deposition, at trial or otherwise. In order to minimize the economic impact that you may experience as a result of fulfilling these obligations, BlackBerry will pay you at a rate of $288 CAD per completed hour for your time and will reimburse you for reasonable expenses you incur in connection with such assistance.

You understand that your agreement to provide such assistance and cooperation as set forth in this paragraph is in addition to all of your continuing obligations under your employment agreement or otherwise, including your obligations of confidentiality and non-disclosure. If you are contacted or approached about, or otherwise requested to disclose such information, you agree not to disclose any such information and to immediately contact Maggie Mayo, Senior Director, Head of Litigation at mmayo@blackberry.com.

5. 07/26/2024

Return of Company Property

You must return all of BlackBerry's property in your possession or under your control including all IT equipment, security access badge, keys, American Express credit card, and all BlackBerry materials and documents immediately upon the Termination Date; provided, however, that you do not need to return and will take ownership of the corporate iPhone that has been assigned to you once all BlackBerry applications and data have been wiped from the device.

We wish to thank you for your contribution to BlackBerry and extend to you our best wishes for the future. Please indicate your acceptance of the terms of this offer by signing and returning a copy of the Release and Indemnity to my attention within seven (7) days of the date of this letter agreement.

Sincerely,

Jennifer Armstrong-Owen
Senior Vice President and Chief People Officer of BlackBerry Limited

Acknowledged and agreed as of July 26, 2024

DocuSigned by:
Steve Rai
5E1D623A2C29494...
Steve Rai

Schedule A

RELEASE AND INDEMNITY

1. In consideration of those payments and the other considerations contained in the attached letter (the "Severance Offer"), the sufficiency of which is acknowledged, I, Steve Rai:

   (a) hereby release and forever discharge BlackBerry Limited ("BlackBerry") and its officers, directors, agents, employees, shareholders, successors, assigns and all affiliated, related, subsidiary and parent corporations, and all of their officers, directors, servants, employees and agents (collectively "the Releasees") of and from all manner of action, causes of action, claims, covenants, contracts, complaints or grievances arising out of my employment or the cessation of my employment with the Releasee, BlackBerry, including without limitation:

      I. any claims pursuant to the Ontario *Human Rights Code,* the Ontario *Employment Standards Act,* the *Occupational Health and Safety Act,* and the *Workplace Safety and Insurance Act,* specifically including claims for salary, wages, vacation pay, holiday pay, commissions, bonuses, incentive plan payments, benefits, expenses, interest, stock options, Restricted Share Units, overtime pay, termination pay and severance pay; and

      II. any other claims arising at or pursuant to common law, under contract or any other legislation which may be found to apply to my employment with BlackBerry, or the cessation thereof;

   (b) agree not to make any claim or take any proceedings against any other individual, partnership, association, trustee, unincorporated organization or corporation with respect to any matters which may have arisen between me and the Releasees;

   (c) hereby agree to indemnify and save harmless the Releasees from any and all claims or demands under the *Income Tax Act* of Canada, the *Income Tax Act* of the Province of Ontario, the *Canada Pension Plan*, the *Employment Insurance Act* of Canada, including any regulations made thereunder, and any other statute or regulations, for or in respect of any failure on the part of BlackBerry to withhold the employee's portion of income tax, Canada Pension Plan premiums, employment insurance premiums or benefits overpayment or any other tax, premium, payment or levy from all or any part of the said consideration, any interest or penalties relating thereto, and any costs or expenses incurred in defending such claims or demands.

2. Notwithstanding the foregoing, this Release and Indemnity shall not apply to any actions, causes of action, claims and demands which I may have relating to the failure or refusal of BlackBerry to comply with the Severance Offer.

3. I further agree to keep the terms and conditions of the attached Severance Offer and this Release and Indemnity confidential and to not disclose the fact or terms of the Severance Offer to any person other than my legal and financial advisors and my immediate family, except as may be required by law.

4. I agree that I will not comment in any adverse fashion on, and will refrain from making any disparaging or derogatory remarks about BlackBerry and its associated and related companies and their respective directors, officers, agents or employees, or my relationship with any of them.

5. I acknowledge and agree that the Severance Offer does not constitute any admission of liability by the Releasees.

6. This Release and Indemnity and the Severance Offer shall be deemed to have been made and shall be construed in accordance with the laws of the Province of Ontario. I hereby submit to and consent to the non-exclusive jurisdiction and venue of the Courts of the Province of Ontario to hear any matter arising in connection with the Severance Offer or this Release and Indemnity. I agree that the ongoing obligations set out in the Severance Offer and paragraphs 1 through 7 herein are each independent covenants and if any of them is held by a court of competent jurisdiction to be invalid, void or unenforceable by a court or other lawful authority, the remainder of the continuing obligations shall remain in force and effect and shall in no way be affected, impaired, or invalidated.

7. This Release and Indemnity shall inure to the benefit of and be binding upon me and the Releasees and our respective heirs, executors, administrators, legal personal representatives, successors and assigns.

I acknowledge and agree that I have had the opportunity to obtain independent legal advice with respect to the terms of the Severance Offer as well as this document and I fully understand them. I hereby voluntarily accept the Severance Offer and the terms in this Release and Indemnity for the purpose of making full and final compromise, adjustment and settlement of all claims I have had, now have or may in future have against the Releasees, or any of them.

SIGNED, SEALED AND DELIVERED on

this 26th day of July, 2024,

DocuSigned by:
Steve Rai
5E1D623A2C29494...
Steve Rai

Please provide us with your contact information should further correspondence be required.

[redacted]
Phone #

[redacted]
Personal Email

Exhibit 31.1

Certification of CEO
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Giamatteo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BlackBerry Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2024

/s/ John Giamatteo
Name: John Giamatteo
Title: Chief Executive Officer

Exhibit 31.2

Certification of CFO
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tim Foote, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BlackBerry Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2024

/s/ Tim Foote
Name: Tim Foote
Title: Chief Financial Officer

Exhibit 32.1

Certification of CEO
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of BlackBerry Limited (the “Registrant”) on Form 10-Q for the quarter ended August 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), John Giamatteo, as Chief Executive Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ John Giamatteo

Name: John Giamatteo
Title: Chief Executive Officer
Date: September 27, 2024

Exhibit 32.2

Certification of CFO
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of BlackBerry Limited (the “Registrant”) on Form 10-Q for the quarter ended August 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Tim Foote, as Chief Financial Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Tim Foote
Name: Tim Foote
Title: Chief Financial Officer
Date: September 27, 2024