

BlackBerry Limited

Third Quarter Fiscal Year 2023 Results Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Luke Junk, *R.W. Baird*

Mike Walkley, *Canaccord*

Todd Coupland, *CIBC*

Trip Chowdhry, *Global Equities Research*

Paul Treiber, *RBC*

PRESENTATION

Operator

Good afternoon and welcome to the BlackBerry Third Quarter Fiscal Year 2023 Results Conference Call. My name is Matt, and I will be your conference moderator for today's call. During the presentation, all participants will be in a listen-only mode. We will be facilitating a brief question-and-answer session towards the end of the conference. [Operator Instructions] As a reminder, this conference is being recorded for replay purposes.

I would now like to turn today's call over to Mr. Tim Foote, Vice President of BlackBerry Investor Relations. Sir, please go ahead.

Tim Foote

Thank you, Matt. Good afternoon and welcome to BlackBerry's third quarter fiscal 2023 earnings conference call. With me on the call today are Executive Chair and Chief Executive Officer, John Chen, and Chief Financial Officer, Steve Rai. After I read our cautionary note regarding forward-looking statements, John will provide a business update and Steve will review the financial results. We will then open the call for a brief Q&A session. This call is available to the general public via call-in numbers and via webcast in the Investor Information section at blackberry.com. A replay will also be available on the blackberry.com website.

Some of the statements we'll be making today constitute forward-looking statements and are made pursuant to the Safe Harbor provisions of applicable US and Canadian securities laws. We'll indicate forward-looking statements by using words such as expect, will, should, model, intend, believe, and similar expressions. 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 relevant.

Many factors could cause the company's actual results or performance to differ materially from those expressed or implied by the forward-looking statements. These factors include the risk factors that are discussed in the company's annual filings and MD&A. You should not place undue reliance on the company's forward-looking statements. Any forward-looking statements are made only as of today, and the company has no intention and undertakes no obligation to update or revise any of them, except as required by law.

As is customary, during the call, John and Steve will reference non-GAAP numbers in their summary of our quarterly results. For a reconciliation between our GAAP and non-GAAP numbers, please see the earnings press release published earlier today, which is available on the EDGAR, SEDAR and blackberry.com websites.

And with that, I'll turn the call over to John.

John Chen

Thanks, Tim. Good afternoon everyone and thanks for joining the call today. This was a quarter where BlackBerry made good progress based on leading indicators for both the IoT and Cyber businesses. BlackBerry beat expectations for both total company revenue and Earnings Per Share. On the IoT side we saw the business performing very strongly, setting yet another record for design phase revenues. The strategic decisions made over the past 5 years to position QNX as the trusted foundation for high performance edge compute, especially in Auto, is really bearing fruit. On the Cyber side, in line with what we said last quarter, we saw an improvement in the level of churn that we've experienced recently. The investments being made in product and go-to-market continue to drive sequential billings growth in our Cyber business.

Let me start my review with the IoT business unit. As mentioned, this was another strong quarter. Revenue was \$51 million, a 19% year-over-year increase. Gross margin was 80%. Pre-production revenue, that is revenue from development seats and professional services, set another record. This strength is being driven by significant new design wins. In fact, in the first 6 months of this fiscal year, BlackBerry added more new royalty backlog than in any prior 12-month period. And that momentum continued this past quarter with wins in a number of verticals, but particularly in the safety-critical Auto ADAS and Digital Cockpit domains, where we are significantly gaining market share. The largest wins in the quarter included a win with Aptiv to use the QNX hypervisor and RTOS to power a digital cockpit for a European OEM. Other Auto wins included a design with Daimler Truck, an instrument cluster design win with Tier 1 supplier Marelli, for a leading Japanese automaker, and a design with a leading Chinese tier 1 supplier for an ADAS driver assist module. In the quarter we secured a total of 24 new design wins, with 9 in Auto, and 15 in the General Embedded Market, or GEM.

In GEM, we secured design wins within Medical, Industrial, as well as Defense and Aerospace. Among the use cases was an autopilot flight control system, a naval combat system, and retinal surgery robotics, to name just a few.

Looking forward, we continue to see a very strong pipeline of upcoming new designs. We believe that we're in a strong position to convert these opportunities into wins given our recent success rate, our very strong reputation in the market, and of course the strength of our technology.

The industry-wide macro backdrop for auto remains mixed. We see strength in China and India, both significant markets for QNX. On the flip side we see some tightening in North America and Europe, primarily due to ongoing supply chain, and some demand challenges. However, it is important to give this some context. While production volume is an important factor in QNX's total revenue, the auto industry's significant shift to the software defined vehicle, and the development programs that drive this, has enabled us to deliver double-digit revenue growth.

This quarter we made a major product announcement for QNX in the cloud. At Amazon's Re:Invent conference, AWS announced that QNX will be made available to system developers via their cloud-native virtual engineering workbench. Being able to access QNX in the cloud greatly reduces the time to market for developers and provides significant additional market reach for BlackBerry. QNX will be accessible by AWS's large and growing community of over 1 million developers across multiple verticals, not just Auto. We've had very positive feedback from both this demonstration and the early access product made available to select OEMs and Tier 1's. We expect to provide more details on the general availability at CES. Moving now to a new and exciting use case for our Certicom technology. In the quarter, we delivered an Electric Vehicle charging station Public Key Infrastructure (PKI) solution for a leading North American Automotive OEM. The solution enables vehicles and EV charging stations to identify and establish trusted connectivity, as well as allowing OEMs to meet the new international standard for secure Vehicle-to-Grid interfaces. This capability opens a significant opportunity for BlackBerry to secure critical smart city infrastructure in the future.

Given the strength of the IoT business going into Q4, we expect revenue to come in at the high end of the range we provided previously. We are therefore now expecting our full-year revenue outlook to be in the range of \$205 million to \$210 million, which translates to 15 to 18% year-on-year growth.

Let me now move to IVY. Proof of concept trials with customers continue to progress well. Product development also remains on track, with the latest version released last week, as planned. We had some significant product demonstrations of IVY this past quarter. Last month at Bosch Connected World in Berlin, the IVY platform was running in a Peugeot car and enabling predictive maintenance, in-car payments and Amazon Alexa virtual assistant applications. IVY was also shown operating in the cloud at the AWS Re:Invent conference in Las Vegas, and the developer workshop held there was well attended by OEMs and Tier 1s. Feedback from both events was very positive. We also added a new application from Roadside Telematics to the IVY ecosystem this quarter. Roadside Telematics is a California-based start-up aiming to use sensor data from BlackBerry IVY to provide automatic notifications to 911 emergency services in the event of a crash.

Let me now turn to our Cybersecurity business. Revenue for the quarter was \$106 million. On a sequential basis, billings increased for the second consecutive quarter to \$103 million. Gross margin was 57%. ARR was \$313 million. The dollar-based net retention rate was 84%.

In line with our comments last quarter, we see signs that the investments in product and people are starting to pay off. The rate of churn seen recently has improved this quarter, with an uptick in renewal rates, and with it, an improved quarter-over-quarter change in ARR.

Turning now a bit to the macro environment. We're seeing the same as many other software companies, including those in cybersecurity, in noticing some elongation of sales cycles during this past quarter. Therefore, it is likely that the macro environment will be a headwind for this business in the near term, although we're likely to fare better than most given our heavy skew towards regulated customers, particularly government. Furthermore, cybersecurity still remains an essential purchase. Touching briefly on the UEM market specifically, this past quarter industry analysts noted an increased adoption of UEM solutions in regulated environments.

In the quarter, despite the macro challenges, we secured a greater number of multi-year transactions than previously. This included both renewals and account expansions. The customers included some of those with the highest security needs anywhere in the world, such as multiple agencies in the US Department of Homeland Security, the US Defense Intelligence Agency and the National Guard. Also, the US Missile Defense Agency, the pan-European missile systems company MBDA, as well as NATO Headquarters – who also approved our BlackBerry secure voice solution for official NATO communications. Also within government were Shared Services Canada, the US Department of Justice, the FBI, the US Department of the Treasury and the US Department of Energy. Outside of North America, we secured business with the Australian Federal Court, the Government of Iceland, the Government of Wales, the Scottish Police and the German Ministry of Home Affairs. In Financial Services we did business with Bank of China, Credit Agricole, Blackstone investment management, Singapore's DBS Bank, Germany's KfW bank as well as the German Federal State Bank. Finally, I'll mention that we continue to win in other verticals too, with examples including Johnson & Johnson, leading law firm Sullivan and Cromwell, as well as Switzerland's ABB, a leading electrical equipment manufacturer.

Some of you will hopefully have joined us for our Security Summit at the New York Stock Exchange in October. During the event we announced the launch of a Cyber threat intelligence subscription service that will provide customers with tailored threat briefings. This service will launch in January, and the initial response has been positive, particularly from government agencies.

Turning to outlook, we expect to see improvements in both customer churn and new logo acquisition continuing next quarter. We are not changing our outlook for Cyber revenue and billings, but as previously mentioned, Q4's outlook includes some large potential government deals that the team is working hard to close. As always with large deals of this nature, timing can be unpredictable. However, regardless of whether we are able to close these deals in time for Q4, or they slip into Q1, we expect to deliver sequential billings growth in the quarter. This would mean sequential billings growth for the third quarter in a row. What's more, we currently expect to see the value of billings in Q4 exceed revenue. This is a strong leading indicator, and we expect a return to ARR growth in the second half of next fiscal year.

Let me now move to Licensing. Revenue in the quarter came in higher than expected at \$12 million. Gross margin was 67%. In the quarter we recognized revenue relating to royalties from past licensing deals, and they came in stronger than expected.

Let me now turn the call over to Steve, who will provide more details on our financials.

Steve Rai

Thank you, John. As usual, my comments on our financial performance for the third quarter will be in non-GAAP terms, unless otherwise noted.

Total company revenue for the quarter was \$169 million. Total company gross margin was 64 percent. Operating expenses for the third quarter were \$137 million. These non-GAAP operating expenses exclude: A \$56 million fair value gain on the convertible debentures; \$22 million in amortization of acquired intangibles; and \$8 million in stock compensation expense.

BlackBerry remains in a targeted investment mode. Our capital allocation strategy is for aggressive investment in our IoT business unit, to capitalize on the strong opportunities we see in front of us, and for strategic investments in our Cybersecurity business to both drive topline growth as well as deliver profitability.

These investments are discretionary and can be eased back if required. This strategy is starting to pay off, with IoT winning record levels of new designs and the trajectory of the cyber business improving. Given these investments, we continue to expect manageable EPS loss and cash usage in the near term. The GAAP operating loss for the third quarter was \$2 million and the non-GAAP operating loss was \$28 million. The GAAP net loss was \$4 million, and non-GAAP net loss was \$30 million. Both the 1 cent GAAP, and 5 cent non-GAAP, basic losses per share were better than expectations. Adjusted EBITDA, excluding the non-GAAP adjustments previously mentioned, was negative \$22 million.

Now turning to a breakdown of revenue in the quarter: IoT revenue was \$51 million and Cybersecurity revenue was \$106 million. Software product revenue as a percentage of total revenue, increased to be in the range of 85 to 90%, and professional services formed the balance. As before, approximately 80% of software product revenue was recurring. Licensing and Other revenue was \$12 million.

Now turning to the balance sheet and cash flow. Total cash, cash equivalents and investments were \$505 million as at November 30, 2022. Free cash usage in the quarter, before accounting for the settlement of a prior legal case, was \$22 million.

That concludes my comments. I'll now turn the call back to John.

John Chen

Thank you, Steve. Before we open the line for Q&A, let me recap on the key messages. We are pleased with the progress made by both of our core business units this quarter. The IoT business unit continues to deliver strong, 19%, year-over-year revenue growth, despite the macro headwinds. The Cybersecurity business unit's trajectory is progressing, with improved levels of churn, an increase in multi-year deals as well as new logos.

And finally, a quick update on the IP patent portfolio sale. As we said before, there are 2 main interested parties. I'm pleased to say that tremendous progress has been made with both of them. Catapult, who you know, now has a motivated financing partner lined up and all parties are currently negotiating the final documents. The second party is a large PE firm that doesn't need external

financing. They have completed their due diligence and term sheet discussions are well advanced. We'll obviously keep you updated as things progress.

That concludes my remarks.

Matt, can you please open the line for Q&A?

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] And our first question will come from the line of Luke Junk with Baird. Please go ahead.

John Chen

Hi.

Luke Junk – RW Baird & Co

Good afternoon. Thanks for taking the question. A couple of questions related to the IoT business. First, John, could you give any additional color on the subcomponents of your auto software business in IoT? Specifically, if there's anything you'll be able to add on the pre-production parts of that business, of course, but also be interested in any commentary on royalty churns looking forward, and other might lay out over the next few quarters or into next year in terms of launch activity that you have a line of sight too in the business? Thank you.

John Chen

It didn't come across clearly.

Tim Foote

So...

John Chen

Luke?

Tim Foote

Yeah. This is Luke from Baird. Breaking down IoT revenue, you've obviously said that the pre-production pieces at record levels. Any other comments, I'm guessing, around royalties?

John Chen

Oh, I could tell you in a typical year, a typical quarter or year actually, our general guideline is that about 40% of our revenue comes from royalties, 40% comes from developer seats and then 20% comes from services. That's kind of our rule of thumb.

Yes. It didn't come across very clear on the microphone. Luke, sorry about, so if you could...

Tim Foote

Perhaps the question, Luke, if I could rephrase, is there any color on royalties given the strength that we've seen in the design phase, the pre-production phase?

John Chen

Well, I mean, royalty is pretty much tied to production. The industry auto production basically were proportionally about the same, meaning that we expect, what, 85 million cars being built this year. It's a little probably about 10%, 15% down from previous pre-COVID years. That gives you some guidelines of what the royalty is like.

Luke Junk – RW Baird & Co

I'll just leave it there given the bad connection and take it offline. Thank you.

Operator

Our next question will come from Mike Walkley with Canaccord Genuity. Please go ahead.

John Chen

Hi, Mike.

Mike Walkley – Canaccord Genuity

Hey, John. Just maybe a follow-up on the IoT question, just based on some of the record level you're seeing for the design-phase revenue and particularly in ADAS, as these cars go into production in future years, how should investors think about maybe the magnitude of royalty per car versus your current infotainment system today?

John Chen

Yeah. That's a good question. So, the ARPU, which is you asking basically the ARPU question, our targeted ARPU remains to be \$25 a car. And, of course, we're quite a distance from it. However, if you look at the infotainment world, the infotainment world now down to probably \$1 to \$2 a car. On the other hand, ADAS is probably pushing high single-digit dollars, \$7, \$8, \$9. So, that's how – and then any newer features, cockpit, cluster, vehicle-to-vehicle communications and stuff, they all have a reasonable dollar amount tied to it, certainly a factor above infotainment.

Mike Walkley – Canaccord Genuity

Thanks. That's helpful. And my follow-up question just on the Cybersecurity business and more maybe the endpoint and competitive landscape. I know there's share for Cylance to gain from like the McAfees and Trend Micro, but there's several next-generation competitors that are pretty price aggressive, and

they're also talking about elongated deal cycles. So, could you kind of update us on what you're seeing and what's giving you that confidence to return to ARR growth in the second half of the next year?

John Chen

Yeah, we have a pretty elaborate model and spreadsheets between the Cyber business units and the finance organization of the company. And it looks like that returning to ARR second half of next year is quite real. I mean, ARR growth, sorry – year-over-year ARR growth in the second half of next year, probably pretty stable in the first half, and that's obviously based on the pipeline we have today. We factor in a little bit of the push-out. And then, of course, the renewal of some of the government contracts. One of our challenges is we have so many government contracts and they typically buy on an annual basis because that is all the budget they have, and they can only spend what they have approved budget on, so that's one thing that we face. But on the other hand, the good news in there is that the government customers are quite steady and stable, and their buying patterns are pretty steady also.

Mike Walkley – Canaccord Genuity

Great. Thanks. Maybe one last question, and I'll pass the line. John, just your thoughts on the macro environment heading into next year. You guys have ample cash on the balance sheet, and if you end up selling the Licensing business, you should have more cash on the balance sheet, but as you look into a challenging macro, how are you guys thinking about balancing investment for growth versus preserving free cash flow?

John Chen

Good questions. Where we are right now, you listened to what Steve had outlined. We are in a kind of a very careful investment mode. In IoT, we are definitely investing and hiring. We are winning a lot of the deals, I wouldn't say all the deals, but a majority of the deals, particularly in the ADAS world and the cockpit world and the hypervisor world. We believe the momentum, the kind of the tailwinds, it's there for us, and we wanted to capture it. We will be hiring engineers; we'll be hiring professional services people. We're expanding our sales force, partner programs and everything else.

On the Cyber side, John Giamatteo is balancing the growth of ARR and billings, balancing that with profitability, so the growth will – the investment there will still be there, but probably it will be a little slower, and with an eye to the bottom line given the uncertainty of the macro, as you pointed out.

It's kind of a little bit of a tale of two cities here. One is just keep growing because we got the momentum, and the other one is we want to do a more balancing, more guarded growth.

Mike Walkley – Canaccord Genuity

Okay. That's makes sense. Thanks for taking my questions, and happy holidays to everybody on the call.

John Chen

Yes. Thank you. Same to you.

Operator

Our next question will come from Todd Coupland with CIBC. Please go ahead.

John Chen

Hi, Todd.

Todd Coupland – CIBC Capital Markets

Hey there, John. Good evening. Can you hear me okay?

John Chen

Yeah.

Todd Coupland – CIBC Capital Markets

All right. Sounds like the CIBC Internet mic is working fine. I wanted to ask you about, first, on the Cyber business. So, you're basically saying flat year-on-year in the first half with some growth in the second half. How much more work is needed to bring the updated sales team and whatever other new product bundles you're contemplating to actually get to those ranges that you're talking about?

John Chen

I think we are net growing the sales force, meaning that sales force size is increasing modestly, and so we don't have to have any mysterious programs or, well, a very aggressive programs of some sort in order to achieve what I just said. I think we all feel pretty comfortable, and the Cyber business unit feels comfortable they will be able to be flattish in the first half. Only reason that that is flattish, by the way, as a reminder we were expecting growth in the past for the first half. It's because of the so-called elongating sales cycle. So, we expect it to be flattish for six months and then pick up again, and that's really a lot more macro-driven rather than us having do some special things.

By and large, we have a roadmap of technology, but none of the stuff that I talk about, depending on a particular product. I think the product side in pretty good shape. We do need to continue to drive the channel, continue to increase the Professional Services, particularly the MSSP. I think those are the two things that need to happen, but are part of our plan to make happen anyway. Nothing really special.

Todd Coupland – CIBC Capital Markets

Okay. That's helpful. And then I had a question on, I guess, the movements on the balance sheet. So, I think in the past, the price for the patent licensing business was \$600 million. Does that potentially change if the second party comes in, like if they get into the mix here, is the takeaway that you're going to get to \$600 million or possibly higher or is it just they get their first and they can close the deal? What's the message on that?

John Chen

Yeah. I'm sorry, I shouldn't comment on it. I know the questions and I understand. Of course, I have the answer, but it's unfair to both parties while we're negotiating in parallel, so if you don't mind just holding off on that until we make the announcement. I'm expecting the announcement of the conclusion of this relatively soon.

Todd Coupland – CIBC Capital Markets

I see. But the takeaway is that the confidence level with the second party has gone up from the last time we talked about this where financing was in a question to where it's – the probability of getting that \$600 million has gone up materially with that and then the initial party getting financing.

John Chen

Yes, again, I can't go into the structure, but the initial party, the confidence level has – you're right, has dramatically gone up.

Todd Coupland – CIBC Capital Markets

Okay. Should we take away, given the delay and the two parties here, that this structure that was announced before is potentially open to some adjustments?

John Chen

Very minor.

Todd Coupland – CIBC Capital Markets

I see, okay, okay. And then, just sort of one follow-up balance sheet question. One of the debentures is due in about a year, any messaging on paying it down versus refinancing at this point?

John Chen

I think we're going to pay it down.

Todd Coupland – CIBC World Markets, Inc.: The message is pay that down, okay, all right. Great. Thanks very much.

John Chen

Sure.

Operator: Our next question will come from Trip Chowdhry with Global Equities Research. Please go ahead.

John Chen

Hi, Trip.

Trip Chowdhry – Global Equities Research

Hello. This is still a very good quarter considering the backdrop. Two questions I have. Whenever we are in a recession, the federal government usually opens up their budgets, the budget increase to offset the collapse of the economy. Have you seen any federal government agencies across the globe, who may have at least not reduced their budgets and maybe thinking of increasing their budgets yet or you haven't seen anything like that so far?

John Chen

Well, it's a mixed bag, Trip. As far as cyber investment, I have not seen governments back away from it, particularly the governments that we deal with, which are probably about G7, G25, depending on the level that we are at, Five Eyes countries for example. No, we have not seen the budgets being cut or reduced in IT spending and cyber spending. So that's good news.

There are some very selective pockets. NATO spending a little bit more, Germany spending a lot more from an IT defense point of view and the Canadian government also spending more in supporting Ukraine, for example.

US, the money is there, a little bit more driven towards more social programs. It's kind of a – I can't give you a yes or no answer. It kind of depends on various governments that we're keeping very close tabs with, but on an overall scale, I haven't seen governments reduce their IT budgets yet.

Trip Chowdhry – Global Equities Research

Very good. Second question, as we are seeing a lot of new vehicles coming into the market and each one of them have at least two or three features, one, either the screens are really very big in the vehicle, or they have multiple screens. Do you think that changes the royalty stream for you, like if a vehicle, say, just three years, four years back only had one tiny screen, now on an average, there are three or four screens, front entertainment, rear-seat entertainment, overhead entertainment, you name it, videoconferencing, this and that, do you think there is a potential to increase some royalties because the multi-screen approach that is new, at least EV manufacturers are bringing to the market? And that's all for me. Happy holidays to all of you.

John Chen

Thank you, Trip. Happy holidays to you too. I don't believe – I mean I don't know, if multi-screens will bring me more copies. However, there is a trend in software-defined vehicle either for redundancy purposes or multi-MPU purposes, particularly as the capacity requirement goes up, they are using more copies of QNX.

Trip Chowdhry – Global Equities Research

Very good.

John Chen

It is more of an architectural point rather than a display point.

Trip Chowdhry – Global Equities Research

I got it. I got it. I got it. Very nice.

John Chen

Thanks.

Trip Chowdhry – Global Equities Research

And then, from the same token, I think if we go from 5G to 6G, the royalty stream, because of more use cases and more QNX copies and redundancy and resiliency, we may directionally see per-vehicle royalties to directionally go up rather than go down.

John Chen

Oh, yeah. I don't see – I mean there are two points to it. Number one, we have not seen the royalties of QNX going to go down any time soon. In fact, more copies are expected per car and the revenue should have gone – should go up. In addition to that, don't forget we have IVY behind it, which, when the capacity goes up, our usage of IVY also goes up. Wait till that gets into production and I'm hopeful that that will bring us also a good revenue stream.

Trip Chowdhry – Global Equities Research

Excellent. Excellent. Thank you very much. We look forward to seeing you all at the CES Conference.

John Chen

Thank you.

Operator: Our next question will come from Paul Treiber with RBC Capital Markets. Please go ahead.

John Chen

Hi, Paul.

Paul Treiber – RBC Capital Markets

Hi there, John. Just hoping you can speak to, on the Cyber business, the mechanics around NDR, which declined sequentially versus your comment on improved churn. Can you speak to some of the moving parts there, and then specifically, can you break out churn or the trends there in terms of UEM versus EPP?

John Chen

Good question. So, in general, as we have indicated in the beginning of the year, the churn is coming from the UEM base, small/medium enterprise. We have seen that as a consistent theme, but that has slowed down now quite a bit, or at least the last quarter we have seen a slowing. In fact, we are seeing the bigger deals going a little bit more multi-year with us.

I think UEM is now definitely stabilized. It is also being viewed more strategically by the market. And Gartner actually recently wrote a note on it, and we are seeing the same thing. Customers are starting to see – to treat UEM, rather than a price item, is now starting to look at it a little bit more strategically, particularly on the Cybersecurity side as a factor of their Cybersecurity.

This last quarter, something had happened that causes the infrastructure – mobile infrastructure's management and employee management to be relooked at in importance. You'd probably know this obviously, a number of banks in the United States have been fined for using messaging technology that are not the most secure or archivable. I think that forces all the bank CIOs trying to look at the completeness of their infrastructure. Obviously, the UEM is a technology that's been around for a long time. This is not just BlackBerry UEM, other established players in UEM also, obviously.

I'm answering your question in a kind of a long roundabout way. The churn slowdown, still kind of contained within the SMB and the UEM space. And as I said, we see a slowdown – we haven't seen it anywhere else; we definitely have not seen it on EPP. EPP seems to be holding its own.

Paul Treiber – RBC Capital Markets

That's helpful to understand that. Just on your point about the settlement with the banks, I mean, does it seem like – like when you look at banking or regulated industries, it seems like there's a shift away from bring your own device to corporate-owned devices. Do you see that in other industries other than just banking? And then how do you see that, relatively speaking, helping BlackBerry from a product positioning or from a competitive position?

John Chen

When the banks go to corporate issued, they are typically looking for a high level of security and archivability, and that's where our strength comes in. We're known to be the most secure mobile platform that exists. I think there's not a lot of debates over that in the industry. So that help us a lot.

As far as I am seeing in other industries, maybe different government branches and law enforcement, I have not seen other major verticals that are going to corporate-issued device, or at least swing back from a BYOD to corporate-issued devices.

Paul Treiber – RBC Capital Markets

Okay. Thank you for taking the questions and happy holidays.

John Chen

Sure.

Operator

I would now like to turn the call back over to John Chen, Executive Chair and CEO of BlackBerry, for closing remarks.

John Chen

Thank you, operator. BlackBerry will be at CES in Las Vegas in January where we'll have a number of exciting announcements and demonstrations by our IoT business, including IVY running in a Jeep Cherokee.

On January 5th BlackBerry will be co-hosting the Software Defined Vehicle awards with MotorTrend, a leading auto industry analyst. In fact, if you guys would like to get in there, I don't know if we have enough tickets, but please contact Tim. The awards recognize those who have made outstanding contributions to the automotive industry through software – there are 19 different awards. The following day, January 6th, at 1pm PT we will be hosting a hybrid investor Q&A session with management at the booth. This event will be streamed, and investors will be able to hear details about the exciting new developments. Please make sure you register for the stream on the [BlackBerry.com/investors](https://www.blackberry.com/investors) webpage.

Thank you all again for joining today's call, especially those of you on the East Coast where I know it is getting late. I hope all of you and your families have a happy and safe holidays and see you next year.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.