

BlackBerry

Q3 FY26 Earnings Conference Call

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CORPORATE PARTICIPANTS

Martha Gonder - *Director of Investor Relations*

John Giamatteo - *Chief Executive Officer*

Tim Foote - *Chief Financial Officer*

PRESENTATION

Operator

Good afternoon and welcome to the BlackBerry Third Quarter Fiscal Year 2026 Results Conference Call. My name is Nick, 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. Should you need assistance during the call, please signal a conference specialist by pressing star, zero. As a reminder, this conference is being recorded for replay purposes.

I would now like to turn today's call over to Martha Gonder, Director of Investor Relations, BlackBerry. Please go ahead, ma'am.

Martha Gonder

Thank you, Nick. Good afternoon, everyone, and welcome to BlackBerry's Third Quarter Fiscal Year 2026 Earnings Conference Call. Joining me on today's call is BlackBerry's Chief Executive Officer, John Giamatteo, and Chief Financial Officer, Tim Foote. After I read our cautionary note regarding forward-looking statements, John will provide a business update, and Tim 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 Tim 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, let me now turn the call over to John.

John Giamatteo

Thanks, Martha, and thanks to everyone for joining today's call. Q3 was another quarter of solid results, adding to our track record of consistently meeting, or beating guidance. Once again, we delivered across the three core metrics of revenue, profitability and cash. Total company revenue came in at \$141.8 million, above the high end of our guidance range. Q3 was another strong quarter of profitability, with adjusted EBITDA beating guidance, and it was also our third consecutive quarter of achieving GAAP profitability.

Adjusted EBITDA for the total company was \$28.7 million, which represents a 20% margin. GAAP net income improved by \$24.2 million year-over-year, to \$13.7 million in Q3 and non-GAAP EPS exceeded guidance at positive \$0.05. Conversion of profitability into cash was also strong. Operating cash flow was \$17.9 million, up three times year-over-year, reflecting strong execution and disciplined cost management.

Moving on to the results from our divisions. QNX delivered an all-time record for quarterly revenue at \$68.7 million. This represents 10% year-over-year growth, beating expectations and finishing at the high end of the guidance range. Revenue was driven primarily by solid growth in royalties, with development seat and professional services revenue also growing both sequentially and year-over-year.

During the quarter, we were excited to announce John Wall's appointment as president of QNX. In our opinion, nobody knows the embedded software space, both the technology and the market, quite like John. He has a very strong reputation with customers and partners, and within the company. QNX has tremendous opportunities for multi-year growth, and driving our key initiatives to harness those opportunities will be John's number one priority moving forward.

We saw more design win momentum in Q3, exceeding our internal targets and the pipeline of potential design wins in Q4 continues to grow. This design win growth demonstrates the progress we're making with the initiatives to drive deeper into automotive and wider into the general embedded space. In the quarter, we secured a number of major automotive design wins, with top European and Asian OEMs for ADAS and cockpit domains, all being developed on the latest version of the QNX platform, SDP 8.0.

The number of customers using SDP 8.0 continues to grow each quarter, with many leading OEMs now developing on it. We continue to see traction with other new products as well. We're securing new wins for both QNX Sound and QNX Cabin, as OEMs recognize the strategic benefit of these products for reducing their bill of materials and time to market. This was the second quarter in a row that QNX sound was chosen by a leading Chinese OEM, with this quarter's win being deployed in their luxury EV range.

We've also secured another multi-year contract for our cloud-based QNX cabin product with a top five global automaker based in Europe. A potential needle mover for ASP per vehicle is the vehicle software platform that we're co-developing with leading middleware provider, Vector. Development is progressing well, and the second early access version is scheduled for release by the end of January. Early discussions with a number of OEMs are progressing, and we're targeting significantly higher pricing per vehicle compared to the core RTOS. Once we've secured some wins, we'll provide more color on the potential upside from [ph] this product.

And finally for auto, earlier this week, we announced that leading technology market analyst Counterpoint Research has determined that QNX is now powering more than 275 million vehicles on the road. This is a 20 million increase year-over-year, and clearly demonstrates how significant a player we are in the space. In the non-automotive, general embedded space, we continue to drive across our target verticals of industrial automation, medical instrumentation and robotics.

Let me provide some additional color on a couple of in-quarter wins with industrial automation companies. The first was with one of our longtime customers, Bentley Nevada, an industry-leader in online condition monitoring used for wind turbines and other applications, who has adopted SDP 8.0. Additionally, two leading industrial automation OEMs, one North American and one

European have also adopted SDP 8.0 to be used in a variety of their applications, from robotics to manufacturing production.

We also had an exciting development in the aerospace and defense vertical with NASA, who are adding QNX SDP 8.0 to their supported operating systems. Earlier this year, we launched QNX General Embedded Development Platform, or GEDP, as we call it, which is a subscription-based solution tailor-made for OEMs in GEM verticals. GEDP aims to accelerate the time to market for developers of embedded systems, and feedback from our customers so far has been extremely positive, as they can leverage this platform for all supported versions of QNX across their portfolio. In the quarter, we saw a number of new design wins from customers for GEDP. So, in summary, Q3 was another great quarter for QNX, in fact, an all-time record quarter.

Moving now to Secure Communications in Q3 we delivered revenue of \$67 million, beating the top end of guidance and consensus. This was a great achievement by the division as we were faced with the US government shutdown for a portion of the quarter. These strong results were in large part driven by better than expected renewals of UEM and navigation of US government shutdown.

As a percentage of revenue for the last 12 months, UEM remains just over half of the Secure Communications totals with Secusmart at slightly more than AtHoc for the remainder. Key metrics for the division remains solid, with annual recurring revenue, or ARR, increasing \$3 million sequentially to \$216 million, and dollar-based net retention rate, or DBNRR, was at 92%. Secusmart revenue grew sequentially, but was lower year-over-year, due to a tough compare as a result of the strong upgrade cycle from the German government in Q3 of the prior fiscal year.

AtHoc, despite having the most exposure of the three product groups to the US federal government shutdown, delivered year-over-year and sequential revenue growth. Earlier this year, we achieved FedRAMP High certification becoming the only critical events management solution provider to achieve this stringent level of security, directly enabling significant US government expansions this quarter, including both the US Navy and the Department of Justice. AtHoc continues to grow outside of North America, as well, securing new wins with the National University of Malaysia, Australia's Department of Foreign Affairs and Trade and key UK energy infrastructure provider, Scottish and Southern Energy.

For UEM, in addition to the continued trend for reduced customer churn, we had some significant expansion deals for this product in the quarter. One of these expansion deals included an eight-figure multi-year renewal with the Dutch government. Other strong renewals included the Scottish Police Service and the UK Ministry of Defense, as well as a number of financial services companies. As we mentioned in Q2, BlackBerry UEM became the first solution to be certified by Germany's Federal Office for Information Security, or BSI. And in Q3 we closed our first deal that was enabled by this very demanding security certification.

Targeted investment in certifications like BSI for UEM and FedRAMP High for AtHoc are strengthening our portfolio's position at the heart of government Secure Communication strategies. Overall, this was another solid quarter of performance for our Secure Communications division. This has been a year of stabilization, with improvements in renewal rates and our ability to close new business. Finally, licensing revenue was \$6.1 million, which was in line with expectations.

And with that, let me now turn the call over to Tim for more color on our financials.

Tim Foote

Thank you, John, and good afternoon, everyone. As John mentioned, we continue to drive strong, reliable results across the board that either meet or beat expectations. Revenue for the total company in the quarter topped the high end of the guidance range at \$141.8 million. Total company adjusted gross margins remained relatively flat at 78% and increased three percentage points sequentially as a result of a favorable revenue mix and continued optimization of our cost of sales profile.

Adjusted operating expenses were \$85.4 million, up 7% year-over-year as we continue to deploy capital to strategically invest for growth in our QNX business. Total company adjusted EBITDA continues to be strong at 20% of revenue, or \$28.7 million. Adjusted net income for Q3 was \$26.8 million, and GAAP net income was \$13.7 million. This is the third quarter in a row that we've delivered positive GAAP net income, and the seventh consecutive quarter of sequential improvement. In fact, Q3 had the strongest level of quarterly GAAP net income at any time since the fourth quarter of fiscal year 2022, almost four years ago.

Adjusted EPS for the quarter, beat the top end of guidance at positive \$0.05. QNX had its best ever quarter of revenue, achieving \$68.7 million, up 10% year-over-year and 9% sequentially. QNX gross margins expanded by one percentage point sequentially, and we're down two percentage points year-over-year to 84%. In Q3, we did not have the P&L benefit of grant funding from Canada's Strategic Innovation Fund like we did in the first two quarters of the fiscal year. But even without this benefit, adjusted EBITDA was a very solid 24% of revenue and hit the top end of guidance at \$16.4 million.

Secure Communications revenue exceeded the top end of guidance for the quarter at \$67 million. Gross margin was one percentage point lower year-over-year, and higher sequentially at 72% as a result of leverage and revenue mix. The better than expected revenue also drove leverage to the bottom line. Adjusted EBITDA in the quarter was \$17.3 million up 10 percentage points sequentially to a strong 26% margin. Finally, our licensing division delivered results in line with guidance, a revenue of \$6.1 million, and adjusted EBITDA of \$5.3 million.

Adjusted corporate operating costs, excluding amortization, came in at \$10.3 million in Q3, broadly in line with guidance. This was another good quarter for conversion of profitability into cash. Operating cash flow was \$17.9 million, a significant improvement from \$3.4 million in Q2 and up over 200% year-over-year. Free cash flow was \$17 million in the quarter. Our balance sheet remains solid, with total cash and investments up \$111 million year-over-year, and \$14 million sequentially to \$377.5 million.

We are deploying BlackBerry's capital to drive growth and shareholder value. We continue to invest organically, especially in our QNX business, where we're supporting the key initiatives that John outlined earlier to go deeper into auto and wider into target verticals. Notwithstanding this increased investment, we continue to deliver positive operating and free cash flow, further increasing our net cash position. So, in addition to organic investment, we are also continuing to take advantage of what we believe to be an undervalued share price and repurchase shares through our buyback program.

In Q3, we ordered the repurchase of \$5 million or 1.2 million shares at an average price per share of \$4.13. A portion of these shares settled just after the quarter end on December 1st, so won't show in this quarter's 10-Q filing. All of the shares have been canceled, bringing the total number of shares bought back this fiscal year to 8.8 million. We have therefore more than offset potential dilution from our long-term incentive and employee share purchase plans.

Turning now to financial outlook for the fourth fiscal quarter and the full fiscal year. We expect revenue for QNX in Q4 to be in the range of \$71 million to \$77 million. Having just delivered an all-time record in Q3 for quarterly revenue, we expect to set another new record in Q4. For adjusted EBITDA, we expect QNX to be in the range of \$17 million to \$23 million. We are maintaining our full year revenue guidance at the midpoint, while also narrowing the range to \$260 million to \$266 million. For full year adjusted EBITDA, we're raising the bottom end and the midpoint of our guidance, such that the range is now \$67 million to \$73 million. As QNX continues to deliver a combination of double-digit growth and strong profit margins.

For Secure Communications, we're increasing the expected revenue for Q4, such that it's now in the range of \$61 million to \$65 million, and for adjusted EBITDA to be between \$11 million and \$15 million. For the third quarter in a row, we are raising our full year revenue guidance for Secure Communications, such that the high end of the range we provided last quarter is now the low end of the range, such as now between \$247 million to \$251 million. We're also raising our guidance for adjusted EBITDA, with it now expected to be between \$47 million and \$51 million. For licensing, we reiterate our prior guidance for revenue to be approximately \$6 million and adjusted EBITDA to be approximately \$5 million per quarter.

For the full fiscal year, we're holding revenue guidance at approximately \$24 million, and adjusted EBITDA approximately \$20 million. We continue to expect adjusted corporate OpEx excluding amortization, to be approximately \$40 million for the full fiscal year. At total company level, we expect revenue for Q4 to be in the range of \$138 million to \$148 million, and adjusted EBITDA to be between \$22 million and \$32 million. For the full fiscal year 2026, we are raising the guidance midpoint for the total company revenue by \$6 million, with a range now between \$531 million and \$541 million, and raising guidance for adjusted EBITDA at the midpoint by \$7.5 million to be in the range of \$94 to \$104 million. For context, when including Cylance, adjusted EBITDA from continuing and discontinued operations for the prior year was \$39.3 million. For non-GAAP EPS, we expect it to be between \$0.03 and \$0.05 in the fourth quarter, and to now be between \$0.14 and \$0.16 for the full fiscal year.

Moving on to our cash flow outlook, we expect another sequential increase in operating cash flow for Q4, with it in the range of a solid \$40 million to \$45 million. This increase means that for the full fiscal year, we're again raising our guidance and expect to generate between \$43 and \$48 million in operating cash flow. This does not include the additional \$38 million of cash from the second tranche of proceeds from the sale of Cylance to Arctic Wolf that we expect to receive in Q4, which is classified separately as cash flows from investing activities. Therefore, we expect to generate in excess of \$80 million of cash in Q4, further strengthening our already solid balance sheet.

With that, let me now turn the call back to John.

John Giamatteo

Well, thanks for that, Tim. And before we move to Q&A, let me quickly summarize what has been another strong quarter for BlackBerry. We continue to consistently deliver reliable results across the three core metrics of revenue, profitability and cash at both the company and divisional levels. QNX delivered its best ever revenue quarter and a solid adjusted EBITDA of 24%, all while continuing to invest for long-term growth.

In addition to these strong financial results, QNX also hit the milestone of powering 275 million vehicles on the road. Secure Communications exceeded revenue expectations and demonstrated

significant leverage in the model with a 26% adjusted EBITDA margin. To put this in perspective, this time last year, the cybersecurity division had an EBITDA margin of only 9%. Overall, both divisions helped drive another quarter of gap profitability and cash generation.

So, with that, let's now move to Q&A. And Nick, if you could please open up the lines.

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question and answer session. To ask a question, please press star, one, on your telephone keypad. Please make sure your line is unmuted. Again, press star, one, to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. We request that you limit yourself to one question and one follow-up.

And the first question today will come from Kingsley Crane with Canaccord Genuity. Please go ahead.

Kingsley Crane

Hi. Thanks, and congrats on a really nice quarter. So, we've talked about the GEM opportunity naturally requiring more investment in the near-term as you work towards gaining critical mass and key end markets, and again, really nice wins in the quarter in that segment. But as you think about fiscal '27, where do you think you need to invest more within that space? Like, what's working, what needs more help? Thanks.

John Giamatteo

Yeah, Kingsley, I think on that one, I think from a product perspective, we're in really good shape. I think the GEDP platform that we talked about is a really good leverage point for us to bring value to our customers. So, I think you'll probably see us continue to invest in go-to-market activities, more feet on the street. It's a broader market, partnerships with distributors and other technology providers that maybe can help bring us to market a little bit faster. So, these are probably the areas that we'll continue to invest in as we go into the next fiscal year.

Kingsley Crane

OK. Great. And then the follow-up would be on this luxury China EV win. We're really encouraged by that. What ultimately allowed you to win that deal? Do you think it was cost savings, weight savings, superior software functionality? And then, to what extent could this be a blueprint for more success in China? Thanks.

John Giamatteo

I think it's -- honestly, I think it's all of the above. I think it's cost savings, it's weight savings, it's the performance of the product itself. I would say, the Chinese market tends to be very price sensitive, so I think the amount of money that they can save leveraging our technology and what that does to their overall BOM is a compelling value proposition. So that probably swayed a little bit more. But the broader value proposition is very, very sound. Pardon the pun. But I think the actual cost savings is probably the lead one on that.

Operator

And the next question will come from Luke Junk with Baird. Please go ahead.

Luke Junk

Hi. Good afternoon. Thanks for taking a question. John, maybe if we could start just in terms of getting to a vehicle platform award, just if you could talk about some of the gates you're advancing through right now to get you closer to that outcome. And then, as we look forward a couple of weeks to CES, should we expect to hear more about this at CES as well?

John Giamatteo

Yeah. Yeah, Luke, great question. I'll tell you, it's an area that has got a lot of focus right now inside the company. And from a technology perspective, bringing QNX SDP 8.0 and the middleware together, and the integration, the connective tissue, making that a seamless kind of product that we could bring to our customers, it's a lot of collaboration with our partner, Vector, to really bring that. So, I think the product itself is really sound. It's just a matter of the integration with our partner and then bringing that to the marketplace. So, a lot of good progress that's moving in this regard, but we're pleased with the progress and you'll hear more about it.

Luke Junk

OK. And then wanted to follow up to your answer about the luxury China EV win in terms of the cost sensitivity. I mean, certainly that's a well-known factor in the China market. And I'm just wondering, in terms of system design or things that are sort of, you can bring to the table from a QNX standpoint to put BOM into a more compelling position, like, just what are some of the key areas that you can enable for a Chinese OEM in that respect, John? Thank you.

John Giamatteo

Yeah. I think, certainly, the cost savings and the time to market capabilities are something that's compelling. But one thing we do think is going to start getting more traction in the Chinese market is safety solutions. I think in the past, they've kind of used some basic technologies, and because they've had some high-profile safety issues, we're excited about the opportunities that could be there for us for SDP 8.0, and bringing kind of the core RTOS to the -- so it's great. Sometimes you get in with maybe Sound or Cabin or different things like that, and maybe drag along, kind of the core product in some ways, but I think it's a testament to the broad portfolio of the platform.

You might lead with sound and get your foot in the door and then bring the RTOS along. More times than not, it's the other way around, because that's the meat and potatoes from the operating system level. So, we're working every single angle in the Chinese market, but I think they are a little more acutely aware and concerned with the need for having an SDV platform that has safety certifications, probably more so than they have been in the past.

Operator

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

Todd Coupland

Great. Thanks. Good evening, everyone. I wanted to start with QNX, 15% growth last quarter, 10% this quarter. Guide implies 15% growth. How should we think about the trend in this business, given that fluctuating growth rate as we're thinking about fiscal 2027? Thanks a lot.

Tim Foote

Yeah, great question, Todd, so ultimately, we'll give the guide for fiscal '27 at the end of Q4, so in 90 days' time. Hey, look, double digit growth has been very solid, and ultimately, we're going to be giving the backlog number as well in Q4, which will be a good lead indicator of where we're moving. On the backlog, we're actually feeling pretty good. As John mentioned in his prepared remarks, that after a difficult start, we've actually accelerated pretty well, and we've got some really good momentum now as we head into Q4.

And conversion of that backlog into revenue, which will start in FY '27 is going to really drive that business forward. And what we saw in Q3 was strong royalties, and royalties driven by some of these new programs that we've been winning over the last couple of years, now starting to come online. So yeah, it's an exciting time. And some of the growth accelerators, such as going up the stack, things like sound and cabin that we've mentioned, it was starting to see traction from those two. So, I'm going to put a pin in it and say, come back in 90 days, and we'll give you more information on next year, but we feel very positive about the momentum that we've got in this business.

Todd Coupland

Great. Thanks. Thanks, Tim. And then just on Secure Comm, the business is trending probably about half of the decline rates you've been projecting the last couple quarters. Is this the new normal? And again, similar type of mindset as we think about fiscal '27, could this business actually turn into a growth segment with defense spending trending positive and the other segments doing better? So just talk about how we should think about that. Thanks.

John Giamatteo

Great question, Todd. That's a really good question. We're actually, right now, as you would imagine, just modeling out next year, taking a look at the pipeline and things do tend to be a little a little lumpy sometimes in this space. So, I don't think one quarter necessarily translates into -- but I will say we have a really strong pipeline within Secure Comms, one of the stronger pipelines that we've had in a long time. So that bodes well for it. Probably, like Tim said, before, next quarter, we'll give guidance for the next fiscal year, but it was a solid quarter.

Be honest with you, we were happy we navigated the US government shutdown the way that we did. We were a little spooked by that as the quarter was going on, but I think that turned out to be a pretty good result for us in the end, and now it's just a matter of converting the pipeline that we've got in front of us to tee up a really solid fiscal year '27. So, we'll come back to you with more insights into that, but certainly pleased with the way that business has performed.

Todd Coupland

Great. Thanks for the color.

Operator

The next question will come from Trip Chowdhry with Global Equities Research. Please go ahead.

Trip Chowdhry

Thank you. Congratulations on a very solid execution. I have two quick questions. The first regarding the government shutdown. Do you think now everything is normal, or you think, like almost more than half of the quarter was in shut down, do you think the remaining half made up of the first half? That's first question. Second question, very refreshing to hear your win the robotic space. I was wondering if you can put some more color about what kind of robots may be using your technology, and any color on the demand side also? That's all for me.

John Giamatteo

Thanks, Trip. I'll cover a little bit on government, and we'll cover a little bit on robotics, Trip, just to give you some color on it. But as far as government is concerned, it's been a really interesting year. We started the year with Liberation Day, and the uncertainty that that brought. That, in some ways, created some opportunities and also created some headwinds. We also had in the government space, the continuing resolutions at one point, then a full-on shutdown at one point.

But I think the good thing -- I think what we learned from this experience -- remember, DOGE was another one, how was that going to impact our business?

But one of the learnings that I think we took away from the last six or nine months on the Secure Comms side is what we do in terms of mission-critical events management, mission-critical SecuSUITE encrypted voice data and video, mission-critical UEM, and the security that that provides. These mission-critical, when it comes time to take a look at what they're going to cut, we found they're a little bit hesitant to really take a hatchet to mission-critical types of software solutions. So, we were a little concerned about the timing in Q3 with the US federal government, in particular, because everything shut down, their procurement then had a backlog of contracts that they had to process, but I think we were fortunate enough to kind of work through that where it really didn't impact the quarter as much as we initially thought it was going to be.

So, there's a lot of different dynamics with the governments, but I have to say, I think we've been successfully navigating a lot of the waves there, in some of the changes that's gone on. We'll come back to you, Trip, with more details on robotics and medical instrumentation and industrial automation and give you more colors on the wins. Sometimes we're a little bit -- some of our customers are a little hesitant to share too much information about the use case and the design win, for confidentiality and different reasons. But in the robotic space, when we think of humanoids robotics, we think of the more technology that's going into this vertical, there's more compute power, there's more performance that's required, and that's a sweet spot for QNX.

So regardless of the type of robotics, if you need high compute and you need high performance, SDP 8.0 is the solution for them to look at. So, we'll bring that a little bit more to life, I think, in the future. Actually, we'll have some demos at the booth at CES this year to show it a little bit more. But hopefully, that gives you a little color on robotics, and we'll be sure to share some more in the future.

Trip Chowdhry

Yes, that's perfect. Thank you so much and happy holidays.

John Giamatteo

Thanks, Trip.

Tim Foote

Thanks, Trip.

Operator

The next question will come from Paul Treiber with RBC Capital Markets. Please go ahead.

Paul Treiber

Oh, thanks for taking the questions, and good afternoon. You made an interesting comment on the pricing opportunity for the vehicle software platform. Can you just speak to what you see as a potential ROI, or the cost savings that the automakers would benefit from that? And then also, could you speak to the economic, like, maybe the split between QNX and Vector, or maybe your ability to capture a disproportionate share the pricing there?

Tim Foote

Yeah, sure. Hey, Paul. So ultimately, what we're providing here, and remember, this has been a pull from the OEMs, have come to us and asked if we can help in this area. Because I think if we look back over the last couple of years, the OEMs have been very ambitious in terms of trying to

write all the code from the OS up to the application layer, and really found that to be quite a challenge. So, in terms of cost savings, having us do it much more efficiently, and actually being able to produce a product that they can get into market, is a big advantage for them. We're taking off their hands, off their plate, a load of software integration that currently they have a heck of a lot of internal resource working on. So, they can divert that resource to the application layer, which is where they're really going to differentiate their brand from other players.

So yeah, we're doing a lot of heavy lifting for them. And like I say, this is a pull. They've come to us and said can you do this for us. In terms of the economics, we're not going to give the absolute like details here, but clearly, a portion of the pie is coming from Vector. A significant portion, I should add, is coming from us, and there will be a split. Now, we are going to be the billing entity, so we'll take the revenue, and the Vector portion would obviously be passed on through cost of sales.

Paul Treiber

And second question is just on the Canadian federal government. The budget was out in November and there's a number of new investment initiatives. Can you just remind us again of the size of your Secure Comms business with the Canadian government? And then what do you see as the opportunity, and what's the strategy to try to expand further with the Canadian government?

John Giamatteo

Yeah. Yeah, great question, Paul. That's a lot of actually great momentum that we have right now with the Canadian government, especially their buy Canada kind of solution, looking to do more with Canadian providers. We do have a comprehensive relationship with them today, around UEM. They use that widely throughout the organization, and we're having really good, productive discussions with them about Secusmart and AtHoc and other parts of the portfolio as well. So, stay tuned. We've got a lot of activity going on. We got a multi-year agreement with them today that's very UEM-centric.

And as we look to try to expand into Secusmart, SecuSUITE product and in AtHoc portfolio, we're finding, you know, some really good discussions with them right now, particularly as they ramp up their spending on defense. So critical events management is something that is widely deployed in the entire US government. We're hoping we can bring that same value proposition to the Canadian government as they ramp up their defense spending over the next few years. So, we'll keep you posted on it, but be rest assured, there's a lot of activity going on right now with the Canadian government.

CONCLUSION

Operator

This will conclude our question and answer session. I would like to turn the call back over to John Giamatteo, CEO of BlackBerry, for closing remarks.

John Giamatteo

Terrific. Thanks, Nick. Before we end the call, I just wanted to flag that we'll be starting off the new year at CES in Las Vegas. We'll be hosting an investor briefing on January 7th at 11:00 am Pacific Time to discuss some of the highlights from the show. You can access the live webcast in the investor information section at blackberry.com. And if you're at the event, please stop by to see some of the exciting new exhibits that our QNX team will have on show. So, thanks everyone for

joining the call today, and I'd like to wish all of you a happy and safe holiday season. See you next time.

Operator

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