

BlackBerry

Q1 FY 2027 Earnings Conference Call

Thursday, June 25, 2026, 8:00 AM Eastern

CORPORATE PARTICIPANTS

Suzanne Spera - *Senior Director, Investor Relations*

John Giamatteo - *Chief Executive Officer*

Tim Foote - *Chief Financial Officer*

PRESENTATION

Operator

Good morning and welcome to the BlackBerry First Quarter Fiscal Year 2027 Results Conference Call. My name is Betsy, 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 Suzanne Spera, Senior Director of Investor Relations, BlackBerry. Please go ahead.

Suzanne Spera

Thank you, Betsy. Good morning, everyone, and welcome to BlackBerry's fiscal first quarter 2027 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. As part of today's webcast, presentation slides will be displayed. The slides are also available on the Investor Information section at blackberry.com, as will the replay of today's call.

Some of the statements we'll be making today constitute forward-looking statements and are not -- and are made pursuant to the Safe Harbor provisions of applicable U.S. 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 certain 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, CEDAR+, and blackberry.com websites.

And with that, let me now turn the call over to John.

John Giamatteo

Thanks, Suzanne. And good morning and thank everyone for joining today's call. We're excited to report a strong start to the fiscal year. Last quarter, we talked about turning the page from cost restructuring to value creation through profitable growth. And this quarter, we delivered exactly that.

In Q1, we saw a rock solid execution across both QNX and Secure Communications, with both businesses delivering Rule of 40 performance during the quarter, reflecting a combination of healthy growth and strong profitability. In QNX, we continue to benefit from the long-term trends we've discussed for several quarters, including software-defined vehicles, centralized compute, the general embedded market, and physical AI. In Secure Communications, we continue to see stabilizing fundamentals, combined with tailwinds from growing government demand and the impact of large customer wins.

Total company revenue came in at \$153 million, well above the high end of our guidance. Adjusted EBITDA more than doubled year-over-year, and we achieved positive GAAP net income for the fifth consecutive quarter.

We also continue to generate positive operating and free cash flow despite Q1 being a seasonal low. We're proud of the quarter, but also recognize that we're still early in this next chapter with more work to do. It is important to remember our focus is on driving long-term shareholder value, not managing to individual quarters.

Let me start my review of the quarter with the QNX business. This was another Rule of 40 quarter for QNX. Revenue came in significantly above the top end of guidance at approximately \$72 million, representing 26% year-over-year growth. This performance was driven by strength across all components of QNX, including development licenses, professional services, and royalties.

I want to call out one number in particular. Development license revenue in Q1 was the highest it has been in eight quarters. And this really matters because development licenses are one of the earliest indications of future growth, with customers investing in tools as they begin developing new software platforms on QNX.

Customers typically buy these tools at the very start of a program, years before a vehicle reaches production and royalties begin. What's more, these are predominantly tools for our new SDP-8 platform. So a strong quarter today builds the foundation for royalty revenue of the future.

During the quarter, we secured new design wins across both automotive and Gem. In automotive, the wins span geographies and domains. In ADAS, we secured a new design win with a leading European automaker that is developing a safety platform on powerful Qualcomm Snapdragon SOCs.

We also secured a win with a Tier 1 supplier for a driver monitoring system to be built on a Texas Instrument chipset used by a Japanese OEM. Additionally, we added a significant design win for SDP-8 with a commercial vehicle OEM to provide the foundation for a multi-domain architecture across cockpit, ADAS, and centralized compute.

In the quarter, we secured a strategically important sale of SDP-8 development tools to a U.S.-based software developer supplying a major Asian OEM. This is a strong commitment to developing on our latest QNX platform for the long term.

In Gem, we continued to see traction with wins that included a significant royalty commitment by a leading semiconductor equipment manufacturer, as well as expanding an existing medical diagnostics relationship with Luminix through a platform upgrade to our latest SDP-8 technology. Taken together, these wins demonstrate solid progress in expanding both the scale of QNX adoption and the value delivered per deployment.

Looking beyond the quarter, we remain confident in the long-term opportunities in front of us. That confidence is grounded in the multiple long-term growth drivers we see across QNX, many of which are in their early stages and have the potential to create significant shareholder value over time.

The first growth driver is Gem. While representing a minority of QNX's revenue and backlog today, it remains our fastest-growing segment and significantly expands our long-term opportunity beyond automotive into robotics, industrial automation, medical devices, and other safety-critical applications. We're particularly excited about the long-term opportunity in physical AI.

As intelligent machines become increasingly autonomous and operate around people, the requirements for safety, security, reliability, and real-time determinism become even more important. Unlike probabilistic AI systems, QNX technology is deterministic and safety certified, which is exactly why it is so hard to replicate and why customers trust it for systems where failure is not an option.

In many ways, automotive has been a proving ground for the demands of physical AI. Modern vehicles are essentially robots on wheels, and QNX has established itself as a trusted platform supporting many of the industry's most advanced autonomous and safety critical systems.

The second growth driver is Alloy Kore. We continue to make encouraging progress in discussions with customers and remain confident of securing our first design win this fiscal year. While we're not ready to declare victory yet, we continue to believe Alloy Kore represents a significant opportunity for BlackBerry over the long term. What makes Alloy Kore exciting is that it is expected to expand our role from operating system provider to platform provider, substantially increasing our software content per vehicle, expanding our average selling price by multiples, and driving meaningful backlog growth. As with our core QNX business, design wins and backlog are expected to come first, and royalty revenue build over time as programs move into production, reinforcing the long-term visibility of the business.

Our strategic partnerships with NVIDIA, Qualcomm, ARM, and other silicon ecosystem leaders continue to strengthen our position in next-generation intelligent systems. These relationships are important sales channels for QNX and help position us for future growth across all physical AI and Gem markets.

Taken together, we believe these growth drivers significantly expand the long-term opportunity for QNX and reinforce our confidence in the future trajectory of the business.

Turning to Secure Communications, which delivered its strongest quarter in years, for the first quarter, revenue was approximately \$74 million, exceeding the top end of guidance and delivering 24% year-over-year growth. Annual recurring revenue, or ARR, stabilized sequentially, but grew more than 5% year-over-year to \$220 million. And our dollar-based net retention rate, or DBNRR, was healthy at 92%.

We're pleased that the secure communications business stands on a much more stable foundation today than it did just a couple of years ago. We continue to see encouraging trends in customer retention, recurring revenue, and government demand for secure communication solutions.

This past quarter demonstrated what can happen when a stable underlying business is combined with a significant government win. Governments around the world continue to prioritize digital sovereignty, cybersecurity modernization, and secure communications infrastructure, creating favorable demand conditions for our solutions.

In Q1, this showed up in revenue from the significant expansion and multi-year extension with Shared Services Canada that we discussed last quarter, driving our strongest performance in several years. As part of the New Deal, the Canadian government is meaningfully scaling its deployment of SecuSmart's encrypted voice data and video solution. In line with the digital sovereignty trend, this deployment on a sovereign architecture contributed significant in-quarter revenue recognition. It's important to recognize that large government deals like this tend to have long sales cycles and don't happen every quarter.

Outsized growth and profitability, such as this past quarter, are typically followed by more normalized quarters. Overall, Secure Communications continues to evolve from a business once viewed as a headwind into a stable, growing business with meaningful upside when large government opportunities are successfully converted.

In addition to the large deal with Shared Services Canada, we secured a number of renewals, expansions, and new logos, primarily across government, defense, and regulated industries. In North America, we secured deals with the U.S. Air Force, U.S. Cyber Command, the U.S. Senate, the U.S. Secret Service, and the White House Communications Agency.

In EMEA, we secured wins across government and defense, including BAE Systems, the UK's National Crime Agency and Metropolitan Police Service, the Bavarian State Tax Office, and GIZ, the German Society for International Cooperation, as well as the Saudi National Bank and Banque de France. Taken together, these wins reflect steady demand in highly sensitive mission-critical environments.

Touching briefly on licensing, for the first quarter, licensing revenue was solid and came in at \$7 million, ahead of guidance due to the better than expected revenue from pre-existing arrangements as well as a number of new one-time licensing deals.

As we continue to see positive momentum with customers across QNX, and secure communications as we move into Q2 -- within QNX, demand remains healthy in both automotive and Gem, with strong customer engagement and a growing design win pipeline. In Secure Communications, the business remains supported by structural tailwinds, and while some churn remains, it's much lower than in prior quarters.

Overall, we are very pleased with our start to fiscal year 2027 and the progress reflected in the quarter. While neither QNX nor secure communications will grow in a perfectly straight line, what matters most is the long-term trajectory of the business, and we're encouraged by what we see.

Demand across our markets remains healthy, customer engagement is strong, and our backlog continues to expand, giving us confidence in our outlook and in the disciplined execution that gets us there.

With that, let me now turn the call over to Tim, who will provide further details on our financials.

Tim Foote

Thank you, John, and good morning, everyone. As John mentioned, this was a very strong quarter for BlackBerry; in fact, a Rule of 40 quarter. What was particularly encouraging was not simply the revenue growth we delivered, but the quality of that growth. As higher margin QNX royalties become a larger part of our revenue mix, we expect more of our revenue to translate into margin expansion, profitability, and cash generation. We believe we are increasingly positioned to benefit from the operating leverage inherent in our business model as revenue continues to grow.

This quarter was a good example of that dynamic in action. Revenue for the quarter was approximately \$153 million, exceeding the high end of our guidance range and growing 26% year over year. Total company adjusted gross margin expanded by 4 percentage points year over year to 79%, while adjusted EBITDA more than doubled and exceeded expectations at approximately \$36 million, representing 24% of revenue.

Adjusted net income for the quarter was approximately \$25 million, and we achieved positive quarterly GAAP net income for the fifth consecutive quarter. Adjusted EPS also exceeded expectations at the high end of our guidance range at \$0.04.

Looking at the segments, QNX revenue exceeded the top end of the guidance range at approximately \$72 million, growing 26% year-over-year. QNX adjusted gross margin expanded by approximately 5 percentage points year-over-year to 86%, helping drive adjusted EBITDA growth of 52% to approximately \$19 million, representing approximately 27% of revenue for the quarter. In fact, based on revenue growth and profitability, QNX effectively delivered a Rule of 50 quarter in Q1.

In Secure Communications, strong revenue performance of approximately \$74 million also exceeded the high end of our guidance range, growing 24% year-over-year and contributing to operating leverage. Adjusted gross margin expanded by approximately 2 percentage points year-over-year, driven in part by a favorable mix of higher-margin software revenue. This resulted in adjusted EBITDA of approximately \$20 million, representing a margin of 27%.

Our licensing business contributed approximately \$6 million of adjusted EBITDA in the quarter and continues to provide a valuable source of profitability and cash flow. Importantly, we converted the strong profitability in the quarter into cash. We generated approximately \$5 million of operating cash flow in Q1, which allowing for the patent sale in fiscal year 2024, represents the first time in nine years we've been cashflow positive in a fiscal first quarter.

This solid cash generation continues to strengthen our balance sheet and increases our flexibility to allocate capital in ways that create long-term shareholder value. At the end of the first quarter, we reported \$423 million of cash and investments, representing net cash of approximately \$223 million. This remains a strategic asset for the company and provides significant optionality as we evaluate growth opportunities and capital allocation priorities.

Early in the quarter, we continued to execute our share buyback program, buying back 2.6 million shares for approximately \$10 million. This brings the total for the program launched last May to 18 million shares for approximately \$17 million, or an average price of \$3.85 per share. We believe the share buybacks executed over the last year represents an excellent use of capital and demonstrate the disciplined approach we take in creating shareholder value.

Last month, we announced a renewal and upscaling of the program, allowing us to repurchase approximately 27 million additional shares. The buyback program is one of several levers available to us as we allocate capital in a disciplined and shareholder-focused manner.

With that, let's turn to our outlook. With a strong beat in Q1, we are raising both our full-year revenue and adjusted EBITDA outlook for QNX to a range of \$295 million to \$312 million and \$74 million to \$86 million, respectively. As John mentioned, we remain very confident in the trajectory of the QNX business and the pipeline of opportunities before us.

For Q2, we expect QNX's revenue to be in the range of \$70 million to \$75 million and adjusted EBITDA to be between \$16 million and \$21 million. For Secure Communications, we are pleased with the progress that this business is making in becoming a stable, growing part of BlackBerry. For the full fiscal year, we are reiterating our growth rate of between 4% and 8%. For Q2, we expect revenue for Secure Comms to be in the range of \$57 million to \$63 million and for adjusted EBITDA to be between \$5 million and \$10 million.

For licensing, we are raising our full-year revenue guidance to approximately \$29 million and adjusted EBITDA to approximately \$25 million. We are raising our Q2 revenue guidance for licensing, as well, to approximately \$10 million and adjusted EBITDA to approximately \$9 million.

For the full fiscal year, at a total company level, based on our improved outlook for QNX and licensing, we are raising both our revenue and adjusted EBITDA outlook to a range of \$594 million to \$621 million and \$119 million to \$139 million, respectively. The 90% flow-through of incremental revenue into adjusted EBITDA is another data point demonstrating the strong operating leverage in our model.

In Q2, we expect total company revenue to be between \$137 million and \$148 million, driving adjusted EBITDA between \$20 million and \$30 million. We expect to deliver adjusted basic earnings per share of between \$0.03 and \$0.04 for the quarter. And in addition, we expect another quarter of positive operating cash flow of between breakeven and \$10 million.

And with that, let me hand back over to John.

John Giamatteo

Thanks for the summary, Tim. Before we jump into Q&A, as we step back and look at the quarter, I think there are three key takeaways. First, we delivered a very strong quarter with solid execution from our QNX and Secure Communications teams, both of which achieved Rule of 40 performance. Second, we remain excited about the long-term opportunities for QNX, particularly in Gem and physical AI, and the ASP expansion potential from Alloy Kore. And third, we are pleased with the progress we're making with our business model, which gives us greater operating leverage and improves the quality and durability of our earnings.

That being said, it's still early in fiscal 2027, so we're remaining measured. As we've said all along, growth won't necessarily be linear from quarter to quarter, but the drivers of long-term value creation are firmly in place, and we're investing behind them with discipline.

So let's now move to Q&A. Operator, can you please open up the lines for us?

QUESTION AND ANSWER

Operator

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.

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

Kingsley Crane

Hi. Thanks for taking the question, and congrats on a really significant quarter in Q1 here. I just wanted to touch base on Secure Comms. I mean, the segment has grown four quarters in a row, \$259 million revenue in '26, nearly \$295 million annualized revenue in Q1. And so then we have the ARR base at \$220 million in that DBNRR that ticked down a bit to 92%. But clearly, the success in the segment is not fully described by recurring revenue, and so we'd just like to double-click on how you think both the non-recurring and recurring base will trend over the next year and just if looking at ARR is kind of no longer as helpful as maybe it once used to be.

John Giamatteo

Great question, Kingsley. I'll start, Tim, you can chip in. We do think ARR is a really good indicator of the underlying kind of stability and base level of the business. We use that as a measure to manage our cost structure and investments. And then there's going to be from -- the delta between the \$220 million and in our \$280 million or so guidance for the year tends to be on some of these shared services candidate deals or deals that require some upfront revenue recognition based on some of the data centers or technology that we're building out ahead of time from it.

So we believe ARR is still a really good indicator just to the underlying stability of the business. And then, the market and the opportunities that we're seeing with the geopolitical environment that we operate in today, more of a push for digital sovereignty than ever before, those things are going to generate opportunities along the lines of SSC from time to time. They take -- they're long sale cycles, government -- one of the things about the government is it takes a long time to get in and get deep with them, but it does become sticky and a long-term source of revenue and profit for us.

So to reiterate, I think ARR is still a very good solid barometer. And then the conversion of opportunities from quarter to quarter on some of these large government opportunities is probably the best way to judge the upside.

Kingsley Crane

Okay, great. That's really helpful. And then really encouraging to hear the continued success with Alloy Kore and that we could secure design win by the end of this year. I guess bigger picture, I'm curious what mix you think Alloy Kore could represent of deployed vehicles, maybe

even like a couple of years. Like would 5% in fiscal '30 be reasonable? Would that be conservative at this point? I know it's kind of a longer-term question.

John Giamatteo

Yeah, I probably don't want to get into the numbers exactly how much it's going to be long-term, Kingsley, but I will say it's significant. We think the upside, the increase in TAM, repositioning ourselves from a operating system provider to a more deeper platform provider increases the addressable market for us and the dollars, the revenue, the ASP that we could generate per car by multiples significantly. It's not a 10% or a 20% income increase. It's like a hundreds of percent increase. There's a tremendous amount of upside associated with that.

I think our -- it's early days. We are very confident we're going to get some wins this year. We'll announce them when they come. But I think the trust that our team, John Wall in particular and his team around the world that have earned with the OEMs on the OS side has really put us in a strong position to kind of move up the stack, work with some really trusted partners along the lines of Vector, stitching together and integrating that middleware layer with the operating system layer. And that trust, the fact that they're coming to us saying, hey, you could do more for us so we could focus our resources on other things that'll help us, we think is a really strong sign.

So watch this space. We're going to announce the wins as they come. But again, we think it's going to be a significant increase to the overall QNX business for the long term.

Kingsley Crane

Looking forward to that. Thanks for your time.

Operator

The next question comes from Suthan Sukumar with Stifel. Please go ahead.

Tim Foote

Hi, Suthan. Welcome aboard.

Suthan Sukumar

Good morning, gents. Congrats on a very solid print here on all fronts. Impressive to see. For my first question, I just wanted to double click on Alloy Kore. Is this new offering going to be strictly for net new programs, or might there be an opportunity from a retrofit back book perspective with programs already in flight?

John Giamatteo

Great question, Suthan. Yeah, it could be -- whether it's SDP-7 or SDP-8, it could be whatever platform that we're working with the particular OEM and whatever particular models are. We do see it being a little bit more geared towards SDP-8 in our current architecture, some of the new designs and new models. So if I have to say what's the percentage of kind of future new models with advanced chipsets and advanced operating system and advanced middleware capabilities, definitely tends to lean a little bit more there. But it can be and will be retrofitted to the extent that the OEM wants it to be at the SDP-7 or kind of earlier versions of the product.

Tim Foote

Yeah, I'll just add to that, if I may. There's potential for some programs that are currently in flight to be effectively curtailed and moved over to Alloy Kore quicker. So all that would represent is

an uplift on existing backlog, which would obviously be a significant thing for us. So yeah, mainly net new programs, new platforms, but potentially could accelerate the movement to those new platforms, and with it, an uplift in backlog.

Suthan Sukumar

That's good color, guys. Thank you. For my second question, I just wanted to touch on the Gem opportunity a little more here. Can you speak a little bit about competitive win rates in all your verticals outside of auto? I'm kind of curious how they're stacking up to automotive, where you obviously have strong leadership. It's thinking about what might be structurally different in the competitive backdrop when you look at auto versus non-auto, because I know in the latter, there's more of a prevalence of open source, but just wondering if that's even a factor at all.

John Giamatteo

Yeah, we think our strength and experience in the auto side is I think what really positions us so well for the Gem space. As we kind of said before, cars are basically robots on wheels, big computers that are increasingly, with autonomous driving, interacting with society. So when we put that over towards the Gem space, we definitely see robotics as a major category for -- that are real-time determinism, the safety certification, security, the reliability, all of those values that go into how we support the auto industry, we think give us an edge up on some of these use cases and categories in the Gem space.

As we always try to be, really focused and disciplined on particular categories, chasing every sector, every -- it's a big market out there. In Gem, we've been really clear, robotics, medical instrumentation, industrial automation, those are probably the three most significant categories that the values of what we provide in auto really adjust well to those sectors of Gem. And as a result, the pipeline is the strongest it's ever been. We're seeing some really good opportunities across robotics and industrial automation, in particular. So watch this space. We'll report more wins as they come. But we think that our institutional knowledge and experience from auto really adapts well to where the market is going from a Gem perspective.

Suthan Sukumar

Great. Appreciate all the feedback, John, Tim. I'll pass the line. Thank you.

Tim Foote

Thanks, Suthan.

John Giamatteo

Thanks, Suthan.

Operator

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

Todd Coupland

Yeah, good morning, everyone.

Tim Foote

Hey, Todd.

Todd Coupland

I wanted to ask about Secure Comm, as well. Could you just characterize the pipeline in the context of that wider win you had with the Canadian government? Is that a trend you're seeing in other NATO countries? And I guess part of my question along these lines is the net dollar retention has kind of been in the low 90s for a little while here. Where do you expect that to trend if in fact this business is truly stabilizing to growing consistently? Thanks a lot.

John Giamatteo

Great questions, Todd. Thank you. Yeah, I think really that's fundamental to our strategy on the government side is plant the flag with one of our digital sovereignty products and solutions, and then expand it with other parts of the portfolio. And I think that worked really well with us with Shared Services Canada. We built a strong pipeline, particularly across EMEA and Asia-Pacific as far as some of these digital sovereignty types of solutions. The encrypted data voice and video solution, the SecuSmart, is really getting a tremendous amount of traction based on some of the geopolitical realities. And I think governments are starting to realize, maybe I shouldn't do top secret communications on WhatsApp and Signal and Telegram and go to a much more secure, reliable communication.

So all of those trends we think is generating a really healthy pipeline for us across the business. So hopefully that gives you a little bit more color on that one.

DBNRR, we'd love for it to be higher. We're doing everything we can in terms of execution in the business and customer support to make it higher. I think long-term, we expect that to tick up higher from 92%, and our goal is to try to get it closer to 100%. We do have some inherent headwinds on some parts of the portfolio that drag that down a little bit. But we are confident we're moving in the right direction, and we're targeting something closer to 100% as kind of our long-term goal. But the fact that ARR ticked up 5% year over year and DBNRR is kind of holding while we handle this transformation and execute upon it, we think those are good early signs.

Todd Coupland

Great. Thanks for that. And then my second question are on margins, clearly strong in the quarter -- what's a good segment range to be expecting in QNX and Secure Comm? Thanks a lot.

Tim Foote

Yeah, great question, Todd. So as I kind of mentioned in the prepared remarks, there's significant operating leverage in this model. I think on the QNX side, as we see a rotation more towards royalties, which come in at pretty much 100% margin, you're going to see potentially some further expansion. And a quarter like this past quarter, where we did see strength in royalties, you see that in action. So we delivered 86%. I think there is potential for that to grow.

I think on the Secure Comm side, really to echo what John said, there's -- 80-ish percent of the business is ARR, and then you get these kind of, from time to time, these big deals which drive in-quarter revenue. When you get a quarter with big in-quarter revenue, if the mix is predominantly towards software, which it certainly was this case in this quarter, then you can see some pretty significant expansion.

So I think what we've done is we've set up the business with this stable platform for Secure Comms that, as we go and hunt these big deals, you can see some real expansion. But there's going to be a little bit of volatility for quarter to quarter. So I think it's going to be a broader range on Secure Comms, whereas QNX should more or less start to trickle up as we see more of these bigger programs come online.

Todd Coupland

Great. Thanks very much.

Operator

The next question comes from John Shao with TD Cowen. Please go ahead.

John Shao

Good morning, guys. Thanks for taking my question. Could you discuss your partnership strategy with NVIDIA, given this physical AI opportunity? How do the economic works? I know it's just early, but could you describe the pipeline opportunity at this point?

John Giamatteo

Our relationship with NVIDIA has really evolved, John, over the time. I mean, we started working together on the automotive sector with their Thor platform and them basically standardizing their architecture on QNX. And that relationship worked. It got closer and closer. And as they started thinking about physical AI and their whole HALO safety stack, which is going to power that, I think their natural inclination was to partner with a company that has the capabilities, that has the proof points, that has the partnership that we have in the auto space. I think we were the natural choice for them to -- again, now their entire physical AI safety stack that they're going to be rolling out is standardizing on QNX.

So like any relationship, I think you establish it, you have some wins together, you build on that trust and those capabilities, and you take it to the next level when the new market opportunity presents itself. So I think it has been an evolving relationship and one that we're proud to be a part of.

John Shao

That totally makes sense. John, you mentioned geopolitical risk earlier, so I just want to ask a question on that front. Right now, China seems to be manufacturing the most robotics at the moment, and you have design win with OEM in that market. How should we think about the geopolitical risk and maybe some mitigations to reduce that risk?

John Giamatteo

From China specifically, John, or--

John Shao

--Yes, just exposure to China.

John Giamatteo

Yeah. Yeah. We've got a deep presence in China. In fact, I was in Shanghai meeting with our team and customers and partners and government officials. So we're very, very close to what's going on there. We've got strong partnerships. And I think as they continue to look to export some of their technology and their solutions outside of China, the need for safety certification and some of the unique capabilities that we provide I think are a really hand-in-glove type of fit.

So I don't think we'll be able to, it's just natural, serve everything in China in every category and every opportunity, but I think there's going to be pockets where our technology and QNX and everything that we stand for in terms of certifications and safety and real-time determinism, all of those values are a really, really good fit for a country that wants to export more of their technology to the rest of the world. So we think we can help them do that, and we work closely with them and the Canadian government to facilitate it.

So obviously, geopolit, it's an evolving thing, and it's something we stay really close with. But we think our capabilities and the nature of what we provide can help them as they think about expanding beyond China into other markets around the world.

John Shao

Thank you. [Inaudible]

Tim Foote

Thanks, John.

Operator

The next question comes from Steven Li with Raymond James. Please go ahead.

Steven Li

Hey, John, Tim. I've shared the color on Alloy Kore potential wins. In terms of Gem's potential wins, could they be comparable in size to Alloy Kore, or are they much smaller at this point?

John Giamatteo

I think just the nature of it, Steven, it'll probably be more in volume in terms of the number of wins and a little bit smaller originally in terms of the actual dollar value itself, just because, with cars, you're talking tens of millions, you're talking models, you're talking -- they take a very long-term 10-year outlook. So just by the nature of the two industries and how they operate, I think auto will tend to be a little bit higher. That being said, we're really -- we've got some interesting opportunities that are brewing in the Gem space that we're looking forward to sharing with you all later on in the year that we expect is going to continue to move the business forward. So definitely a little bit more in auto, but I would tell you, Gem is one of our -- is our fastest-growing segment inside of QNX right now, and we see a lot of tremendous opportunities across the categories that we talked about.

Steven Li

Great. And, John, given your comments just now, so timing-wise, should we expect meaningful Gem's contract award this year, or this is a more longer-term opportunity?

John Giamatteo

Yeah, if I'm honest, I'd be disappointed if we didn't have a couple of big Gem wins to share with you. We're really pleased with the pipeline on Gem and the pipeline on Alloy Kore. The uptake on SDP-8 has been tremendous, Steven. And the fact that QNX now is really a more diverse platform of capabilities. From cabin to sound to the base operating system to Alloy Kore, the depth and breadth of what we have to offer our customers has never been stronger. So two of those segments we're feeling really, really, really good about.

Steven Li

OK, and then just one more for me, John - so I think in your prepared remarks, you'd mentioned developers license is the highest it's been in Q1. What is the mix auto versus Gems in that?

Tim Foote

Yeah, we don't typically break that out, but it's kind of fairly representative of what you'd expect from the business, that 80 kind of 20.

Steven Li

So 80/20.

Tim Foote

Kind of the mix.

Steven Li

Yeah. Okay, perfect. Thank you.

Operator

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

Paul Treiber

Good morning, and congrats on the quarter. Just the long-term growth opportunity for QNX, to put some context around it, I was looking at the '27 guidance is almost exactly in line with the long-term outlook that you gave at the Investor Day in '24, which is calling for 14% CAGR. Just based on the backlog and pipeline at this point, is mid-teens growth what you see as a reasonable long-term outlook for QNX, like what you saw back at the Investor Day, or do you see the potential for stronger growth over the long term?

Tim Foote

Hi, Paul. So we're not going to give long-term guidance on this call today. I think we'll save that for our Investor Day that we've got coming up in the near future. What I will say, though, is we've never been as excited by the opportunities we've got here. I think the Gem opportunity has the potential to be absolutely huge. You're going to see that showing up in our backlog. It's going to translate into revenue. And then adding on top the potential from Alloy Kore, which could really be transformative for this business with, like John mentioned, multiples ASP. Both of those things have real opportunity to greatly accelerate revenue growth over the sort of midterm for this business.

So, yeah, we're not going to pin down to a number, but I think we feel incredibly confident about the trajectory of this business and our ability to execute against that.

Paul Treiber

And just for additional context in terms of the magnitude of growth of both businesses, I think you've been calling it that 80/20 mix, is the expectation -- historically, has Gem's been growing - - I mean, you mentioned it's growing faster, but how much faster has it been growing versus automotive?

Tim Foote

Materially, materially faster, but obviously, it's a smaller base, so in terms of absolute dollars. This is how I look at it is that, yeah, Gem's going great, but auto's growing, as well. So it's not like that mixed shift is necessarily going to happen rapidly, because you've got two parts of the business that are both growing. And you add in the potential here for Alloy Kore to really move the needle, that could really accelerate auto growth. So I see that as a really good problem to have, if it's a problem at all, to have two really strong growth opportunities. So I don't see success for Gem to be that the mix shifts to 50/50. I just see success for Gem is that we deliver solid growth over multiple years into the future.

Paul Treiber

Thanks for taking the questions.

CONCLUSION**Operator**

I would like to turn the call back over to John Giammatteo, CEO of BlackBerry for closing remarks.

John Giammatteo

Terrific. Hey, thank you, everybody, for joining us on today's call. We look forward to providing you a good comprehensive update next quarter, and we'll see you next time. Thanks, everybody.

Operator

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