DALALBYTES EARNINGS REPORT

BlackBerry
Q2 FY27

The royalty compounder prints its fifth straight triple beat

Fifth consecutive triple beat

New on the earnings call: Uber selects QNX for its next generation of vehicles

Quarter ended August 31, 2026 · Released September 24, 2026
Reference price: $8.53 (September 21 close)

+26%	+75%	55	$100M+
Revenue YoY	EPS beat vs consensus	Rule of 40 score	Coretura backlog add

Call date: September 24, 2026, 8:00 AM ET · John Giamatteo (CEO), Tim Foote (CFO)

DALALBYTES VERDICT

Headline verdict

Fifth consecutive triple beat

Revenue $163.3M (+26% YoY) beat the ~$144M consensus by 13%. Adjusted EPS of $0.07 beat the $0.04 consensus by 75%. FY27 guidance was raised on revenue, EBITDA, EPS, and cash flow. The standout is not the beat but its composition: record QNX revenue at 87% gross margin plus the largest design win in QNX history (Coretura Alloy Kore, $100M+ added to the royalty backlog). That is the royalty-compounder thesis working in both directions at once. The one genuine blemish: Secure Communications had its FY27 revenue guide cut by $10M and its EBITDA fell 18% YoY. Thesis intact, quality high, one segment to watch.

$163.3M	$0.07	55	$447M	6	~$250M
REVENUE, +26% YOY	ADJ EPS, BEAT 75%	RULE OF 40	CASH + INVEST	PROFITABLE QTRS	NET CASH

Earnings Call Highlights

SEPTEMBER 24, 2026 · 8:00 AM ET

The press release told the numbers story. The call added the narrative: a new Uber design win that was not in the release, a separate 20-company NVIDIA pipeline, the real reason behind the Secure Communications guide cut, a new commercial model, and capital-allocation color. What follows is what management actually said, with the Uber and NVIDIA remarks kept carefully separate.

> “This quarter, we’re excited to announce that we’ve secured a new design win with Uber, which selected QNX as the foundation for software and its next generation of vehicles, providing an important proof point of the opportunity we see in physical AI.”
>
> John Giamatteo, CEO · Q2 FY27 earnings call, prepared remarks

- The set-up: Giamatteo framed robotaxis as moving “from concept towards production at scale,” where vehicles “must not only make decisions but execute them safely and predictably in the real world.” That is exactly where QNX’s deterministic, safety-certified foundation matters.
- On the Q&A, TD Cowen pressed on robotaxi unit economics. Giamatteo: “our partnership with a company like Uber, we think, puts us in a strong position for that over time.” On content per vehicle and timeline, he was honest: “we’re in the early days here… there’s so many variables right now in a market that’s just really starting to develop.”

Separate fact: the NVIDIA pipeline (not part of the Uber deal)

In the very next breath after the Uber announcement, Giamatteo described a broader pipeline: “more than 20 companies currently engaging with us around NVIDIA-based platforms,” spanning humanoid robot OEMs, surgical robots, autonomous mobile robots, autonomous tractors, drones, and planes. On the Stifel question he added that “our partnership with NVIDIA is very quickly starting to build a strong pipeline of opportunity.” The call never linked NVIDIA to the Uber deal. Two adjacent sentences, not one announcement.

For the record: Foxconn was not mentioned once anywhere on the call. The Momenta and XHEART win (QNX OS for Safety on SDP 8.0, certified to ISO 26262) was reiterated in prepared remarks.

What the CFO added beyond the release

A Rule of 50 quarter

“Based on our revenue growth and adjusted EBITDA margin, we actually delivered a rule of 50 quarter,” said Tim Foote, CFO. 26% revenue growth plus a 29% EBITDA margin is a 55. It was also the strongest quarterly GAAP net income since Q4 FY2022, and QNX’s 87% gross margin matched the highest quarterly level in the business’s history.

Q3 FY27 guide	Range

Total revenue	$143-154M
Adjusted EBITDA	$28-37M
Adjusted basic EPS	$0.04-0.05
Operating cash flow	$20-30M
QNX revenue	~$82M (+24% YoY)
QNX adjusted EBITDA	$27-32M
Secure Comms revenue	$55-60M
Secure Comms EBITDA	$6-10M
Licensing revenue / EBITDA	~$6M / ~$5M

Q3 is seasonally the soft quarter; the full-year midpoint implies a strong Q4 near $161M. Licensing reverts to its ~$6M quarterly run rate: Q2’s $22M came from a new arrangement and is explicitly not a run rate.

Why Secure Communications was really cut

The $10M guide cut traces to two things: the US federal spending backdrop and “trade tensions between Canada and the United States.” But Giamatteo stressed it is precaution, not observation: “we haven’t yet seen anything material arising from this issue, nor have we seen a slowdown in pipeline generation outside of North America.” The $221M ARR base was called “very durable”; the uncertainty is timing on large new government deals, which have long sales cycles.

New commercial model: minimum volume commitments

For new arrangements, BlackBerry is increasingly securing minimum contractual volume commitments instead of non-contractual forecasts. That means more revenue certainty, cash received earlier, and a portion of revenue recognized earlier. Giamatteo called customer willingness to sign minimums “definitely an inflection point” and a conviction statement about the product. Still early: “we’re kind of feeling our way into this right now.”

Capital allocation: invest, buy back, and only the right M&A

Priorities unchanged: (1) invest for growth in QNX across core auto, Alloy Kore, and GEM; (2) disciplined buybacks, with significant capacity remaining under the NCIB; (3) selective M&A "particularly with a view to fast tracking the GEM opportunity," with the bar kept high on strategic fit and financial profile. Cash is compounding toward ~$0.5B by fiscal year-end: a good problem to have.

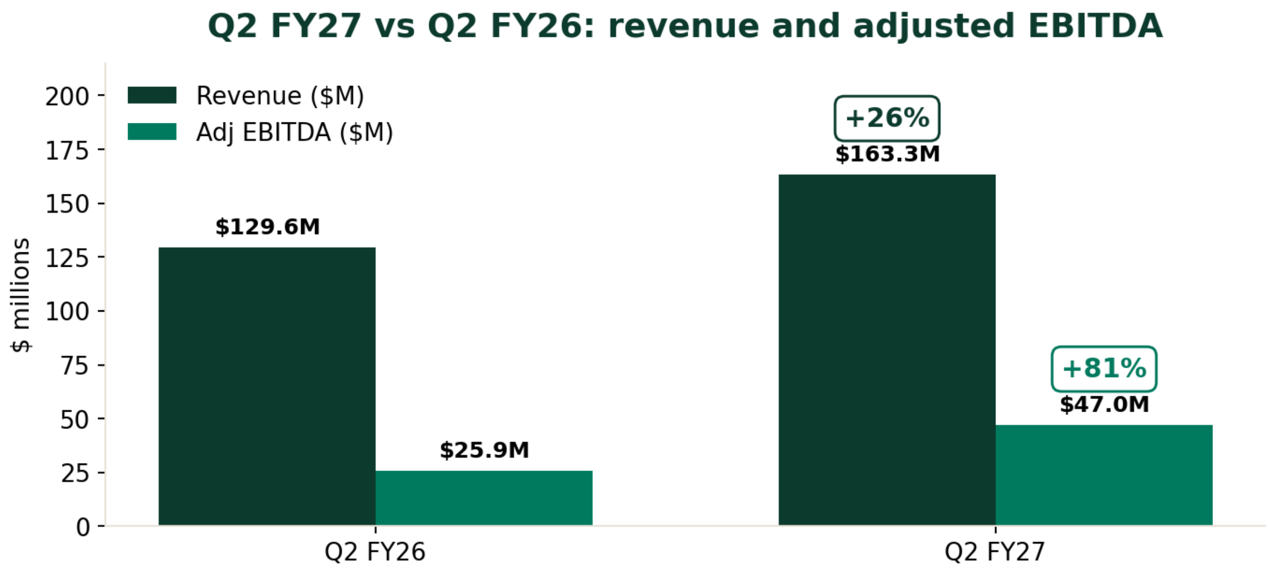
- Coretura economics: the Alloy Kore deal carries roughly 3x the ASP of a traditional SDP 8 deployment, driven by moving up the stack (cockpit into ADAS, body control, broader domains) plus Vector middleware and services. Management: Alloy Kore has moved "from a strategic opportunity to commercial validation… we believe this is just the beginning," with a healthy pipeline across passenger vehicles, especially Europe and Asia.
- Backlog is converting: Q2 was the strongest quarter ever for design-win dollars, with H1 alone beating every prior full fiscal year. The $950M royalty backlog "is starting to convert" as past wins enter production. China's new government-mandated safety requirements for assisted and automated driving are adding momentum.
- Tone: exuberant on QNX ("on fire," "wind at our backs," "pole position"), disciplined on Secure Comms ("prudent," "measured"). Giamatteo's closing frame: GEM and physical AI are in the "second inning" of a nine-inning game, and "this is not a quarterly business."

Q2 FY27 vs Q2 FY26: every line moved the right way

Metric	Q2 FY27	Q2 FY26	Change
Total revenue	$163.3M	$129.6M	+26.0%
GAAP gross margin	77.8%	74.5%	+3.3 pp
Adjusted gross margin	78.2%	75.0%	+3.2 pp
Adjusted EBITDA	$47.0M (28.8%)	$25.9M (20.0%)	+81.5%
GAAP operating income	$33.6M	$11.5M	+191.9%
Adjusted net income	$43.2M	$24.2M	+78.5%
Adjusted basic EPS	$0.07	$0.04	+75%
GAAP net income	$33.9M	$13.3M	+154.9%
Operating cash flow	$29.3M	$3.4M	+762%

Free cash flow	$28.1M	$2.6M	+981%

Revenue grew 26% while adjusted operating expenses grew only 13%. Cash flow inflected from near zero to $29M in a single year.



Segment deep dive: the mix is shifting toward QNX

QNX: the growth engine

Revenue $80.3M vs $63.1M (+27%), a quarterly record. Segment gross margin expanded 4 points to 87%. Segment EBITDA $29.0M vs $20.5M (+41%) at a 36% margin. QNX beat its own quarterly guide ($70-75M) by roughly 10%.

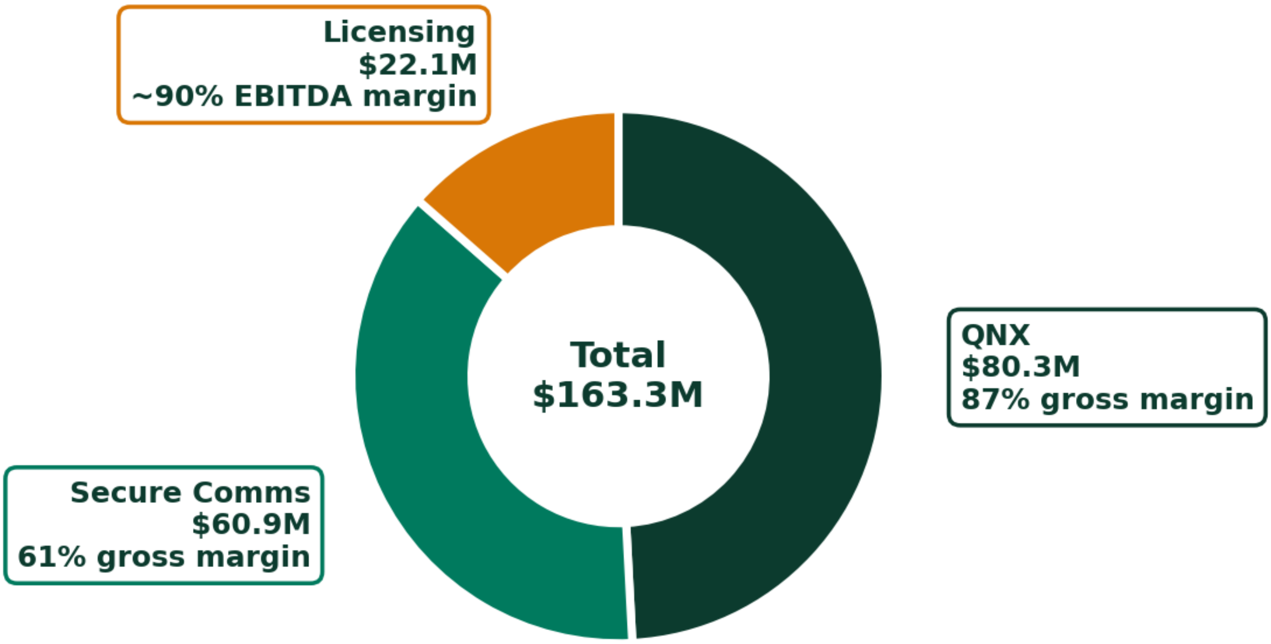
Secure Communications: stable revenue, sliding profit

Revenue $60.9M vs $59.9M (+2%), inside its $57-63M guide. But gross margin fell 5 points to 61% and segment EBITDA fell 18% to $8.0M (13% margin vs 16% a year ago). ARR held at $221M, yet dollar-based net retention slipped to 91% from 93%. Customers are spending less per account even as the installed base holds.

Licensing: the swing factor

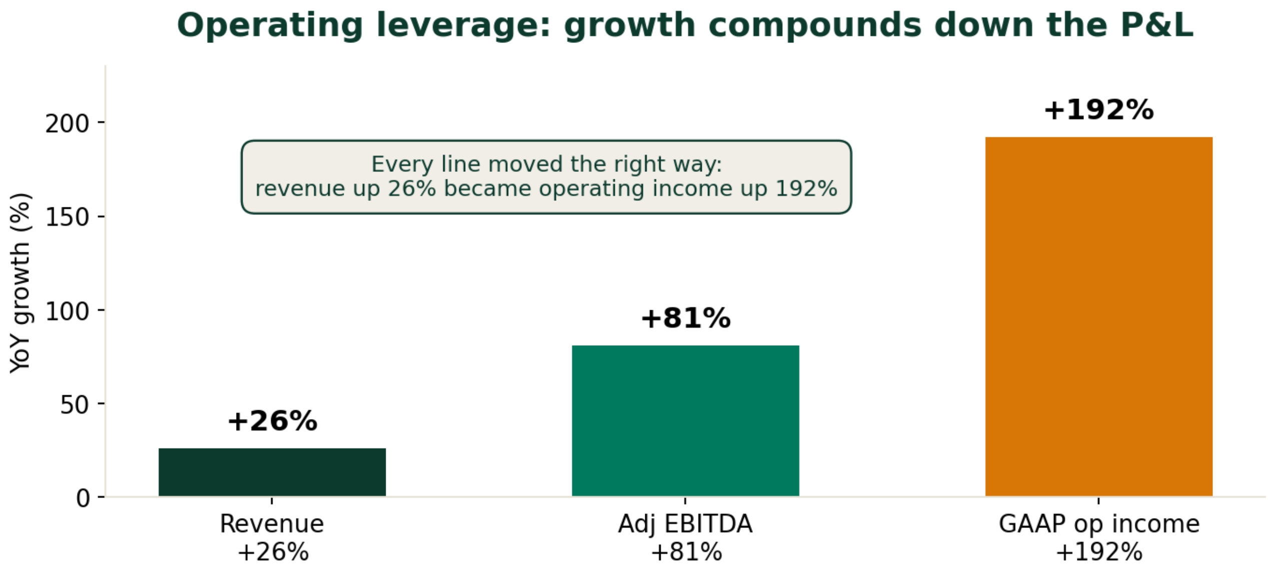
Revenue $22.1M vs $6.6M (+235%), EBITDA $20.0M vs $5.6M, beating its ~$10M guide by more than 2x. High margin but lumpy: Q1 was only $7.0M, and management says Q2’s level is not a new run rate. Treat it as upside optionality, not run-rate revenue.

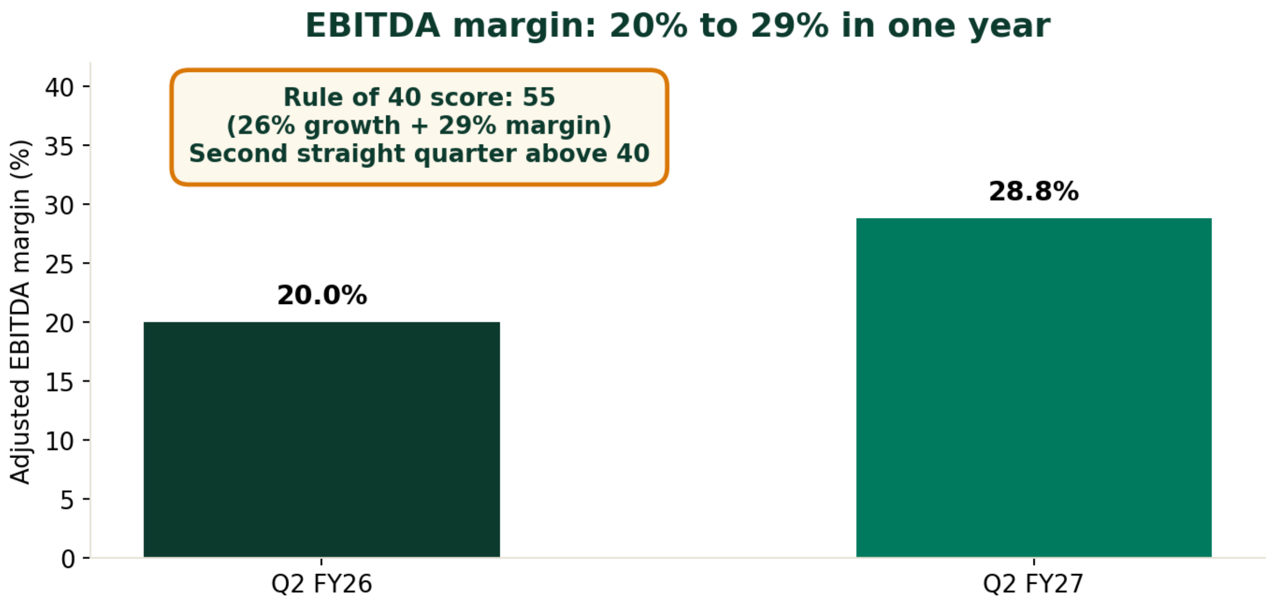
Q2 FY27 revenue mix: shifting toward QNX royalties



Operating leverage: how +26% revenue became +192% operating income

Gross profit rose $30.5M (+32%) on the $33.7M revenue gain, because gross margin expanded 3.3 points on mix shift toward QNX royalties. Adjusted operating expenses rose only $10.0M (+13%), less than half the revenue growth rate. That gap is the leverage. GAAP operating income grew even faster (+192%) because restructuring charges shrank and $1.1M of acquired-intangibles amortization rolled off.





Cash flow and balance sheet: the turnaround is now self-funding

$29.3M	$29.8M	$447M	~$250M
Q2 OP CASH FLOW	H1 FREE CASH FLOW	CASH + INVEST	NET CASH

Q2 operating cash flow of $29.3M is up from $3.4M a year ago. For the first half, operating cash flow is $33.9M vs -$14.1M last year, and free cash flow is $29.8M vs

-$15.8M. Cash and investments ended the quarter at $447.1M, up $14.7M from fiscal year-end, against $197.1M of long-term notes. H1 operating cash flow of $34M compares with cash usage of $14M in the prior-year period, a $48M swing.

Watch item: cash conversion

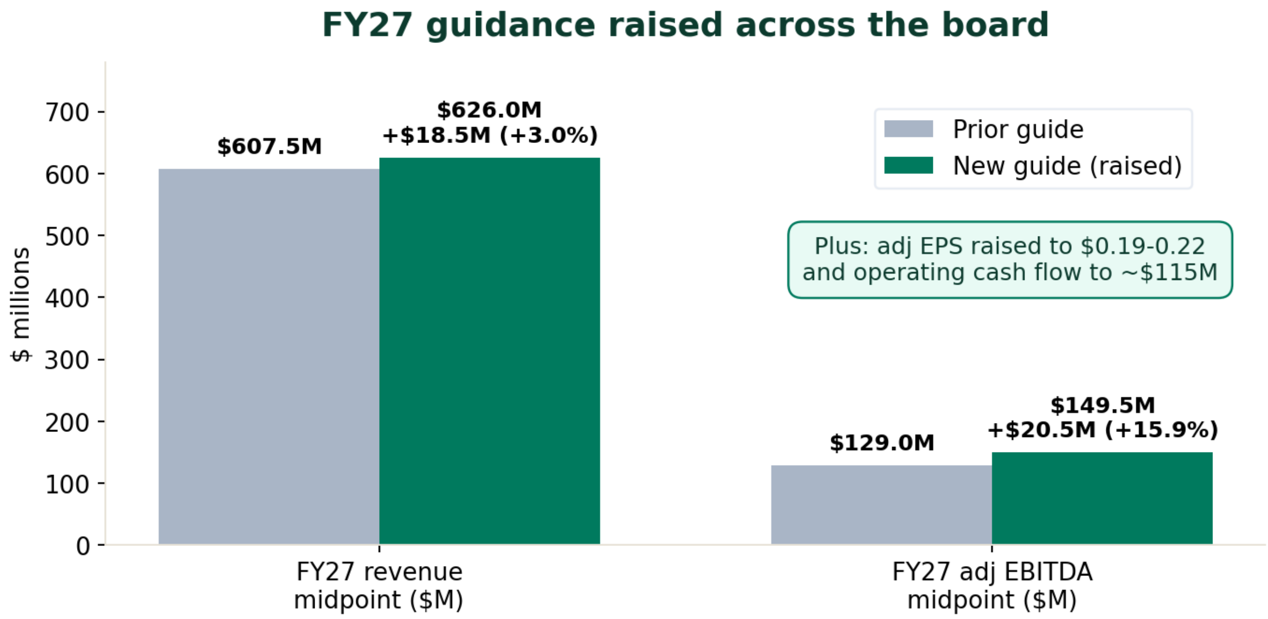
Q2 converted $47.0M of adjusted EBITDA into $29.3M of operating cash flow (62%), held back by working capital as deferred revenue declined $24.2M in H1. The direction is right, but H2 must deliver ~$81M to hit the guided ~$115M full-year operating cash flow.

Capital return continued: $10.0M of shares repurchased in H1. Buybacks plus a net-cash balance sheet give management two levers the bears rarely price in.

Guidance: raised across the board, with one honest cut

Metric	Prior guide	New guide	Change at midpoint
Total revenue	$594-621M	$616-636M	+$18.5M (+3.0%)
QNX revenue	$295-312M	$315-325M	+$16.5M (+5.4%)
Secure Comms revenue	$270-280M	$260-270M	-$10.0M (cut)
Licensing revenue	~$29M	~$41M	+$12M
Adjusted EBITDA	$119-139M	$141-158M	+$20.5M (+15.9%)
Adjusted EPS	$0.16-0.20	$0.19-0.22	+$0.025 (+13.9%)
Operating cash flow	~$100M	~$115M	+$15M

Q3 FY27 guide: revenue $143-154M, QNX $82-88M, Secure Communications $55-60M, licensing ~$6M, adjusted EBITDA $28-37M, adjusted EPS $0.04-0.05, operating cash flow $20-30M. Q3 is seasonally the softest quarter; the midpoint implies a strong Q4 (~$161M) to hit the full-year range.

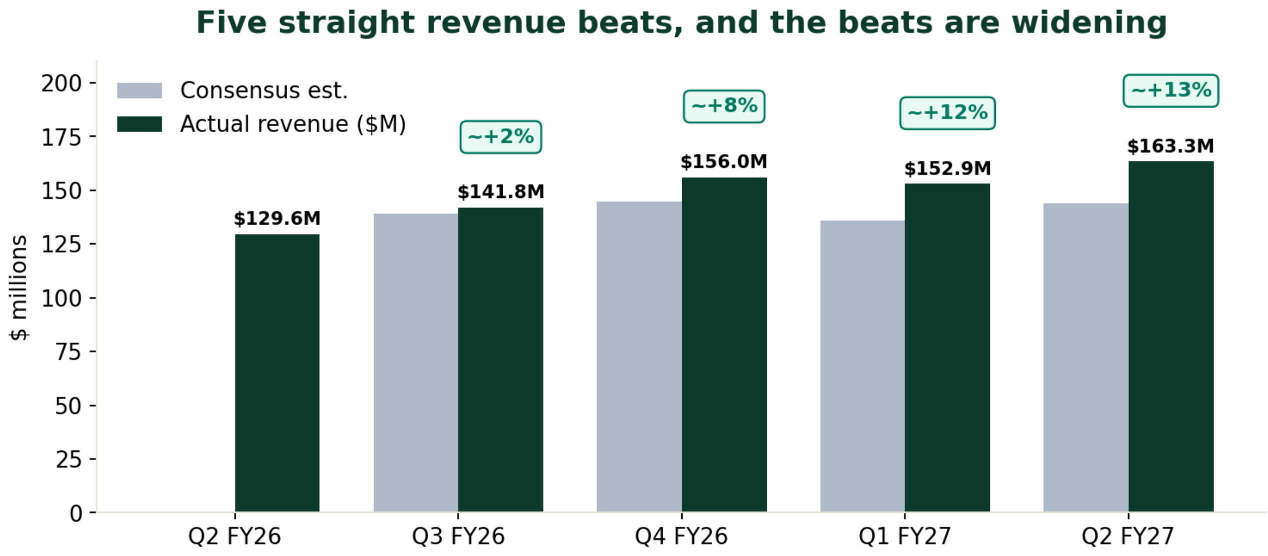


Note what the raise is made of

QNX and licensing carry it; Secure Communications was cut $10M at both ends. Management is raising on strength while quietly trimming the weak segment. That is credible guidance behavior, not promotional.

The beat streak: five straight triple beats

Quarter	Revenue actual vs consensus	Adj EPS vs consensus	Guide action
Q2 FY26	$129.6M (beat own guide)	$0.04 vs $0.01	Raised
Q3 FY26	$141.8M vs ~$139M	$0.05 vs $0.04	Raised
Q4 FY26	$156.0M vs ~$144.5M	$0.06 vs ~$0.045	Initiated FY27 high
Q1 FY27	$152.9M vs ~$136M	$0.04 vs $0.03	Raised
Q2 FY27	$163.3M vs ~$144M	$0.07 vs $0.04	Raised



What this says about guidance philosophy

Management under Giamatteo guides low, beats, and raises. Q2 FY27 is the clearest example: revenue guided $137-148M, delivered $163.3M; EBITDA guided $20-30M, delivered $47M; EPS guided $0.03-0.04, delivered $0.07. Guidance is a floor, not a forecast. The beats are widening, not shrinking: the revenue beat went from ~8% to ~12% to ~13% over the last three quarters, and the EPS beat hit 75%. The risk in this pattern is that the market eventually prices the beat in advance. The protection is that the underlying drivers, royalty backlog and design wins, are real and accumulating.

Earnings quality: how good is this company at producing consistent earnings?

Revenue recurrence: strong

Three layers stack up. QNX royalties recur with vehicle production and now physical AI devices, with Uber as the newest proof point. Secure Communications ARR of $221M is subscription-like. The QNX royalty backlog sits near $950M and just grew by $100M+ from the Coretura Alloy Kore win, the largest design win in QNX history, and is “starting to convert.” Backlog growing faster than revenue is the signature of a compounding royalty business.

Margin durability: strong at the core, soft at the edge

The 78% company gross margin and 87% QNX gross margin are software economics, defensible through certification moats. The concern is Secure Communications: gross margin down 5 points YoY to 61% and EBITDA down 18%. If that segment keeps leaking margin, it drags the blended number even as QNX grows.

Cash conversion: improving, not yet proven

H1 free cash flow went from -$15.8M to +$29.8M in one year, but Q2 converted only 62% of adjusted EBITDA into operating cash flow. Watch whether H2 delivers the guided ~$115M full-year operating cash flow.

Guidance conservatism: the strongest quality signal

Five straight triple beats with widening margins of beat is the behavior of a management team that would rather be doubted than wrong. Giamatteo's record since December 2023 supports this: repeated beats and raises with deliberately conservative language.

What could break the streak

- Secure Communications deterioration: DBNRR has fallen four of the last five quarters, and the FY27 guide was just cut on US federal caution and Canada-US trade tensions. If ARR starts declining, the stable-contributor story breaks.
- Automotive production softness hitting QNX royalties faster than the backlog converts. The Alloy Kore win helps but ramps over years, not quarters.
- Licensing lumpiness: Q2's $22.1M vs Q1's $7.0M shows how much quarterly revenue can swing on deal timing, which can manufacture a miss against a bad consensus quarter.
- The law of large beats: as the stock rerates, expectations ratchet up and the same guide-low-beat-high playbook produces smaller surprises.

Bottom line on quality

A high-quality earnings compounder in the making, not a finished one. The royalty backlog, software margins, net-cash balance sheet, and a management team with a verified under-promise/over-deliver record are the real assets. The streak is earned, not engineered: revenue, margins, and cash are all moving together. The honest watch items are Secure Communications margins and retention, licensing lumpiness, and cash conversion catching up to EBITDA. None of them threaten the FY2029 thesis today.