



Capital
Markets

January 9, 2020

BlackBerry Limited

Highlights from meetings at CES

Our view: We met with BlackBerry and others in the auto software ecosystem at CES this week. BlackBerry appears to have momentum in several auto segments and is addressing emerging opportunities, which help offset near-term headwinds in infotainment. However, BTS/QNX is just one business and stronger growth is needed in several businesses to justify an upwards valuation multiple re-rating. Maintain Sector Perform.

Key points:

- **BlackBerry appears to continue to lead full digital instrument clusters.** BlackBerry appears to have an early leading position in full digital instrument clusters, as a result of its safety certified OS and investments in user experience. QNX also appears to have traction in other sub-systems in vehicles like telematics, domain controllers and hypervisors. The momentum in full digital instrument clusters reflects BlackBerry's design wins secured over the last several years, which provides visibility to QNX's near-term growth.
- **Android and Linux gaining share in infotainment.** AGL counts 11 auto OEMs as members; Subaru is launching AGL-based infotainment, joining Toyota and Mazda with AGL-based infotainment in production vehicles. Additionally, a number of automakers are utilizing Android for their infotainment systems. These alternatives are a headwind to BlackBerry's revenue from infotainment; BlackBerry has been able to offset this headwind as automakers have deployed instrument clusters, hypervisors and other sub-systems using QNX.
- **Automotive cybersecurity is an emerging opportunity.** BlackBerry is looking to leverage Cylance's AI/ML-based products in automotive, such as Cylance Optics and Cylance Persona. BlackBerry's other assets such as Certicom (encryption) may also be relevant in automotive. While ISO 21434 may be a catalyst for increased cybersecurity within vehicles, material revenue to BlackBerry from cybersecurity may take several years to ramp, in our view.
- **A fragmented, competitive ecosystem.** Auto OEMs appear to be willing to support multiple software vendors. As a result, the software ecosystem is fragmented and competitive. For example, while there are multiple QNX modules deployed in the Land Rover Defender, another vendor provides the OTA service. Longer-term, there remains considerable debate among industry participants regarding which platforms would become industry standards, if any.
- **Stronger growth is needed to justify valuation multiple expansion.** BTS/QNX is one of BlackBerry's most attractive assets, though only accounts for ~21% of TTM revenue. We believe that stronger growth at BTS/QNX and other units is needed to justify material valuation multiple expansion in the stock. BlackBerry is trading at 2.8x FTM EV/S, below enterprise security software peers at 4.0x.
- **Maintain Sector Perform, \$7.50 target.** Our \$7.50 target equates to 2.8x CY21e EV/S. In our sum of the parts, we value ESS at 1.8x CY21e EV/S, BTS at 4.0x, Licensing at 2.0x, and Cylance at 3.5x, plus \$598MM net cash.

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Sector: Telecom & Networking Equipment

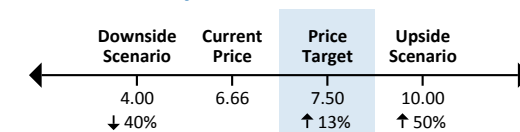
Sector Perform

NYSE: BB; USD 6.66; TSX: BB

Price Target USD 7.50

WHAT'S INSIDE	
<input type="checkbox"/> Rating/Risk Change	<input type="checkbox"/> Price Target Change
<input type="checkbox"/> In-Depth Report	<input type="checkbox"/> Est. Change
<input type="checkbox"/> Preview	<input checked="" type="checkbox"/> News Analysis

Scenario Analysis*



*Implied Total Returns

Key Statistics

Shares O/S (MM):	554.6	Market Cap (MM):	3,694
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	5,490,450

RBC Estimates

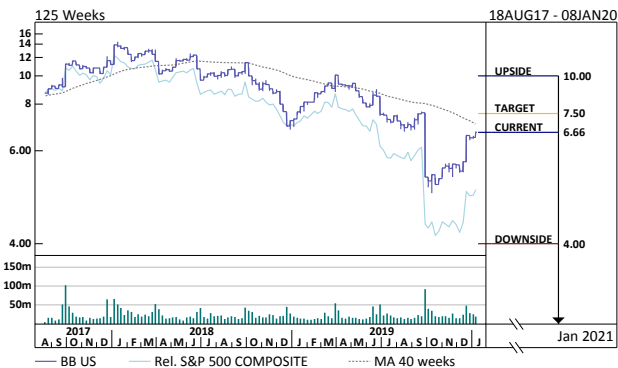
FY Feb	2019A	2020E	2021E	2022E
Revenue	916.3	1,112.7	1,201.4	1,303.4
EPS, Ops Diluted	0.23	0.08	0.15	0.21
P/E	29.0x	NM	44.4x	31.7x
Revenue	Q1	Q2	Q3	Q4
2019	217.0A	214.0A	228.3A	257.0A
2020	267.0A	261.0A	280.0A	304.7E
2021	286.2E	284.2E	303.5E	327.6E
EPS, Ops Diluted				
2019	0.03A	0.04A	0.05A	0.11A
2020	0.01A	0.00A	0.03A	0.04E
2021	0.03E	0.03E	0.04E	0.05E

All values in USD unless otherwise noted.



Target/Upside/Downside Scenarios

Exhibit 1: BlackBerry Limited



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Price target/base case

Our \$7.50 price target equates to 2.8x CY21e EV/S. In our sum of the parts, we value ESS at 1.8x CY21e EV/S, BTS (QNX/Radar) at 4.0x, Licensing at 2.0x, and Cylance at 3.5x CY21e EV/S, plus \$598MM net cash.

Upside scenario

For our upside scenario of \$10.00, we assume faster organic growth of BlackBerry's software business (including enterprise, QNX, IoT, and Licensing). In this more optimistic scenario, we assume 8% software & services revenue (excluding Cylance) growth FY21e. Our \$10.00 scenario values BlackBerry's software business at 3.8x on \$1.30B CY21e software revenue.

Downside scenario

For our downside scenario of \$4.00, we assume a slower rate of growth of Enterprise Software. In this more pessimistic scenario, we assume 4% software & services revenue (excluding Cylance) growth FY21e. Our \$4.00 scenario values BlackBerry's software business at 1.5x on \$1.16B CY21e software revenue.

Investment summary

BlackBerry has successfully transitioned its business away from handsets to enterprise software. Our Sector Perform thesis reflects our view that stronger growth is required to drive material upside for the shares.

- **BlackBerry remains a “show me” story.** The investor debate on BlackBerry stems from the company's future opportunity compared to its current momentum. Licensing and BTS appears the healthiest, given design win momentum which may drive stronger growth. For other opportunities like ESS and Radar, limited near-term growth reduces long-term visibility. Cylance is early, and Cylance's lower growth vs. some competitors creates uncertainty.
- **Discounted valuation, catalysts needed.** BlackBerry is trading at a discounted valuation (2.8x FTM EV/S), below enterprise security peers at 4.0x and at the low end of its 3-year historical range (2.3-6.3x). While valuation is discounted, catalysts are needed to drive an upwards valuation re-rating. Stabilization of ESS revenue, stronger organic growth at Cylance and BTS, and new high-profile customer wins, if realized, are possible catalysts for higher valuation multiples.
- **Cylance expected to amplify short-term volatility.** The \$1.4B Cylance acquisition reduces BlackBerry's net cash from \$3.37/share in Q3/FY19 to \$0.70/share Q3/FY20, or 40% of BlackBerry's share price to 11%. The reduction in BlackBerry's net cash is likely to amplify share price volatility around quarterly results and changes in investor sentiment regarding future growth.
- **Visibility to future growth in emerging segments is not clear.** BlackBerry has secured a number of design wins in the automotive segment. While positive, we believe the future revenue from these design wins is difficult to predict considering that penetration is unknown and pricing pressure has reduced ASPs in the automotive segment. BlackBerry Radar appears compelling but early-stage, particularly relative to competitors that have established distribution channels and sales to end customers.

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BlackBerry appears to continue to lead full digital instrument clusters. BlackBerry appears to have an early leading position in full digital instrument clusters, as a result of its safety certified OS and investments in user experience. QNX also appears to have traction in other sub-systems in vehicles like telematics, domain controllers and hypervisors. The momentum in full digital instrument clusters reflects BlackBerry's design wins secured over the last several years, which provides visibility to QNX's near-term growth.

Android and Linux gaining share in infotainment. AGL (Automotive Grade Linux) counts 11 automotive OEMs as members; Subaru is launching AGL-based infotainment, joining Toyota and Mazda with AGL-based infotainment in production vehicles. Additionally, a number of automakers are utilizing Android for their infotainment systems. These alternatives are a headwind to BlackBerry's revenue from infotainment; BlackBerry has been able to offset this headwind as automakers have deployed instrument clusters, hypervisors and other sub-systems using QNX.

Automotive cybersecurity is an emerging opportunity. BlackBerry is looking to leverage Cylance's AI/ML-based products in automotive, such as Cylance Optics for EDR and predictive analytics along with Cylance Persona for behavioural-based security and monitoring. BlackBerry's other assets such as Certicom (encryption) may also be relevant in automotive. While ISO 21434 may be a catalyst for increased cybersecurity within vehicles, material revenue to BlackBerry from cybersecurity may take several years to ramp, in our view.

A fragmented, competitive ecosystem. Auto OEMs appear to be willing to support multiple software vendors. Additionally, auto OEMs are devoting significant resources to enhance their own in-house software development capabilities. As a result, the software ecosystem is fragmented and competitive. For example, while there are multiple QNX modules deployed in the Land Rover Defender, another vendor provides the OTA (over-the-air) service. Longer-term, there remains considerable debate among industry participants regarding which platforms would become industry standards, if any.

Maintain Sector Perform, \$7.50 target

BlackBerry remains a "show me" story. The investor debate on BlackBerry stems from the company's future opportunity compared to its current momentum. Licensing and BTS appears the healthiest, given design win momentum which may drive stronger growth. For other opportunities like ESS and Radar, limited near-term growth reduces long-term visibility. Cylance is early, and Cylance's lower growth vs. some competitors creates uncertainty.

Stronger growth is needed to justify valuation multiple expansion. BTS/QNX is one of BlackBerry's most attractive assets, though only accounts for ~21% of TTM revenue. We believe that stronger growth at BTS/QNX and other units is needed to justify material valuation multiple expansion in the stock. BlackBerry is trading at 2.8x FTM EV/S, below enterprise security software peers at 4.0x.

Maintain \$7.50 target. Our \$7.50 target equates to 2.8x CY21e EV/S. In our sum of the parts, we value ESS at 1.8x CY21e EV/S, BTS (QNX/ Radar) at 4.0x, Licensing at 2.0x, and Cylance at

3.5x CY20e EV/S, plus \$598MM net cash. For ESS, our target multiple is justified below peers (at 4.0x), given low visibility to long-term growth. For Cylance, we believe our target valuation multiple is justified below cybersecurity peers (at 6.4x) due to limited visibility to sustainable growth. For BTS, we assume a higher target valuation multiple than telematics peers (at 1.8x), given higher growth and mix of software.

Exhibit 2: BlackBerry is trading below enterprise security software peers on an EV/S basis

Company	Ticker	Price 08-Jan-20	Market Cap. (MM)	EV (MM)	Price/Earnings		EV/EBITDA		EV/Sales		Growth (FTM)		
					FTM	CY20e	FTM	CY20e	FTM	CY20e	EPS	EBITDA	Rev.
BlackBerry Ltd	BB	\$6.66	\$3,694	\$3,306	49.1x	47.2x	23.3x	22.8x	2.8x	2.8x	-11%	-8%	11%
Enterprise Security Software:													
Cisco Systems Inc	CSCO.O	\$47.52	\$203,053	\$193,515	14.7x	14.5x	10.5x	10.4x	3.8x	3.8x	19%	14%	-2%
Qualcomm Inc	QCOM.O	\$88.71	\$107,162	\$110,835	21.1x	17.9x	14.9x	13.3x	5.0x	4.6x	17%	46%	13%
VMware Inc	VMW	\$151.55	\$62,750	\$65,632	22.1x	21.8x	16.5x	16.5x	6.0x	5.9x	73%	49%	13%
Citrix Systems Inc	CTXS.O	\$113.76	\$15,091	\$15,284	20.8x	21.0x	14.4x	14.3x	5.0x	4.9x	22%	24%	2%
MobileIron Inc	MOBL.O	\$4.86	\$538	\$442	N/A	N/A	103.9x	56.6x	2.1x	2.0x	N/A	-110%	3%
Absolute Software Corp	ABT.TO	C\$8.95	\$373	\$335	40.4x	42.9x	13.0x	12.9x	2.4x	2.4x	-29%	-25%	6%
Enterprise Security Software Average					23.8x	23.6x	28.9x	20.7x	4.0x	3.9x	20%	-1%	6%
Telematics:													
Trimble Inc	TRMB.O	\$41.32	\$10,417	\$11,984	20.2x	19.7x	16.5x	16.2x	3.6x	3.6x	53%	15%	2%
ORBCOMM Inc	ORBC.O	\$4.12	\$328	\$527	N/A	N/A	7.9x	7.6x	1.9x	1.8x	N/A	21%	6%
CalAmp Corp	CAMP.O	\$9.29	\$314	\$420	15.1x	14.5x	9.2x	9.0x	1.1x	1.1x	N/A	65%	7%
Powerfleet Inc	PWFL.O	\$6.41	\$115	\$109	17.0x	13.4x	5.9x	4.9x	0.8x	0.7x	N/A	-786%	143%
Telematics Average					17.4x	15.8x	9.9x	9.4x	1.8x	1.8x	53%	-171%	39%
Cyber Security Software:													
Palo Alto Networks Inc	PANW.K	\$238.57	\$23,046	\$21,630	45.6x	43.6x	26.3x	25.3x	6.0x	5.8x	N/A	N/A	20%
NortonLifeLock Inc	NLOK.O	\$26.61	\$17,137	\$19,770	51.0x	36.2x	41.7x	33.6x	8.0x	8.0x	220%	-60%	-33%
Check Point Software Technologies Ltd	CHKP.O	\$111.48	\$16,806	\$15,122	17.1x	17.3x	14.5x	14.4x	7.4x	7.3x	28%	14%	4%
Fortinet Inc	FTNT.O	\$113.67	\$19,870	\$17,929	43.3x	41.5x	27.3x	25.8x	7.5x	7.2x	8%	77%	17%
FireEye Inc	FEYE.O	\$17.25	\$3,661	\$3,662	N/A	N/A	45.9x	41.6x	4.0x	3.9x	N/A	-171%	6%
Rapid7 Inc	RPD.O	\$60.32	\$2,957	\$2,893	N/A	N/A	190.8x	131.8x	7.7x	7.3x	N/A	-154%	24%
Sophos Group PLC	SOPH.L	\$5.64	\$2,753	\$2,858	39.0x	38.0x	29.0x	29.2x	4.6x	4.5x	1029%	36%	13%
Cyber Security Software Average					39.2x	35.3x	53.6x	43.1x	6.4x	6.3x	321%	-43%	7%

Source: RBC Capital Markets; Thomson Reuters; Company Reports

Exhibit 3: BlackBerry – Financial Estimates

BlackBerry Limited Financial Estimates Yr End Feb 28, \$MM except per share figures	2020e				2021e				2022e				Years Ended Feb 28				2019 - 2022e CAGR
	Q1 May-19	Q2 Aug-19	Q3 Nov-19	Q4e Feb-20	Q1e May-20	Q2e Aug-20	Q3e Nov-20	Q4e Feb-21	Q1e May-21	Q2e Aug-21	Q3e Nov-21	Q4e Feb-22	2019	2020e	2021e	2022e	
Revenue:																	
IoT	137	134	145	154	150	149	160	169	165	164	175	184	571	571	628	688	6.4%
Licensing	72	71	77	91	72	71	77	91	72	71	77	91	286	311	311	311	2.8%
Blackberry Cylance	51	51	53	56	62	62	64	68	73	73	76	81	0	211	256	304	N/A
Other	7	5	5	3	3	2	2	0	0	0	0	0	59	20	7	0	-100.0%
Total Revenue	267	261	280	305	286	284	303	328	310	308	329	356	916	1,113	1,201	1,303	12.5%
Y/Y %	23.2%	21.8%	22.6%	18.6%	7.0%	9.1%	8.4%	7.5%	8.3%	8.5%	8.3%	8.8%	-5.2%	21.4%	8.0%	8.5%	
Q/Q%	4.0%	-2.6%	7.5%	8.8%	-6.1%	-0.7%	6.8%	8.0%	-5.4%	-0.6%	6.6%	8.5%					
Cost of Revenue	68	66	65	76	72	71	74	79	74	74	79	86	200	275	296	313	
Gross Profit	199	195	215	229	215	213	229	249	236	234	250	271	716	837	906	991	
Gross margin	74.6%	74.7%	76.8%	75.0%	75.0%	75.0%	75.5%	76.0%	76.0%	76.0%	76.0%	76.0%	78.2%	75.3%	75.4%	76.0%	
Total operating expenses	194	193	195	209	199	200	208	220	212	212	221	235	602	791	827	880	13.5%
Adj. EBITDA	23	20	38	38	33	32	39	47	42	40	47	54	182	119	151	183	0.2%
Adj. EBITDA margin	8.8%	7.5%	13.6%	12.5%	11.6%	11.1%	13.0%	14.3%	13.4%	12.9%	14.3%	15.2%	19.8%	10.7%	12.6%	14.0%	
Depreciation & amortization	35	36	35	35	35	35	35	35	35	35	35	35	77	141	140	140	
Adj. EBIT	5	2	20	20	15	14	21	29	24	22	29	36	115	47	79	111	-1.2%
Adj. EBIT margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Interest income (expense)	3	0	-1	1	1	1	1	1	1	2	2	2	17	3	5	6	
Other expenses	41	45	49	48	47	47	47	47	40	40	40	40	63	183	188	160	
Income (loss) before taxes	-33	-43	-30	-27	-30	-32	-24	-17	-15	-17	-9	-2	77	-133	-103	-43	
Taxes	2	1	2	0	0	0	0	0	0	0	0	0	-16	5	0	0	
Adj. tax rate	-6.1%	-2.3%	-6.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-20.7%	-3.8%	0.0%	0.0%	
GAAP Net Income	-35	-44	-32	-27	-30	-32	-24	-17	-15	-17	-9	-2	93	-138	-103	-43	N/A
Net margin %	-12.9%	-17.1%	-11.4%	-8.8%	-10.7%	-11.3%	-8.0%	-5.1%	-4.8%	-5.4%	-2.8%	-0.6%	10.2%	-12.4%	-8.6%	-3.3%	
Adj. Net Income	5	1	17	21	17	15	23	30	25	23	31	38	127	45	85	117	-2.6%
Adj. net margin %	2.0%	0.2%	6.1%	7.0%	5.8%	5.2%	7.5%	9.3%	8.1%	7.6%	9.3%	10.6%	13.8%	4.1%	7.0%	9.0%	
GAAP EPS	(\$0.06)	(\$0.08)	(\$0.06)	(\$0.05)	(\$0.05)	(\$0.06)	(\$0.04)	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.00)	\$0.17	(\$0.25)	(\$0.19)	(\$0.08)	
Adj. EPS	\$0.01	\$0.00	\$0.03	\$0.04	\$0.03	\$0.03	\$0.04	\$0.05	\$0.05	\$0.04	\$0.05	\$0.07	\$0.23	\$0.08	\$0.15	\$0.21	-3.7%
Diluted shares outstanding	551.8	552.3	554.6	555.1	555.7	556.3	556.8	557.4	557.9	558.5	559.0	559.6	540.6	553.5	556.5	558.8	
Debt & Cashflow:																	
Net cash	361	368	388	439	461	480	532	598	596	631	703	792	428	439	598	792	
Net cash per share	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Operating cash flow	-64	17	39	62	35	32	65	79	11	48	85	102	100	54	211	246	N/A
Free cash flow	-66	13	36	59	31	28	61	75	7	44	81	98	84	42	195	230	N/A
Free cash flow / share	(\$0.12)	\$0.02	\$0.06	\$0.11	\$0.06	\$0.05	\$0.11	\$0.13	\$0.01	\$0.08	\$0.14	\$0.17	\$0.16	\$0.08	\$0.35	\$0.41	N/A

Source: Company Reports, RBC Capital Markets estimates

Valuation

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Risks to rating and price target

Risks to our price target and rating include: a general pullback in technology valuations; market acceptance of its new products; slower-than-expected uptake of new automotive technologies; intensifying competition in the EMM and MDM markets; higher-than-expected legal expenses; opex spending may be higher than expected; new product launches may be later than expected; and BlackBerry may not monetize new services and software.

Company description

BlackBerry is a Waterloo, Ontario-based, developer of enterprise mobility management (EMM) software, embedded operating systems for automotive and other vertical markets, next-generation end-point protection software, telematics and other software for the Enterprise of Things. Founded in 1984, BlackBerry introduced its smartphone brand in 1999, which was the focus of the company until it exited the segment in 2016. BlackBerry acquired Good Technology for \$425MM in November 2015 and Cylance for \$1.4B in February 2019.

Required disclosures

Non-U.S. analyst disclosure

Paul Treiber and Boyang Li (i) are not registered/qualified as research analysts with the NYSE and/or FINRA and (ii) may not be associated persons of the RBC Capital Markets, LLC and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Conflicts disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

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RBC Capital Markets, LLC makes a market in the securities of BlackBerry Limited.

RBC Dominion Securities Inc. makes a market in the securities of BlackBerry Limited.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from BlackBerry Limited during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to BlackBerry Limited.

RBC Capital Markets is currently providing BlackBerry Limited with non-securities services.

Explanation of RBC Capital Markets Equity rating system

An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Top Pick (TP): Represents analyst's best idea in the sector; expected to provide significant absolute total return over 12 months with a favorable risk-reward ratio.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Restricted (R): RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances.

Not Rated (NR): The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

Risk Rating

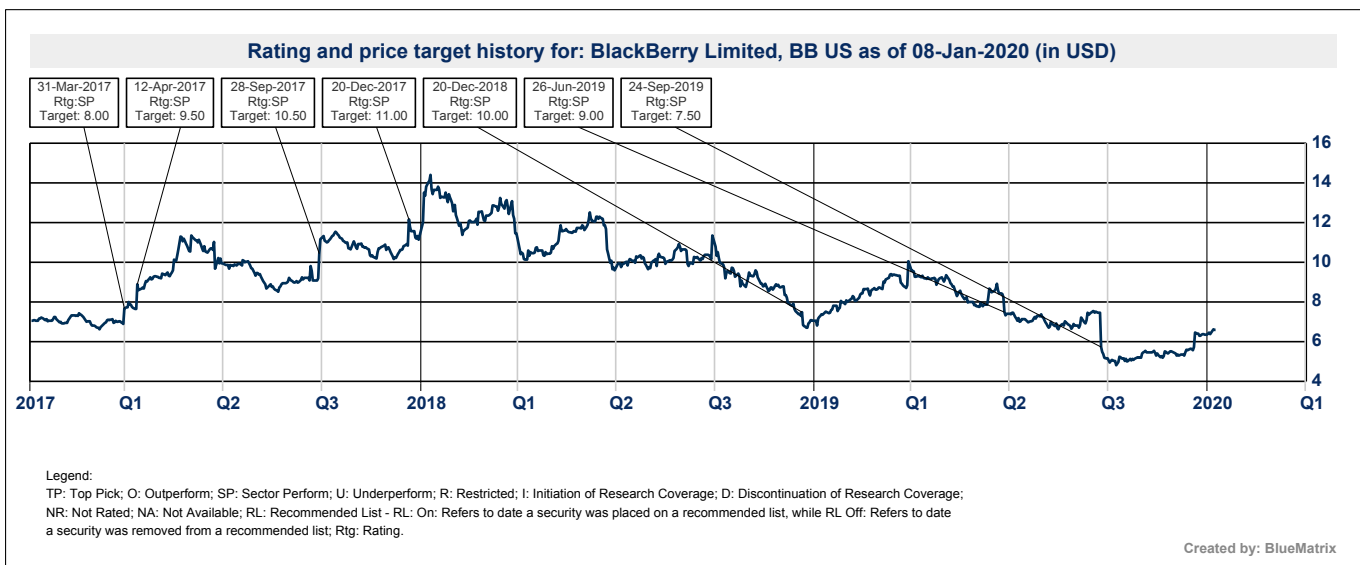
The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.



Distribution of ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Top Pick/Outperform, Sector Perform, and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Distribution of ratings RBC Capital Markets, Equity Research As of 31-Dec-2019				
Rating	Count	Percent	Investment Banking Serv./Past 12 Mos.	
			Count	Percent
BUY [Top Pick & Outperform]	765	51.97	225	29.41
HOLD [Sector Perform]	625	42.46	127	20.32
SELL [Underperform]	82	5.57	5	6.10



References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: All Cap Growth (RL 12). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

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BlackBerry Limited

Valuation

Our \$7.50 price target equates to 2.8x CY21e EV/S. In our sum of the parts, we value ESS at 1.8x CY21e EV/S, BTS (QNX/Radar) at 4.0x, Licensing at 2.0x, and Cylance at 3.5x CY21e EV/S, plus \$598MM net cash. For ESS, our target multiple is justified below

peers (at 4.0x), given low visibility to long-term growth. For Cylance, we believe our target valuation multiple is justified below cybersecurity peers (at 6.4x) due to limited visibility to sustainable growth. For BTS, we assume a higher target valuation multiple than telematics peers (at 1.8x), given higher growth and mix of software. Our price target supports our Sector Perform rating.

Risks to rating and price target

Risks to our price target and rating include: a general pullback in technology valuations; market acceptance of its new products; slower-than-expected uptake of new automotive technologies; intensifying competition in the EMM and MDM markets; higher-than-expected legal expenses; opex spending may be higher than expected; new product launches may be later than expected; and BlackBerry may not monetize new services and software.

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