BlackBerry Limited

Fiscal Fourth Quarter and Fiscal Year 2020 Results

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PRESENTATION

Operator

Good morning, and welcome to the BlackBerry Fiscal Fourth Quarter and Fiscal Year 2020 Results Conference Call. My name is Josh 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 Christopher Lee, Vice President of Finance. Please go ahead.

Christopher Lee

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Thank you, Josh. Welcome to the BlackBerry Fiscal Fourth Quarter and Fiscal Year 2020 Results Conference Call. With me on the call today are Executive Chairman and Chief Executive Officer John Chen and Chief Financial Officer Steve Rai.

After I read our Cautionary Note regarding forward-looking statements, John will provide a business update and Steve will then 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 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, and the COVID-19 coronavirus outbreak, which is negatively impacting public health, financial markets and global economic activity. You should not place undue reliance on the Company's forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements except as required by law.

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

I will now turn the call over to John.

John Chen

Thanks, Chris. Good afternoon everybody. Before I speak about the BlackBerry results, I'd like to acknowledge everyone who is doing all they can to contain and overcome the COVID-19 virus. BlackBerry has taken a number of steps to help the global community, including enabling remote working for our customers and employees, and we are taking the lead by offering a limited licence of our enterprise software products free to organizations around the world for 60 days.

Now on to the results, as Chris stated, I will reference non-GAAP numbers in my summary of our financial results unless otherwise stated.

Let me start off with some highlights for Fiscal 2020, the fiscal year entirely. BlackBerry achieved another year of profitable growth. We are pleased to report $1.1 billion in total company revenue, resulting in 20% growth year-over-year. Software and Services revenue grew 26% year-over-year. Earnings per shares of $0.13, this amount exceeds the expectations we raised during the year. Positive free cash flow of $14 million.

Perhaps the best news is the strong set of products released in the past fiscal year. We released over 30 new products. I would like to give you some highlights of the ones that I'm really excited about QNX Hypervisor 2.0 for Safety which achieves the highest ISO safety standard in the industry. The second product, BlackBerry Intelligent Security which uses AI to provide a depth of security and continuous

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authentication to overcome the static security vulnerabilities. Third, the CylanceOPTICS 2.4, our enhanced endpoint detection and response product. Then, followed by a single agent platform to deploy both CylancePROTECT as well as CylanceOPTICS. Followed by our Mobile Threat Defence product, MTD product, that integrates our AI based endpoint security capabilities with our portfolio of endpoint management technologies. Our peers do not have a full mobile solution like we do.

Last but not final, the BlackBerry Digital Workplace which delivers lightweight secure desktop virtualization while eliminating the need for VPN and adding AI based protection. Digital Workplace can be deployed on corporate and personally owned devices used by the entire sales force, or the workforce, sorry. The workforce. This is a must have for secure remote worker productivity and business continuity.

Additionally, we made tremendous progress in development of the Spark platform. I will speak more about that later.

Now, let me provide some highlights for the fourth quarter, fourth fiscal quarter. Total revenue came in as $291 million. We achieved positive year-over-year Software and Services billing growth. We also have a healthy sequential billing performance from Enterprise Software and Services. Gross margin was 77%, operating income was $51 million and operating margin was 18%. Both of these are very strong results compared sequentially. It’s an increase from $20 million and 7%, respectively, from Q3.

EPS came in at $0.09 which was $0.05 higher than expectations we had for the quarter. Free cash flow of $32 million, contributing to a total ending cash and investment balance of $990 million.

Let’s move into the business commentary. Let me start with a sentence on Licensing business. Revenue increased 9% year-over-year with better than expected performance due to some business that actually came in early.

Moving on to the IoT business, the IoT business underperformed in the quarter due primarily to BTS. BTS has been unexpectedly impacted by the slowdown in the auto industry supply chain due to COVID-19. Unfortunately, we expect this trend to continue for the near future due to temporary global auto production shutdowns and related slowdowns of auto sales.

Customers and prospects have become more cautious in their decision making related to capital expenditure and development. The leading indicator to us was that we expected two large transactions with reliable customers that were unfortunately delayed. While our fourth quarter fiscal results were impacted, we believe these two delayed transactions will occur as the business environment returns to normal.

On a positive note, BlackBerry QNX continued to gain design wins. We were chosen for 31 design wins in the quarter, 16 were in the automotive market and 15 were in the general embedded market. Within the auto market, the vast majority of design wins that came in were ADAS, the advanced driver assist program, and digital instrument cluster applications. These wins secured through our customers like Bosch, Continental and Visteon, just to name a few of those Tier 1, continued the trend of increasing ARPU and volume in the future and we continue to be the leading provider of safety certified software to the industry. Within the general embedded market, we saw increased demand in the industrial and medical verticals including being chosen by Wabtec Corporation, the global leader in transportation solutions who merged with GE Transportation last year. As noted in the last few quarters, growth in the general embedded market has been a stated priority—a strategic priority for us at BlackBerry.

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A brief update on our Radar business. In the quarter we saw continued growth in both the number of shipped units and Service revenue. We added several new customers, resulting in 50 new customers in the fiscal year. Additionally, we continue to have steady repeat buying from existing customers.

Moving on to our Enterprise Software and Services business, the sales team executed well, resulting in sequential billing growth in the high teens percentage. Our fourth quarter ESS billing was at its highest level in Fiscal 2020. The billing strength was across all ESS businesses led by strong performance on both the UEM, the endpoint management, as well as AtHoc.

On the customer front, our regulated industry business such as government, financial services and healthcare remains healthy and stable. We also experienced strength in our nonregulated industry business, most notably the energy and utility vertical as well as the manufacturing vertical.

We have added several large size wins, both new logos and upsell in competitive situations. Let me highlight a few. General Dynamics, a Fortune 100 aerospace and defense leaders; CGI, a global professional services and consulting company; Johns Hopkins Aramco Healthcare, a leading healthcare provider in Saudi Arabia; EVN Group, one of the largest producers and transporters of electricity in Europe; and Nippon Steel, one of the world's largest steel producers.

Our pipeline is building for our new product as well, notably for the MTD, the Mobile Threat Defence, and the BlackBerry Intelligent Security.

Now on to BlackBerry's Cylance business. Revenue was up slightly year-over-year against a reasonably tough comp. Billing increased sequentially as we anticipated. We are highly competitive against other mixed generation AV players because of the following reasons. Number one, BlackBerry Cylance is the best mobile solution in the market. Number two, our lightweight solution protects all endpoints, whether they are connected or not. Other next gen AV players only protect when the endpoint is connected to their cloud. Number three, instead of being cloud-only, we support cloud managed, on-premise and hybrid deployment models. Last but now least, we are compatible with both the current and legacy device operating systems, especially on the desktop.

This was a strong quarter of new logos. Cylance won over 300 new customers. Some of the new logos won in the competitive environment include Fonterra Co-operative Group, the world's largest dairy exporters. A notable state healthcare organization in Australia—unfortunately we don't have permission to name the name. A Fortune 500 financial services company based in the Midwest of the United States; Mizuho Securities, which was a cross-sell opportunity to leverage our UEM relationships, and Hartford Financial Services Group, the leader in the insurance vertical that was won through our managed services partner with Verizon. As a result, ARR was $167 million, up 9% year-over-year. Our dollar based net retention rates continue to be over 90%. We ended the quarter with 18% year-over-year growth with active subscription customers.

As I previously said, we believe that momentum will only continue now that BlackBerry Cylance is a full portfolio with other BlackBerry capabilities in the market.

Before I turn the call over to Steve, let me update you on the Spark platform and the Cylance integration. We have made tangible progress in the development of Spark, our secure IoT platform. This past February we announced the release of our unified endpoint security, or UES layer, within in the Spark platform that leverages AI machine learning and automation to deliver zero trust security across all the fixed and mobile endpoints.

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The UES layer is supported by six initial products which are Endpoint Protection Platform, the EPP; the Endpoint Detection and Respond, the EDR; the Mobile Threat Defence, the MTD; Continuous Authentication, Data Loss Prevention, known as DLP; and Secure Web Gateway. These products work seamlessly together to analyze and define risks, make contextual decisions based on a large amount of shared data, and dynamically apply a set of policy control to address the risks of our customer's environment.

Our platform development—this platform development is in line with the marketplace convergence noted by Gartner. We see the consolidation of MTD offerings with EDR and EPP2 and calling this Combined Stack Unified Endpoint Security. Gartner sees the stack forming a single solution during the next three to five years and indicated that organizations should invest with UES in mind. Gartner also noted that 70% of organizations will need a combined endpoint management counsel by 2024, and 50% of the organizations will have to have Mobile Threat Defense by 2022, which is up from 20% this year.

Given our product and the marketplace progression, we are now ready to increase go-to-market synergies and go after these big UES and UEM opportunities. Accordingly, we have successfully integrated the entire Cylance organization, including Sales and R&D teams into our IoT business segment effective March 1, 2020, which was just a month ago.

We believe a unified team leads to broader customer coverage, a richer product roadmap, a clearer sales message and most importantly, very differentiated offerings. The value proposition to a customer is that BlackBerry Spark provides the highest level of security in management with a simpler yet more productive user experience on any endpoint, fixed or mobile, from any location over any network.

Many of you actually have asked me over the past several quarters about BlackBerry's prospects in the competitive landscape, especially against much larger players. I could not provide you a complete answer then, only to tell you that we're working on it because the solution at the time was under development. We now have a differentiated technology architecture that's ready to ship into market. Today, our UES products work with BlackBerry UEM. However, we recognize that customers may be using a competitor's or often more than one UEM product. Therefore, in the near future, as part of our roadmap our UEM solution will be made compatible with Intune, AirWatch and other competitors' UEM products to give customers the best of both worlds, namely preserving investment while enjoying the benefit of the high security and management that BlackBerry provides.

We believe UES changes the competitive dynamics and our operated objectives now is to gain market share because UES is complementary to but not a direct competitor of the non-BlackBerry UEM products, and also, BlackBerry UEM will maintain our leadership in the regulated industry due to our continued focus and commitment on security and management.

In time, we believe the Spark architecture expands our total addressable market including in the IoT security era.

With that, let me turn it over to Steve to provide more details about our financial performance.

Steve Rai

Thank you, John. My comments on our financial performance for the fiscal quarter will be in non-GAAP terms, unless otherwise noted. Please refer to the supplemental table in the press release for the GAAP and non-GAAP details and reconciliation.

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We delivered fourth quarter non-GAAP total company revenue of $291 million and GAAP total company revenue of $282 million. I will break down revenue shortly.

Fourth quarter total company gross margin was 77%. Our non-GAAP gross margin includes software deferred revenue acquired but not recognized of $9 million and excludes stock compensation expense of $2 million.

Fourth quarter operating expenses of $172 million were down sequentially by $23 million, and we continued to invest in product development and go-to-market. At the same time, we continued to demonstrate cost discipline across the entire company and gain operating leverage, in particular at Cylance.

Our non-GAAP operating expenses exclude $35 million in amortization of acquired intangibles, which equates to about $0.06 impact to GAAP earnings per share. Additionally, our non-GAAP operating expenses exclude $27 million in goodwill and long-term asset impairment charges, $15 million in stock compensation expense, $3 million for software deferred commissions expense acquired, $1 million in acquisition and integration costs, $1 million in restructuring costs and a charge of $5 million related to the fair value adjustment on the convertible debenture.

Fourth quarter non-GAAP operating income was $51 million, and fourth quarter non-GAAP net income was also $51 million. Non-GAAP earnings per share was $0.09 in the quarter.

Our Adjusted EBITDA was $68 million this quarter, excluding the non-GAAP adjustments previously mentioned. This equates to an Adjusted EBITDA margin of 23%.

I will now provide a breakdown of our revenue in the quarter.

Total Software and Services revenue was $287 million, representing 99% of total company revenue, Other revenue is solely comprised as service access fees which were $4 million and were expected to decline given the continued wind-down of this legacy business.

Recurring Software and Services revenue, excluding IP Licensing and Professional Services revenue was about 90% in the quarter.

Now, moving to our balance sheet and cash flow performance, total cash, cash equivalents and investments were $990 million at February 29, 2020, which increased by $20 million from the November 30, 2019. Our net cash position was $385 million at the end of the quarter. Fourth quarter free cash flow, before considering the impact of acquisition and integration expenses, restructuring costs and legal proceedings, was positive $36 million. Cash generated from operations was $35 million and capital expenditures were $3 million.

That concludes my comments. I will now turn the call back to John to provide our financial outlook for Fiscal 2021.

John Chen

Thank you, Steve. Currently, I'm sure you all agree there's a lot of uncertainty across the global economy due to COVID-19, therefore it is not prudent for BlackBerry to provide any specific fiscal 2021 financial outlook as things are changing almost on a daily basis. However, I'd like to make some macro comments on our business.

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Our revenue most likely will be negatively impacted by continued headwinds to global auto production and sales. We anticipate a continued delay in capital spending in the Auto as well as the other industries. At the same time, this negative impact could be partially offset because our Product and Services portfolio is well suited to help enterprise meet the challenges of business continuity driven by the dramatic expansion of remote workers, or the number of remote workers. We are known for offering the best security and productivity solutions. These products and services including our UEM products, Cylance, Digital Workspace, Secusmart, which is secure voice and text solution, as well as AtHoc, our crisis communications solution including the new situation response product which is the entire lifecycle of managing crises.

In fact, we are experiencing increased demand. More transactions and inquiries come in daily from new and existing customers, resulting in more licenses being deployed.

Furthermore, our Cylance products, including CylanceGUARD which is our cloud-based managed detection and response offering are helping customers to combat growing cybersecurity and privacy risks as the number of BYOD endpoints increases in a remote working environment.

While it is difficult to predict the volume of business year-over-year, the Company remains strongly focused on the overall financial health in Fiscal 2021. The Management team has managed through uncertain times in the past and has a track record in balancing profitability and investment for our long-term growth.

As it relates to the shape of Fiscal 2021, we anticipate a tough first quarter due to COVID-19 impact on our business. This may linger into the second quarter, but we do anticipate a stronger second half of fiscal year versus the first half of the fiscal year.

When looking beyond 2021, we do not believe the current global crisis changes BlackBerry's strategy and the pieces of any of our long-term profitability growth and value creation.

I would now like to open up for Q&A. Josh?

Operator

I will now begin the question and answer session. To ask a question, you may press star, one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, please press star, one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. We do request that you limit yourself to one question and one follow-up.

Our first question comes from Daniel Chan with TD Securities. Please go ahead.

John Chen

Hi Dan.

Daniel Chan

Thanks for taking my question. Hi John.

Given the macro uncertainty, how are you thinking about capital requirements? In particular, how much do you need and what are your plans for the convert?

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John Chen

After paying off the convert, we have $385 million of cash or equivalent, and so we had made some assumptions under a stress test environment. A couple of assumptions: number one, we will pay back our convert. The good news for paying back our convert is that we would save probably about $23 million a year in interest payments. Obviously, the cash balance would go down quite a bit. We also assume there is no financing work being done, and part of the reason is as you know very well, you probably know much better than I do, the last couple of weeks the market isn't really available. I think it's starting to loosen up a little bit, but we assume no financing.

We assume no dramatic cutback of headcount or investment for the future. This is why I said earlier we're going to balance profitability and long-term growth. We know this will pass. We know things will come back to normal and we believe we have a very competitive strategy and products, so we don't want to compromise the future. At the same time, we don't want to put ourselves in a financial difficult position, so we're going to be working balancing that, but we are not saying we are going overhaul anything to disrupt our investment pieces.

Given those as kind of the background, we ran through the scenario of revenue coming down by 20%, by 30%, by 50%—you would expect anybody to do in modelling, and we believe we are quite comfortable unless it's been a very extreme condition which we are not anticipating, we are quite comfortable to be able to last the liquidity and the health, the financial health for a couple of years.

Daniel Chan

That's very helpful. Thank you. I want shift gears a little bit to the Enterprise Software side. It sounds like things are improving there. Can you give us a sense on whether the Enterprise Software segment grew year-over-year? Maybe you can give us a sense of how well you see your go-to-market and your channel—is it developing the way that you anticipated?

John Chen

I don't have the year-over-year numbers, but what I could tell you from a billings growth perspective we saw very healthy Q4, better than—double digit over Q3. That feels good.

The business are there. We have a hiccup. I think we overcame the hiccup. We had people very committed going after the business. We got infrastructure buildup for both the renew and new businesses that we won't let fall through the crack.

A while back it was really our doing for not being more diligent on some of those sales, so now I think those are overcome. We have a number of layers that watches our business, as I said both in the renewal and the new logo, going after the new logos. We have a bigger sales force now and the combination of the Cylance into the IoT portfolio with the UES makes it even more exciting because each of our sales reps has more things to sell. The Cylance sales rep could sell the UEM, AtHoc and other products, mainly UEM I believe, and vice versa. Now the UEM sales force now combined as one could sell the UES products which includes a lot of Cylance and AI technology.

We feel good about the focus. We feel good about how we aligned the territories. The majority of our sales are still going direct. We are building channel business but that's probably—that benefit will probably kick in mid year this year or maybe towards the end of the year.

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Operator

Your next question comes from the line of Daniel Bartus with Bank of America. Please go ahead.

John Chen

Hi Daniel.

Daniel Bartus

Hey guys, thanks for taking the questions. First, I wanted to ask about the competitive environment for endpoint security. On the one hand we have CrowdStrike growing very well and they have a similar approach it seems like to Cylance, and then you have others like VMware and Microsoft that can follow your moves to integrate the classic UEM business with the endpoint security potentially. It would be great to just get an update on the competitive landscape you're seeing for Cylance and I'm curious if the combined UEM and security is a real conversation yet with customers. Then I have a quick follow-up.

John Chen

Okay. Those are good questions. I took a little while to lay out why we win some of the Cylance deals. As I said earlier, Cylance have secured 300 new logos in the quarter and so we're winning against somebody. I don't want to name names, who we're winning against. To summarize, it looks like with the Cylance one, the win rate basically comes from, A, we are the mobile leader; B, we don't always need the cloud, so we do secure protection on endpoint both offline and online, and that differentiates us. We have now managed service and a full suite of products, so that also is a factor. Those are—among other things, those are three that I feel jumped out at me when I look at the win.

The combination of that whole set of Cylance portfolio would be managed service, the management tools that UEM have. It's exactly where the market is going, and it's verified and confirmed by Gartner. That's what they named this whole segment called UES, Unified Endpoint Security, which is a combination of mobile and fixed, cloud and on-premise, and also managed and threat detection and protection. We just happen to be an early provider of a product and I'm hoping that therefore give us a much more competitive advantage against some of our big players and our big competitors out there, and then we'll win hopefully a fair share of the deals.

Finally, most of you have asked me the question there are some of our traditional competitors that provide site licenses and if you look at everything that we offer, we are about, for example, a site license for a year ELA 5 will be a lot cheaper than ELA 5 and much better security product. ELA 5 is not free, unlike the ELA 3. I believe that we could be competitive out there.

Daniel Bartus

Great. That's very helpful. Then just quickly on the licensing strength, when we entered this year you guys were thinking that segment might be down 5% or so year-over-year and then it turned out to really surprise up 15%. I was wondering if you could kind of walk through changed throughout the year, and more importantly, did this strength come at the expense of some Fiscal '21 licensing?

John Chen

Yes. I like to be conservative. The problem with the—I mean it is a good business because it's very good margin. Unfortunately, you all know very well that it's somewhat lumpy and the timing is a little hard to

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predict than just kind of enterprise transactions. Because of that, I'm always conservative. I think I prefer to still plan at about a 250 mark for the FY21, and I'm hoping we'll do better. But it is really hard to predict. Like this quarter, I didn't expect it to come in that strong, honestly. It's been strong for the entire year.

Daniel Bartus

Great. Thanks, guys.

John Chen

Thank you.

Operator

Your next question comes from Paul Treiber with RBC Capital Markets.

Paul Treiber

Thanks very much and good afternoon.

John Chen

Good afternoon.

Paul Treiber

Just trying to understand the BTS segment a little bit more. Can you speak to the magnitude of the decline in the quarter and then is that driven predominantly from royalties on the volume of production, or are there other nonrecurring items in there like Professional Services. Is it the license of the tools that may have contracted?

John Chen

Unfortunately, it's a little bit of everything.

Royalties are down. We had projects that we believed we were going to get, the developer seats, that has been delayed. And once the new projects are being delayed, I remind you they didn't go away at all, it's just been delayed because a lot of these are Tier 1 and OEM, they start looking at auto sales figures and they started to become a little concerned, they will be a little more cautious. We still won the projects. There's no question about it, but then the developer seats business has gone down and those are the higher—you call it one-time, the immediate revenue type.

Then once the developer seats slow down, normally they come with some portion of Professional Services so that they have us help them to deploy it and to start the new projects, but that of course is also slowed down because of that.

It is a rather unusual situation and I don't expect it to last long. Our game plan is to do more of the Professional Services work on a remote basis. Then of course we have to get the authorization from the customers; they're working remote also. We should be able to get that.

Second thing is to go after more the GEM growth because then they would need to buy developer seats.

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Those are the two—and continue working with our auto customers obviously because they will come back. This is not going to just end. They will come back. It may take a quarter or another quarter, but that's about what I expect it to be.

Paul Treiber

That's helpful. Just shifting to COVID-19, in regard to the promotions that you've implemented or announced, could you provide some update, some metrics on the uptake of that and what you expect in terms of potential conversion longer term?

John Chen

Okay. My people are probably going to yell at me but I'll give you the update. In the first week I think we saw our pipeline grew at least $30 million, and these are good pipeline because this is the one that actually came to us with strong leads. Customers are able in some cases to process a PO in record time. You guys know all this, so I'm not saying anything you don't.

I'd say we do have that situation and so is a lot of different software companies. I'm not saying anything to you that are very standout-ish and very unique. I just wanted you all to know that we do have a piece of business that in an environment like this unfortunately benefit from this whole crisis. We do okay in that area. That's about the only metrics I could share with you. That's more than what anybody will tell you I think.

Operator

Your next question comes from Mike Walkley with Canaccord Genuity. Please go ahead.

Mike Walkley

Hi. Thank you.

John Chen

Hi.

Mike Walkley

Hi. Thanks for taking my question. Just following up a little bit on cost structure, how should we think about kind of the investment level. It sounds like you guy feel good with the team in place and want to invest for the long term, but OpEx was a little lower than expected this quarter I imagine it could be lower again just given lack of travel, entertainment type projects, things like that. Is there an OpEx rate you're looking at maybe on a run rate for the calendar year that we could think about?

John Chen

I did not calculate it back. We know we have a number of levers, so for example, in our plan you remember of course replacement of attrition of headcount, we'll probably—given this environment, we'll still be hiring people, we actually made some offers lately, but we're going to hire in areas of quota carriers, of people that are billable sales, so that could help us on the revenue side, and then the other

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areas, unless it's very specific, like we just recently hired a very strong data scientist and so of course we'll always be looking for excellent people like that.

Other areas we might slowdown, we probably—not might. We are slowing down, and partly it's because just everybody is working from home and we have a global work from home now and it's just difficult to do the interview and the processing, the background check and the references check; it just takes much longer. There will be some natural reduction of costs built in. Obviously, we'll look at our capital spending very carefully in that also.

Like you pointed out travel goes down literally 95%, probably even conservative when I say that. Nobody is traveling at all. And there are other areas that we could take some costs out. Infrastructure, facilities, that kind of areas.

Mike Walkley

Great, thanks. Just my follow-up question, just circling back to the licensing which was your strongest as you laid out this year. Can you share with us just kind of heading into this year what the recurring revenue run rate is? I know 250 might be a good number for the year but is there a recurring feels pretty solid for the calendar year coming up? Thank you.

John Chen

In my model, as I said in the last year, I realized that I probably don't have a whole ton of credibility because I told everybody it was about 250. I'm going to tell you it's going to be about 250 for the coming fiscal year, but I hope this time you will believe me a little bit more.

Last year we had a lot of things, a lot of deals in play and so—and they came in through the various time of the year, so different quarters. I believe this year planning on 250 is reasonable.

Operator

Your next question comes from Gus Papageorgiou with PI Financial. Please go ahead.

John Chen

Hey, Gus.

Gus Papageorgiou

Thanks for taking the question. Just a couple of questions. On the $27 million global impairment, can you just tell us a little bit what was that for?

Steve Rai

Yes. The impairment was I think $22 million.

Gus Papageorgiou

Twenty-two, yes.

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Steve Rai

That related to the BBM Consumer. It was a while back. We licensed—this was a licensing arrangement and we were no longer operating the Consumer BBM piece and eventually it was known there was certain amounts we were going to receive under the agreement and just naturally we had to allocate some goodwill to it back in time and since that service has been shut down during the year the impairment results from that.

Gus Papageorgiou

Great, thanks. Then just I guess on QNX for Auto, obviously we're seeing volumes under pressure here in the short term, but I guess part of the plan for QNX is that you should increase your market share but also the ASP per car should go up as car manufacturers adopt more software modules. Do you think the ASP growth is going to get pushed back as well, or do you think that it's just a volume issue in the short term, but you should still see ASPs increase this year and then increase again next year?

John Chen

It is short term and volume based. Not, the ASP. The ARPU has gone up. If you look back in the last three, four, five quarters when we announced the results, we talked about the design win in clusters, instrumentation, hypervisors, ADAS, OTA. We talk about those wins. Those wins all carry a higher ARPU, ASP than the traditional IVI business.

Gus Papageorgiou

Okay, so they're not getting deferred at all? Just largely.

John Chen

Not that we could see. We are basically based on at this point, it's really more volume versus less volume.

Gus Papageorgiou

Great. Thanks.

John Chen

Sure.

Operator

Your next question comes from Paul Steep with ScotiaBank. Please go ahead.

John Chen

Hey Paul.

Paul Steep

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John, can you maybe talk to us, one, a little bit about AtHoc and what we've seen there. Obviously, that's one area that I'm assuming you're seeing a lift in. Then I'll give you one quick follow-up. Thanks.

John Chen

Yes, AtHoc in an environment like this. For those of you who haven't really followed our AtHoc business, it is very strong in the federal government and more of a kind of—I meant federal government. I actually meant the United States Federal Government. We have over 2 million seats in the United States Federal Government space including Armed Forces and so forth. Then, of course, in Canada, AtHoc is in the Parliament and in the other G15 countries, a lot of them uses AtHoc and coordinate security in crisis.

We haven't really got out of the government and the federal space which we are beginning to see us getting into. There's a company called Everbridge, a public company, and they do exactly what we do but they are more on the state, local and education market, which we're interested in, so we're hiring people, building that up. This is the opportunity of growth. It looks like we are quite competitive.

We just released our latest product which we are very proud of which is the lifecycle management of a crisis, and so, anyway, I think this is going to be a good growth engine.

Paul Steep

Great. Then the last one from me would be maybe to talk a little bit about where you see the organization being. You've obviously changed things around, integrated Cylance in. It looks like you got a new head of Field Operations and Marketing. Presumably sales is what that title means.

How should we think about any changes to the sales force? Then secondly, how would you recapture any of the cost saves from letting go a few people in the Cylance area? Would you redirect that capital to growth or are you just going to sort of hold onto it in the current environment? Thanks.

John Chen

First off, I'm very pleased to—when you combine two organizations like that, who have traditionally their own infrastructure and sales management, I got the luxury to pick the A team between the so-called legacy BlackBerry and Cylance. It helps save a lot of the management infrastructure costs that we will then throw it back into hiring reps around the world. The equation worked out fine for us. Dave Castignola is picked to run Sales, Field Marketing and Customer Services for Spark, which is a combination for the UEM and Cylance products. We now have one organization do that. As you cascade down a number of levels, whether it's the regional managers or country managers and so forth, we obviously had the luxury of picking one versus the other person. That in my mind gives us a cleaner structure and also gives us an opportunity to pick the better person.

At the same time, there are a number of opportunities out there and geographies and regions that actually have both very strong person, and very promising person. We were able to deploy one of the two to a solutions side of the business which are AtHoc, Secusmart and QNX.

For example, we now have a Solutions team in Asia Pac leading by some really good people, and so we are taking advantage of the talent pool and the simplification of the organizations.

Operator

Your next question comes from Trip Chowdhry with Global Equities Research. Please go ahead.

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John Chen

Hey Trip.

Trip Chowdhry

Thank you. Very good execution in a terrible environment. I have two quick questions. First, regarding your Digital Workspace, I think you are giving this product free for six months. Do you see that business to give you some uplift? As you mentioned in your prepared remarks in the second half, do you think that product is playing an important role?

The second question I have is Zoom video is getting more popular but they are terrible in providing the security and privacy. Do you think some sort of OEM engagement or relationship with companies like Zoom, if they use Digital Workspace, those issues could be put to rest? Any thoughts on that?

John Chen

Thank you. The first question is Digital Workspace. It's a brand-new product for us. We just released it probably no more than couple of months, and it's slightly early to tell, but through this process of remote working from home, we've been seeing good some license movement on Digital Workspace, not big enough to make a dent, so I will reserve my comment on this. Probably wait till a quarter or two from now. But it certainly has picked up already, and partly because of their environment we're in. Not having to deal with VPN and being able to put it on BYOD, it's a huge deal. We're now integrating by the way. On every one of those desktops, we're putting CylancePROTECT on it and so I'm hopeful we're certainly doing the right thing. That's one area.

Zoom is obviously picking up quite a bit because of the reason of it. And yes, there were some concerns, security and privacy. Not just Zoom and other players too. Zoom is part of our containerized program, meaning that Zoom works in our container. If you are a UEM customers, our BlackBerry UEM customers running Zoom, you will already be secure both in the data privacy and the security of it.

Trip Chowdhry

That's really wonderful. Good to know. The container, is it we're talking about containers in the context of (inaudible) or is this containerized is in some different context? Basically, if I'm a customer of say your Unified Endpoint Management, and whatever service I provide, I put into that container, by default, they will have the same level of security as the underlying platform provides. Is that the correct way to think about it?

John Chen

Yes. The container I was referring to is our endpoint management software, which is a combination of mobile device management and application management. We use the container technology there. That wraps around every application and protect the thread and infusion of that outside agents. I'm talking about that container.

Operator

That is all the time we have for questions. I would like to turn the call back over to John Chen, Executive Chairman and CEO of BlackBerry for closing remarks.

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John Chen

Okay. Thank you. I was just having fun. Thank you very much for your time today. We look forward to speaking with you at our Analyst Day, which unfortunately will now need to be on webcast because of the shelter-in-place. It will be webcast on April 21st, coming April 21st.

Lastly, I'd like to take this opportunity to hope you and your family to stay healthy and stay safe as we work together through these challenged times. I add one statement; this crisis shall past. Looking forward to interacting with all of you. Thank you very much for your time.

Operator

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

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