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NLOK.OQ - Q1 2021 NortonLifeLock Inc Earnings Call

EVENT DATE/TIME: AUGUST 06, 2020 / 9:00PM GMT

OVERVIEW:

Co. reported 1Q21 revenues of $614m and non-GAAP diluted EPS of $0.31. Expects 2Q21 non-GAAP revenues to be $615-625m and non-GAAP EPS to be $0.31-0.35.

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the fiscal 1Q '21 earnings call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Soohwan Kim, Head of Investor Relations. Please go ahead, sir.

Soohwan Kim - *NortonLifeLock Inc. - Head of IR*

Thank you. I'm pleased to welcome you to our call to discuss our first quarter fiscal '21 earnings results. We posted the earnings materials and slides to our Investor Relations Events web page.

Speakers on today's call are Vincent Pilette, NortonLifeLock's Chief Executive Officer; and Natalie Derse, Chief Financial Officer. This call will be available for replay via webcast on our website.

I'd like to remind everyone that all references to the final metrics are non-GAAP, unless otherwise stated. Please refer to the supplemental materials posted on the Investor Relations website for further definitions to our non-GAAP metrics.

Please note, non-GAAP financial measures referenced during this call are reconciled to their comparable GAAP financial measures in the press release and supplemental materials posted on our website. We believe our presentation of non-GAAP financial measures when taken together with corresponding GAAP financial measures provide meaningful supplemental information regarding our operating performance for reasons discussed below.

Our management team uses these non-GAAP financial measures in assessing our operating results as well as when planning and forecasting future periods. We believe our non-GAAP financial measures also facilitate comparisons of our performance to prior periods and that investors benefit from understanding our non-GAAP financial measures. Non-GAAP financial measures are supplemental and should not be considered a substitute for financial information presented in accordance with GAAP.

Today's call contains forward-looking statements based on conditions we currently see. Those statements are based on current beliefs, assumptions and expectations, speak only as of the current date, and as such, involve risks and uncertainties that may cause actual results to differ materially from our current expectations. In particular, our statements regarding the impact of the ongoing COVID-19 pandemic on our business and industry,

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our sale of our Enterprise Security assets to Broadcom, any anticipated benefits from such sale and cost reductions associated with this transaction [relate to] -- subject to a variety of risks.

Please refer to the cautionary statement in our press release for more information. You will also find a detailed discussion of risk factors in our filings with the SEC and in particular, our annual report on Form 10-K for the fiscal year ended April 3, 2020, and recently filed quarterly reports on Form 10-Q.

Let me now turn the call over to Vincent.

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

Thanks, Soohwan. And good afternoon, everyone. Thanks for joining us today. Since we closed the sales of the enterprise business, we committed to return to customer growth, drive sustainable revenue growth, complete an overhaul of the cost structure and deliver a healthy profit.

In just our second full quarter as NortonLifeLock, our first quarter of fiscal year 2021, we delivered better-than-expected results with strong reported billings growth of 9%, revenue growth of 4% and EPS growth of 48% year-over-year.

As we created NortonLifeLock, we believe in the potential of a business solely focused on building personal cybersafety for consumers. We initially set our sights on sustainably and meaningfully growing customer count and delivering revenue growth in the mid-single digits.

In Q1, we delivered both sequential and year-over-year 400,000 net new customers, a first since 2014. Revenue growth was 4%, meeting the long-term objective of mid-single digits in just our second full quarter.

At the end of June, we eliminated 95% of the stranded costs, and we expect to be done this month, 1 quarter ahead of plan. In Q1, included stranded costs, we reached 47% operating margin for the company, up 15 points year-over-year, and expect to reach 50% by September, another one of our commitments.

If you exclude the stranded costs, the Consumer business has been running above 51%, better than our operating margin target of 50%.

Our Q1 EPS was $0.31, which included a $0.04 impact from stranded costs and is up $0.10 year-over-year. By the end of this fiscal year, we expect to run the business at our target of $1.50 annualized EPS, which can be achieved by virtue of mid-single-digit revenue growth, operating margin above 50% or utilizing our remaining $600 million share buyback program or some combination of any or all of them.

Finally, we projected to run the company at $900 million annualized free cash flow after the transition period. While we have been and are running at that level in Q1, excluding cash spent on stranded costs, we are tracking for those levels to be reflected in our cash flow statement once our financials are clean of stranded costs in the second half of this year.

As we demonstrated the operational discipline with which we want to continue to operate, we made it a priority to build out our post-transition leadership team. This quarter, we welcomed new and accomplished leaders with deep experience in consumer technology. Natalie, who you will hear from in a minute, brings operational skills with a growth mindset. Overall, we added seasoned leaders from very successful consumer technology companies. These leaders are joining us for our mission to bring cybersafety to every consumer around the world. We believe the company is uniquely positioned to seize that tremendous growth opportunity.

Our initial lever to restart the growth was to increase our marketing spend, which, as you know, is our main way to reach new consumers and educate them on the benefits of our solutions. As we maintain a consistent messaging level in the market, we saw increased efficacy.

Our overall customer acquisition costs continue to benefit not just from lower ad rates related to COVID but also from our own initiatives to shift marketing spend to new digital channels, including search, social media and digital video.

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In terms of reach, despite the global strength of the Norton brand, we had not invested in international marketing in recent years. We reversed that in Q3 fiscal year '20, and we are beginning to see the results from those investments. The strategic shift in our marketing efforts have broadened our reach, and we are making steady progress in reaching younger and international customer cohorts.

As of the end of Q1, we counted 20.6 million customers who buy our products or services directly to our e-commerce platform. This represents an increase in net customer by 379,000 sequentially and 416,000 year-over-year.

Our Q1 growth was broad-based with growth across both the portfolio and the geographies. We grew both in the U.S. and internationally across all regions. The increase in international customer count outpaced that in the U.S., another first in a long time here.

Supported by trends like work from home, virtual meetings and online shopping and transacting, we saw both our security and identity product categories grow sequentially and year-over-year, another first in a very long time.

Our average revenue per user, or ARPU, remained strong at $9.03 per month even as we recorded strong net additions.

Our retention remained very strong as well at around 85%, suggesting that customers recognize the value and stay with us for a long time.

In addition to our direct business, which accounts for about 90% of our revenue, we also have a partner organization developing new ways of distributing our offering to individuals.

In Q1, we grew our indirect revenue 11% year-over-year. In retail, our performance on Amazon and other e-tailers offset the weakness from traditional stores being shut down or operating with limited hours. Our indirect sales also benefited from the strong performance of employee benefit programs, our fastest-growing partner channel. We are seeing strong growth from new employer acquisitions and greater participation within existing employers.

Furthermore, while we're still in the early stages, I'm also pleased to report progress in our long-term partnerships with organizations like TELUS and AARP. Although it takes time to develop and ramp up new relationships, we believe in the long-term potential to expand our reach and continue to grow.

Growing through new marketing channels and various forms of partnerships and consistently messaging our value proposition to them is extremely important. Our new Chief Commercial Officer, Robert Clarkson, has significant experience building out global partners and platforms over his tenure at PayPal. His passion is around consistently delivering the customer experience throughout the customer journey and lifetime. That is the reason we regrouped our direct, indirect and renewal sales organization under his leadership.

Our vision is to keep people around the world cyber safe. We believe it is our responsibility to provide everyone with innovative products and solutions to protect and control their digital lives. That vision was the impetus for creating the Norton 360 integrated platform, and we believe customers are starting to see it. The vast majority of new customers are now coming directly to Norton 360. And as of the end of Q1, over 40% of our installed base was on Norton 360, up from approximately 25% at the end of Q4.

This penetration is important as it enables us to offer comprehensive cybersafety and the one common experience to seamlessly upgrade our platform with new features like home title protection and to increase the engagement and with that, the retention of our customers.

Some of our platform features might continue to be offered as stand-alone products where it makes sense for our customers and helps accelerate the growth of our company. Last quarter, we talked about SurfEasy VPN as an example of a stand-alone product. This quarter, I want to share a new example that demonstrates how we constantly are looking at new ways to protect people and their highly dynamic digital lives.

Some customers want help limiting the public availability of their own personal data. Surf the web, and you will likely see that a lot of your personal information that you may not want out there is readily available, such as name, age, addresses, phone numbers.

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Privacy Monitor, which is available as a feature with Norton 360 with Lifelock, scans for personally identifiable information, or PII, accessible on the most popular people search websites. But taking control of this data is tedious at best and often too complex. Recognizing this consumer need, we developed and beta-tested a product called Privacy Monitor Assistant. It's a white glove service where our agents, assisted by software, find and delete all your PII on this data broker website. Wouldn't you pay for a reasonable fee to secure your personal information?

It's still early, but we have seen positive response so far, and we think this capability has tremendous value for our customers. This is a good example of how we can continue to fulfill our vision by protecting our customers and enhancing the control they have over their digital lives. It's also a good example of how our service capability, combined with software, can differentiate us from competitors. We have a large customer base that constantly uses our service and provide us with insights we can turn into new features or products.

Growing through innovative products and solutions is key to fulfill our mission. That is why we have put product management and R&D under our new Chief Product Officer, Gagan Singh. Gagan has a passion for technology and, in particular, how artificial intelligence and machine learning can help build cutting-edge products. He was particularly interested in our internal research team and their capabilities.

This June, our research team released BotSight, which can be downloaded for free as a browser extension or iOS app in a targeted effort to enable people to identify disinformation on their Twitter feed. BotSight's technology is based on machine learning and leading-edge algorithm. It looks at over 20 different distinguishing features such as age of the account and tweet frequency to detect Twitter bots and show them directly on feed in real time. We are now looking to advance this technology and extend this capability to other use cases and threats.

Before I pass it to Natalie, let me take a minute to step back and talk about our vision to deliver cybersafety to every person across the globe. Even before the world was tossed into turmoil, our mission was relevant as the digital world is taking over how we work, learn, shop and basically live our lives. Now with COVID-19, our mission is more important than ever. Clearly, this pandemic has accelerated people's reliance on technology, and we are seeing the impact of that increased activity online to the number and variety of attacks on consumers.

Attackers have elevated their techniques on stealing information, disrupting sites and cascading malware through phishing attacks, camouflaged test tracing apps, social engineering for trained COVID vaccines and poisoned websites emulating stimulus benefits, all resulting in an increased need for security, identity protection and restoration and privacy solutions. These are just a few of examples of the many threats facing us now that more of our everyday activities are done digitally.

So while there is a lot of uncertainty at the macro level, one thing is certain: There is a real need for cybersafety for individuals, families and homes. Through innovative products and expanding distribution channels, our mission is to meet that need and provide cybersafety to everyone.

And with that, let me pass it to Natalie to give you more details on our Q1 financials.

Natalie Marie Derse - *NortonLifeLock Inc. - CFO*

Thanks, Vincent. Before I dive into our results, let me first say how excited I am to join NortonLifeLock. I am inspired by our mission to bring cybersafety to consumers worldwide, and I'm energized to help drive that mission in my new role.

Over the course of my career, I've chosen to join companies where the mission and the brand are focused on helping people in their everyday lives. From GE to Black & Decker to eBay and now NortonLifelock, albeit leaders in different industries, these brands were all built on establishing trust with and delivering intrinsic value to their customers.

Here at NortonLifelock, we must continue to deliver on our commitment to keeping consumers safe and in control of their digital lives. This commitment, combined with our incredible business model and opportunity to drive accelerating growth, is what drew me to NortonLifelock. I look forward to working with our team to achieve our strategic aspirations.

Now let me share our Q1 performance, focusing on non-GAAP results. Q1 revenue was better than expected at $614 million, up 4% year-over-year. Q1 reported billings was up 9% year-over-year, with a 2-point positive impact from FX in our ending contract liability balance. Billings growth was

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supported by growth in customer count, increasing approximately $400,000, both quarter-over-quarter and year-over-year. This was our third consecutive quarter of net customer adds and our first quarter of year-over-year growth in customer count in over 5 years.

Diluted EPS was $0.31, up 48% year-over-year and exceeded our guidance range driven by strong execution on top line growth and removal of stranded costs.

For the quarter, total company operating margin from continuing operations was 47%, burdened by approximately $30 million of stranded costs. Therefore, excluding stranded costs, the business is operating at over 51% operating margin with headcount below 2,500.

With approximately 95% of total stranded costs removed through Q1, we are lowering our estimate for cumulative cash stranded costs to $650 million, down from our $750 million projection last quarter. Q2 will be the last quarter with notable transition-related costs in our non-GAAP financials.

When the company first started this process 8 months ago, we said cash sales proceeds will fund the cash stranded costs. With strong execution on both costs and asset sales, we are now projecting to deliver over $1 billion more cash than initially forecasted.

As for the remaining sale of underutilized assets, we remain confident in our ability to reach our goal of $1.5 billion total cash proceeds. We are pleased to announce the recent sale of our Culver City real estate, which closed on July 27 for $120 million. As for our remaining underutilized assets, we remain focused, yet patient, on monetizing and realizing fair market value.

We had another strong quarter of operating cash flow. We generated $170 million of cash flow from operations and spent only $1 million in CapEx. Cash flow was burdened by some onetime items this quarter, most significantly about $100 million of stranded cash costs, which were partially offset by the timing of certain tax payments.

Adjusting for these nonrecurring items, the business is generating approximately $900 million of free cash flow on an annualized basis. We believe we are well capitalized with our Q1 ending cash balance at $1.1 billion and another $1 billion in our undrawn revolver.

With our strong balance sheet and cash flow, we continued to return cash to shareholders this quarter. We cash settled the principal and conversion rates of our $625 million convertible note, which lowered our debt to $3.625 billion and reduced diluted share count by over 30 million shares based on our Q1 average stock price. As a reminder, we still have approximately $600 million left of our $1.6 billion share buyback authorization, and we'll continue to use it opportunistically.

Now turning to our Q2 outlook. We expect Q2 non-GAAP revenue in the range of $615 million to $625 million, representing 3% to 5% growth after normalizing for the ID Analytics divestiture. We expect Q2 non-GAAP EPS to be in the range of $0.31 to $0.35 per share, with the business operating at approximately 50% profit margin when excluding stranded costs.

Finally, I would like to thank Matt Brown for his leadership through the interim period and thank the entire team for their execution over the past 8 months. I look forward to building on the strong financial foundation we have and delivering consistent results for our shareholders.

Now let me turn the call back to Vincent for closing comments.

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

Thanks, Natalie. In the last 8 months, we have turned NortonLifeLock into a growing leader with distinct competitive advantages. We have eliminated stranded costs. We have built a consumer-centric leadership team. We have reinvested into our go-to-market model and reinvigorated our product development team. I am proud to say we have delivered on all of our initial commitments.

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But as we have increased our execution capabilities, our ambitions have also grown. We have our sights set on our mission. Consumers are beset by constantly evolving cyber threats. Our current platform is just scratching the surface of what can be done, and we're now singularly focused on innovating on our consumer cybersafety vision.

We have a large engaged customer base, terrific technology capabilities an innovation pipeline and significant financial resources. Combine these things with recurring revenue, high margins and significant cash flow, and you can see why I'm super optimistic about our future and long-term growth potential.

And with that, we're now happy to take your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Keith Weiss.

Keith Weiss - *Morgan Stanley, Research Division - Equity Analyst*

It was a very nice quarter. And the headline number, from my perspective, of course, is the almost 400,000 new subscribers added to the platform. That's the biggest sequential increase that we've seen in quite some time. And so maybe to start out with, can you help us understand, to a certain extent, is this just like the programmatic stuff that you guys put into place on the marketing side of the equation and particularly expanding to international? Or is this kind of like a delayed reaction from work from home?

Because you guys would see it a little bit later than kind of other people because you don't do the -- sort of the bundling with the OEM. So it's more about getting sort of more PCs out there and you guys do your marketing against them. Can you kind of help us understand kind of where that strength came from? And how much of it do you guys think is going to be durable on a go-forward basis in terms of just adding customers to the platform?

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

Yes. And as I do that, we have to go back to where we're coming from, right? When we broke out and decided to focus solely on the consumer business, our thesis has been that cybersafety will become more and more important for everyone as we move more and more of our activities online. And cybersafety doesn't just mean security, security for your device, security for your data. It also means privacy, protecting your identity and including services to restore it when it can't be prevented. So it's an overall umbrella that we know we have -- well, we are building in the long term. There are a lot of applications and fields that we still need to fill in that portfolio and build up the category. So we believe the thesis, if you want, is a long structural one. So that's number one.

Number two is the division at the time under Symantec had not invested in marketing, as we discussed in the past, and we reaccelerated marketing as a way to communicate our message to consumers. We raised our marketing envelope by $100 million on an annual basis. We also said that the efficacy of that marketing investment, if you want, has to swap over time as we consistently deliver and spend in market. And then we started to tweak that marketing investment, moving to new channels of marketing, moving to new regions, and starting to market in Europe, for example, where we had not marketed in the past. So those are contributors, if you want, for the return to growth.

Then we said, "Hey, the most important is product." In April 19, we launched the first version of Norton 360, an integrated platform addressing 4 pillars: security, privacy, identity, protection and restoration and you entirely, family and homes, if you want. And we still are in the process of rolling that out. I believe it's very attractive for consumer to adopt that overall umbrella for a membership fee having access to all of those areas and having a peace of mind.

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And then the last one is -- then COVID-19 happened. And definitely, it changed the way people operate online. Is it a peak change? Or is it a step function? I don't know. But we believe in the long-term view of building up our portfolio and creating awareness to drive growth.

Keith Weiss - *Morgan Stanley, Research Division - Equity Analyst*

Got it. And then on the underutilized asset sales. Can you just remind me what the -- like the remaining, I guess, the $600 million is in terms of the expected proceeds? Like what are those assets left to be sold?

Natalie Marie Derse - *NortonLifeLock Inc. - CFO*

Yes, Keith, this is Natalie. I'll take that one. We have a few assets held for sale on our balance sheet, including the 3 campuses that we have here in Mountain View as well as 1 in Dublin. We have active discussions with interested parties. And albeit it's very hard to predict the timing of these sales, especially given current conditions, please know we are focused on striking the right balance between value, price and timing of those sales.

Keith Weiss - *Morgan Stanley, Research Division - Equity Analyst*

Got it. And then on the operating side of the equation, how should we think about the pace of hiring for you guys through FY '21? Like where are you guys looking to sort of make the investments? Where should we expect to see hiring? And any kind of indications on the pace would be great.

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

Yes. No, absolutely. So before the pace, I want to say, we put a business model out there. And we say, hey, we're going to grow at mid-single-digit and operate the business at 50% operating margin. And I don't have to remind you that 8 months ago, I think the majority of people were doubters. We delivered on that business model, at least a quarter ahead of plan. I think we've proven we can operate at these levels. We reduced the headcount from the Symantec company, 12,000 people, to today where our business model should be around 2,500. And for this first time in a long time, we shifted from restructuring to hiring talent where it makes sense. And I can tell you, it's definitely energizing for the entire company to talk about hiring the right talent, the right skill set.

We are hiring engineers in Dublin, where we're trying to create a prototype lab over there. We're hiring in threat analytics. So we definitely are building up the functions. We have a few new leaders. I mentioned Gagan and his passion around machine learning. Robert came in and has a passion around the customer life cycle. Both of them are coming up with proposal for investment to accelerate the growth. And I can tell you, I'm super happy to have Natalie here. So I found my match in terms of CFO skill set, and she and I will partner, trying to prioritize those investments to accelerate our performance.

Operator

And your next question comes from the line of Fatima Boolani from UBS.

Fatima Aslam Boolani - *UBS Investment Bank, Research Division - Associate Director and Equity Research Associate Technology-Software*

Welcome, Natalie, look forward to working with you. Maybe just to start, if I can drill in on to the strength on the indirect side. You specifically called out strength from the employee benefits vertical. I'm wondering what were some of the steps you took to actually revitalize that channel? And what investments or mechanisms or programs you have in place to sort of have this continue to sustainably help drive subscriber growth? And then I have a couple of follow-ups.

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Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

Yes. No, absolutely. So first of all, the employee benefit program has been a grower channel for us or a growing channel for us for a few quarters. This quarter, it was very strong performance that offset the physical retail weakness, of course. The overall proposal, I think, is the #1 attractivity, Norton 360 is an overall that offers with you identity protection. Also the security element is a big one. Today, if you take employee benefit, right, at a very macro level, the U.S. company spent $37 billion on employee benefits, this 5.6 million employers and that there are programs address a few thousands. So we want to bring on new and unique solutions to more employers. And at very basic level, after obviously upgrading the platform, it's really about sales and sales coverage. So you'll see us continue to invest in that area.

Fatima Aslam Boolani - *UBS Investment Bank, Research Division - Associate Director and Equity Research Associate Technology-Software*

Fair enough. And then just on the subscriber count growth both sequentially and year-over-year, I wanted to get a better understanding of the demographic in terms of the age, potentially socioeconomic backdrop, and how that factors into your retention rate assumptions as we move forward, provided that a lot of these more subs are very new to the Norton family. So just wanted to get a better understanding of this profile of the new subscriber that's coming into the Norton ecosystem relative to the subscribers you had in the past outside of some of the comments you made with strength from the international front. And that's it for me.

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

No, absolutely. So we said it now for a few quarters, our #1 objective was to return the company to growth and the #1 priority in our metrics was to attract more customers so they can experience this cybersafety program. Moving into new demographies in terms of age, if you want pyramids, as well as new geographies was an important objective. As you know, we're now marketing in Europe. We partner with TELUS in Canada.

And then in terms of demography and reaching out, we're moving from traditional form of marketing into newer forms, social media, digital videos. I was looking obviously at quarter in, quarter out. You cannot always map it. But I was looking at the long trend, 2 years trend. If you look at 2018, our Gen X plus baby boomers were over 70% of our total customers. Today, that group is around 55%, and the rest into newer cohorts.

So we'll continue in that trend. We'll continue with that effort. We launched a gaming addition of Norton 360. And as we develop programs, we're going to have in mind this need to reach out.

Operator

And your next question comes from the line of Saket Kalia from Barclays.

Saket Kalia - *Barclays Bank PLC, Research Division - Senior Analyst*

Welcome Natalie as well. Vincent, maybe first for you. I think you've touched on this in a couple of other questions, but can we just drill into

subscriber acquisition outside the U.S. just a little bit more? What markets are doing well? And do you typically lead internationally with Norton or with LifeLock or with the bundle? Just put a little bit more meat on the bone in terms of what's working internationally.

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

Yes. We're still refining our approach, but I would say, over the last couple of quarters, specific last quarter, mature countries in Asia, Japan, Australia and New Zealand, in Europe, Germany, France, U.K. were high performer for us. We're definitely pushing one message when it comes to marketing awareness, and it's under Norton 360. The ability and unique competitive advantage to offer a cybersafety blanket for consumers is our main value

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prop. This is our way to build that vision to ensure that everyone can get that digital life safe. There are some cases where we lead with specific stand-alone products, and that's market specific. We can go into more details. But overall, we charge with Norton 360.

Saket Kalia - *Barclays Bank PLC, Research Division - Senior Analyst*

Got it. Got it. And maybe just my follow-up for you, Vincent. I guess the question is how are you thinking about market share in both the antivirus and sort of identity protection parts of the business? Separately or together, however you want to talk about it. And more importantly, do you feel like the changes that we're making at the company here are sort of sustainable in terms of market share?

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

Yes. So I'm not obsessed by market share, especially because today, market, the way they are defined are by pillars. You have the security -- traditional security pillar, then you have the identity pillar. You have still [forming one's waste], privacies, privacy the new frontier of security or its own stand-alone set of markets.

Frankly, we're really working, as we said, about acquiring new customers and delighting those that we have, and you've seen that we've done somewhat of a good job with our retention of 85%. But we'll continue to improve there, and that's our major focus. If we continue to focus on innovation, building up the portfolio and trying to build that cybersafety vision, I think that's the race we want to run.

Operator

(Operator Instructions) And your next question comes from the line of Walter Pritchard.

Walter Herbert Pritchard - *Citigroup Inc., Research Division - MD & U.S. Software Analyst*

Good to talk to you for the first time here, Natalie. On the international, can you help us understand your marketing effectiveness, how you're -- what you're seeing in terms of measurement and marketing effectiveness internationally versus domestically? In other words, I assume it still lags. How much does it lag relative to what the sort of effectiveness you're seeing in the U.S.?

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

I think if you're interested in SP&A role, we have a job for you. You're totally right. You've seen it. We first invest in the U.S., we mature our CAG, we have good return. We're now moving from traditional form to digital form, playing ahead. 2 quarters ago, we started to do international. International, we studied directly more digital and social media, leading the charge with Norton 360, as I mentioned. We're still building up new identity feature and privacy features and dark web monitoring being expanded into new countries in Asia, next quarter into Europe. So we definitely are behind the U.S., but it's faster-growing, and we're very focused on building up that international presence. I think it's a huge opportunity for us moving forward.

Walter Herbert Pritchard - *Citigroup Inc., Research Division - MD & U.S. Software Analyst*

And how are you thinking about from a higher level, you've achieved the goal? I mean as you noticed earlier in terms of getting to the mid-single-digits growth at 50% margin, how are you thinking about the next step? Is it to push harder on the growth? Is it to preserve that margin as that's the optimal sort of marginal cost? I was just curious how you're thinking about just philosophically the next step?

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Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

So you have a new leadership team. For them achieving mid-single-digit was the entry point. Okay, what's next? Where can we go? What do we do? This vision is fantastic and full of opportunity. And so we discuss and we agree that accelerating the growth and making our solution more complete and available to more consumers is our #1 mission.

Now we're running the consumer business, slightly above the current operating margin target. I'm not going to change it, so we still intend to run the business at 50%. In some quarter, we'll find operational efficiencies. We don't have an immediate reaction to spend it, but we have plenty of new ideas to fund to try to accelerate the growth. If we're able, and I think we will be in the long term, to accelerate that growth, I would say, growing EPS faster than revenue is our (inaudible) metric. We won't be bounded by ratio or percentages. It's really about accelerating the top line, growing -- and growing EPS faster than revenue.

Operator

And your next question comes from the line of Yi Fu Lee from Oppenheimer.

Yi Fu Lee - *Oppenheimer & Co. Inc., Research Division - Associate*

Congrats on the strong results. Welcome, Natalie, and hope everybody is safe. I guess my question is just a follow-up from the last question. In terms of growing in the international data presence, I understand the last couple of quarters, you invested in TELUS. I was wondering which market, whether the -- is it EMEA, APAC, Latin America, would you say is the most critical for NLOK to invest?

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

Well, I think we are global leaders. I have to invest in developing the portfolio and developing the marketing and sales channel. I have to invest in direct digital media and building up on the opportunity in the employee programs. And with Natalie's help -- and I can tell you she has a growth mindset, but it's very analytical. So we'll use data to prioritize those investments. Canada is a huge opportunity, penetrating the identity space internationally where digital identity, and I would say (inaudible) identity are growing very fast, are all huge opportunities for us.

Yi Fu Lee - *Oppenheimer & Co. Inc., Research Division - Associate*

Okay. And then maybe one more follow-up, whether it be Natalie or Vincent. In terms of -- I know I understand the restructuring process, again, it's really ahead of plan and ahead of target. If you were to spend your investment dollar in the future, right, in terms of other M&A or R&D investments you want to add to the -- and last portfolio, where would the dollar be spent on? Which areas?

Vincent Pilette - *NortonLifeLock Inc. - CEO & Director*

Short of giving you name targets. Look, we've owned the credibility of looking at also growth inorganically or organically. So our process really start with the portfolio in the market to build up cybersafety, what are the gaps and the other applications we can build on. And then we have real-time assessment on organic capabilities or time-to-market needs versus what already exists, whether it's a prototype, a product or a fully developed business. And then at the end of the day, if all matches, it becomes a financial decision. So I think we've earned the credibility. We have the operational chops. From the whole management team, leadership team and company, including the Board, is focused on growth from all sides.

Yi Fu Lee - *Oppenheimer & Co. Inc., Research Division - Associate*

Congrats on the quarter. Talk to you soon.

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Operator

(Operator Instructions) And I have no further questions at this time in queue.

Ladies and gentlemen, thank you for participating. You may now disconnect.

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