

NortonLifeLock™

Investor Letter

FISCAL 2021 Q4

MAY 10, 2021

Dear Investors,

We finished fiscal year 2021 on a very strong note, delivering record revenue and non-GAAP profit in Q4 for NortonLifeLock. We achieved double-digit growth in Q4 reported billings and revenue. Today, it is our privilege to serve nearly 80 million users, out of which 23 million are direct customers.

Our fourth quarter and full year results show that our strategy is working. Consumer demand for our products is increasing, as we grew in all of our core markets and channels. That growing demand, supported by accelerated innovation and our investment in sales and marketing, resulted in 2 million net new direct customer adds sequentially, including 1.6 million from Avira. On top of that, our existing customers continue to retain at an industry-leading unit retention rate of 85%, while also indicating higher satisfaction in our improving NPS score. When you bring that all together, we grew consumer reported billings 17% year-over-year and non-GAAP revenue 11% year-over-year during Q4, a record quarter of performance for our business. We are proud to report the successful close of the Avira acquisition, with the integration completed in record time. While it was not a large acquisition, Avira unlocks opportunities for us to further expand our footprint internationally, add a freemium channel, and bolster certain aspects of our technology. We believe that when we add elements such as these to our operational capabilities and combine them with our track record of focused execution, we can accelerate growth faster, increase the pace of innovation, and expand our market penetration.

This year was just our first full fiscal year as a standalone company and we have already returned NortonLifeLock back to growth on all key dimensions. During fiscal year 2021, we grew customer count by nearly 3 million, grew consumer reported billings by 11% and non-GAAP revenue by 6%, while maintaining our unit retention rate of 85% and monthly ARPU of $9. We were the first in the industry to create a Cyber Safety membership platform designed to fulfill our ambitious vision to protect and empower everyone to live their digital lives safely. And now, over half of our customers have already adopted the Norton 360 platform. We accelerated our pace of innovation to protect consumers from cybercriminals with product launches like LifeLock Home Title Protect, Norton 360 for Gamers, ID Navigator, and Privacy Monitor Assistant. All the while, we maintained strong operational discipline and delivered non-GAAP profit margin of 50%, non-GAAP EPS of $1.44 (up 60% year-over-year!) and generated annualized free cash flow in excess of $900 million.

We are also focused on returning cash to shareholders. We repurchased $146 million of our common stock in Q4 and $304 million for the full year. We paid our regular quarterly dividend of $75 million in Q4 and $300 million total for the year. For the full fiscal year 2021, we returned 100% of our free cash flow back to shareholders, excluding acquisition, a commitment we expect to maintain in the long run. With regards to the monetization of our assets following the separation from Symantec, we closed the sale of two buildings in Mountain View for over $100 million and entered into a non-binding letter of intent to sell the main four-building campus in Mountain View for a total deal value of $380 million. In addition, with the refinancing of our term loan debt, we have over $1 billion in cash and are levered at 2x net debt. We believe we are well positioned to drive the next phase of our growth transformation.

Moving forward, we are focused on growth to achieve our vision. Along with our fiscal 2021 results, we released the content of our first ever Investor Day event in a watch-on-demand format. In these videos, we are covering the overall market landscape, our company's vision, and long-term strategy to accelerate growth. We know consumers are spending more and more time online and believe no one is better positioned than our NLOK team to bring Cyber Safety to each and every one of them. We look forward to our discussion with all of you in tomorrow's Q&A session.

It is a privilege to lead this company towards our vision of protecting and empowering people to live their digital lives safely, and while we achieved a lot in fiscal 2021, we truly feel we are just getting started.

Sincerely,

Vincent, Natalie, and the NortonLifeLock team

Forward-Looking Statements

This letter contains statements which may be considered forward-looking within the meaning of the U.S. federal securities laws. In some cases, you can identify these forward-looking statements by the use of terms such as "expect," "will," "continue," or similar expressions, and variations or negatives of these words, but the absence of these words does not mean that a statement is not forward-looking. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to: statements related to the acquisition of Avira, our growth strategies and transformation, returning cash to shareholders, the monetization of our assets, the sale of our campuses, and any other statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. These statements are subject to known and unknown risks, uncertain ties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from results expressed or implied in this supplemental information. Such risk factors include, but are not limited to, those related to: the current and future impact of the COVID-19 pandemic on the Company's business and industry; the effect of the sale of substantially all of the Enterprise Security assets on NortonLifeLock's retained businesses and products; retention of executive leadership team members; difficulties in improving sales and product development during leadership transitions; difficulties in executing the operating model for the consumer cyber safety business; lower than anticipated returns from the Company's investments in direct customer acquisition; difficulties and delays in reducing run rate expenses and monetizing underutilized assets; general business and economic conditions; matters arising out of our completed Audit Committee investigation and the ongoing U.S. Securities and Exchange Commission investigation; fluctuations and volatility in NortonLifeLock's stock price; the ability of NortonLifeLock to successfully execute strategic plans; the ability to maintain customer and partner relationships; the ability of NortonLifeLock to achieve its cost and operating efficiency goals; the anticipated growth of certain market segments; NortonLifeLock's sales and business strategy; fluctuations in tax rates and foreign currency exchange rates; the potential for corporate tax increases under the new Biden Administration; the timing and market acceptance of new product releases and upgrades; and the successful development of new products and the degree to which these products gain market acceptance. Additional information concerning these and other risk factors is contained in the Risk Factors sections of NortonLifeLock's most recent reports on Form 10-K and Form 10-Q. NortonLifeLock assumes no obligation, and does not intend, to update these forward-looking statements as a result of future events or developments.

NORTONLIFELOCK INC.

Reconciliation of Selected GAAP Measures to Non-GAAP Measures [1] [2]

(In millions, except per share data, unaudited)

	Three Months Ended		Year Ended	
	April 2, 2021	April 3, 2020	April 2, 2021	April 3, 2020
Operating income	$ 266	$ 44	$ 896	$ 355
Contract liabilities fair value adjustment	5	—	5	—
Stock-based compensation	13	28	71	119
Amortization of intangible assets	31	25	105	109
Restructuring and other costs	19	138	161	266
Acquisition and integration costs	3	—	4	—
Litigation settlement charges	4	20	29	20
Other	1	—	—	—
Operating income (Non-GAAP)	$ 342	$ 255	$ 1,271	$ 869
Operating margin	39.6 %	7.2 %	35.1 %	14.3 %
Operating margin (Non-GAAP)	50.5 %	41.5 %	49.7 %	34.9 %
Net income	$ 194	$ 231	$ 554	$ 3,887
Adjustments to income from continuing operations:				
Contract liabilities fair value adjustment	5	—	5	—
Stock-based compensation	13	26	70	120
Amortization of intangible assets	31	25	105	109
Restructuring and other costs	19	138	161	266
Acquisition and integration costs	3	—	4	—
Litigation settlement charges	4	20	29	20
Other	5	(1)	2	(1)
Non-cash interest expense	2	5	9	23
Gain on divestitures and sale of equity method investment	—	(250)	—	(629)
Gain on extinguishment of debt	—	—	(20)	—
Loss from equity method investment	—	—	—	31
Gain on sale of properties	(63)	—	(98)	—
Total adjustments to GAAP income from continuing operations before income taxes	19	(38)	267	(61)
Adjustment to GAAP provision for income taxes	7	56	(97)	59
Total adjustment to continuing operations, net of taxes	26	18	170	(2)
Discontinued operations	14	(82)	142	(3,309)
Net income (Non-GAAP)	$ 234	$ 167	$ 866	$ 576
Diluted net income per share	$ 0.33	$ 0.36	$ 0.92	$ 6.05
Adjustments to diluted net income per share:				
Contract liabilities fair value adjustment	0.01	—	0.01	—
Stock-based compensation	0.02	0.04	0.12	0.19
Amortization of intangible assets	0.05	0.04	0.18	0.17
Restructuring and other costs	0.03	0.22	0.27	0.41
Acquisition and integration costs	0.01	—	0.01	—
Litigation settlement charges	0.01	0.03	0.05	0.03
Other	0.01	—	—	—
Non-cash interest expense	—	0.01	0.02	0.04
Gain on divestitures and sale of equity method investment	—	(0.39)	—	(0.98)
Gain on extinguishment of debt	—	—	(0.03)	—
Loss from equity method investment	—	—	—	0.05
Gain on sale of properties	(0.11)	—	(0.16)	—
Total adjustments to GAAP income from continuing operations before income taxes	0.03	(0.06)	0.45	(0.09)
Adjustment to GAAP provision for income taxes	0.01	0.09	(0.16)	0.09
Total adjustment to continuing operations, net of taxes	0.04	0.03	0.28	(0.00)
Discontinued operations	0.02	(0.13)	0.24	(5.15)
Incremental dilution effect	—	—	—	—
Diluted net income per share (Non-GAAP)	$ 0.40	$ 0.26	$ 1.44	$ 0.90
Diluted weighted-average shares outstanding	587	639	600	643
Incremental dilution	—	—	—	—
Diluted weighted-average shares outstanding (Non-GAAP)	587	639	600	643

(1) This presentation includes non-GAAP measures. Non-GAAP financial measures are supplemental and should not be considered a substitute for financial information presented in accordance with GAAP. For a detailed explanation of these non-GAAP measures, see Appendix A attached to the Company's Q4 FY21 earnings press release.

(2) Amounts may not add due to rounding.

NORTONLIFELOCK INC.

Consumer Revenues, Consumer Reported Billings and Consumer Cyber Safety Metrics

(In millions, except per user data, unaudited)

Consumer Revenues (Non-GAAP)

	Three Months Ended			Year Ended		
	April 2, 2021	April 3, 2020	Variance in %	April 2, 2021	April 3, 2020	Variance in %
Revenues [1]	$ 672	$ 614	9 %	$ 2,551	$ 2,490	2 %
Contract liabilities fair value adjustment [2]	5	—		5	—	
Exclude revenues from ID Analytics [3]	—	(4)		—	(46)	
Consumer revenues (Non-GAAP)	677	610	11 %	2,556	2,444	5 %
Exclude foreign exchange impact [4]	(14)	—		(28)	—	
Constant currency adjusted consumer revenues (Non-GAAP)	663	610	9 %	2,528	2,444	3 %
Exclude extra week impact [1]	—	—		—	(44)	
Constant currency and extra week adjusted consumer revenues (Non-GAAP)	$ 663	$ 610	9 %	$ 2,528	$ 2,400	5 %

Consumer Reported Billings (Non-GAAP)

	Three Months Ended			Year Ended		
	April 2, 2021	April 3, 2020	Variance in %	April 2, 2021	April 3, 2020	Variance in %
Revenues [1]	$ 672	$ 614	9 %	$ 2,551	$ 2,490	2 %
Add: Contract liabilities (end of period)	1,265	1,076		1,265	1,076	
Less: Contract liabilities (beginning of period)	(1,135)	(1,047)		(1,076)	(1,059)	
Add: Other contract liabilities adjustment [5]	(54)	—		(54)	5	
Reported billings (Non-GAAP)	748	643	16 %	2,686	2,512	7 %
Exclude revenue from ID Analytics [3]	—	(4)		—	(46)	
Consumer reported billings (Non-GAAP)	748	639	17 %	2,686	2,466	9 %
Exclude extra week impact [1]	—	—		—	(44)	
Consumer reported billings excluding extra week impact (Non-GAAP)	$ 748	$ 639	17 %	$ 2,686	$ 2,422	11 %

Consumer Cyber Safety Metrics

	Three Months Ended			Year Ended	
	April 2, 2021	January 1, 2021	April 3, 2020	April 2, 2021	April 3, 2020
Direct customer revenues	$ 602	$ 569	$ 549	$ 2,286	$ 2,204
Partner revenues	$ 75	$ 70	$ 61	$ 270	$ 240
Revenues from ID Analytics	$ —	$ —	$ 4	$ —	$ 46
Average direct customer count [6]	22.8	20.8	20.2	21.2	20.2
Direct customer count (at quarter end)	23.0	21.0	20.2	23.0	20.2
Direct average revenue per user (ARPU) [7]	$ 8.80	$ 9.10	$ 9.07	$ 9.01	$ 8.90
Consumer Cyber Safety annual retention rate				85 %	85 %

(1) The year ended April 2, 2021 consisted of 52 weeks, whereas the year ended April 3, 2020 consisted of 53 weeks. The impact of the extra week on revenues in the year ended April 3, 2020 is estimated to be approximately $44 million.

(2) Contract liabilities fair value adjustment represents the deferred revenue haircut recognized due to the acquisition of Avira during the fourth quarter of fiscal 2021.

(3) In the three months ended April 3, 2020, we divested our ID Analytics solutions and are presenting consumer reported billings and consumer revenues to enhance comparability of the reported billings and revenues of our remaining solutions to the year ago period.

(4) Calculated using year ago foreign exchange rates.

(5) Other contract liabilities adjustment for the year ended April 3, 2020 represents the change in contract liabilities related to Veritas discontinued operations of $5 million. Other contract liabilities adjustment for the three months and year ended April 2, 2021 represents the acquired $54 million of contract liabilities from Avira. We present an adjusted consumer reported billings to enhance comparability of the reported billings of our remaining solutions to the year ago period.

(6) Average direct customer count calculation for the three months ended April 2, 2021 was pro-rated to include 1.6 million customers from the Avira acquisition. Average direct customer count for the year ended April 2, 2021 is calculated as an average of the fiscal quarters.

(7) ARPU in the year ended April 3, 2020 was normalized to exclude the impact of the extra week on direct revenue, which we estimate to be approximately $41 million.

Please refer to Appendix A attached to the Company's Q4 FY21 earnings press release for detailed explanations of non-GAAP measures and other items.