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EDITED TRANSCRIPT

GEN.OQ - Q3 2025 Gen Digital Inc Earnings Call

EVENT DATE/TIME: JANUARY 30, 2025 / 10:00PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good afternoon, everyone. Thank you for standing by. My name is Jayla, and I will be your conference operator today. Today's call is being recorded. (Operator Instructions)

At this time, for opening remarks, I would like to pass the call over to Jason Starr, Head of Investor Relations.

Jason Starr - *Gen Digital Inc - Head of Investor Relations*

Thank you, Jayla, and good afternoon, everyone. Welcome to Gen's third quarter fiscal year 2025 earnings call. Joining me today are Vincent Pilette, CEO; and Natalie Derse, CFO. As a reminder, there will be a replay of this call posted on the Investor Relations website, along with our slides and press release.

I'd like to remind everyone that during this call, all references to the financial metrics are non-GAAP, and all growth rates are year-over-year unless otherwise stated. A reconciliation of non-GAAP to GAAP measures is included in our press release and earnings presentation, both of which are available on our IR website at investor.gendigital.com. We encourage investors to monitor this website as we routinely post investor-oriented information such as news and events and financial filings.

Today's call contains statements regarding our business, financial performance and operations, including the impact of our business and industry that may be considered forward-looking statements and such statements involve risks and uncertainties that may cause actual results to differ materially from our current expectations. Those statements are based on current beliefs, assumptions, and expectations as of today's date, January 30, 2025.

We undertake no obligations to update these statements as a result of new information or future events. For more information, please refer to cautionary statement in our press release and the risk factors in our filings with the SEC, and in particular, our most recent reports on Form 10-K and Form 10-Q.

And now I will turn the call over to Vincent.

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Vincent Pilette - *Gen Digital Inc - Chief Executive Officer, Director*

Thanks, Jason, and welcome, everyone, to our earnings call. Q3 was another quarter of solid execution, innovating on the most comprehensive Cyber Safety portfolio for consumers while delivering profitable growth. We grew Cyber Safety bookings and revenue mid-single digits and delivered our fifth consecutive quarter of double-digit growth for EPS up 15%. Our direct customer base is at a record 40 million, up nearly 400,000 sequentially and up over 1 million compared to last year. These solid results are a testament to the consistent and disciplined execution by our team to serve the needs for comprehensive Cyber Safety.

You've heard me tell you every quarter now about the dynamic nature of the threat landscape and that continues to be the case. In calendar year 2024 alone, we blocked nearly 15 billion attacks globally. Not only are people all over the world being exposed to a greater number of threats, scams, and other risk to their digital lives, but these threats are getting harder to detect as bad actors deployed increasingly sophisticated techniques and more believable lures to compromise and exploit their victims. Our researchers estimate that today, 90% of all cyber threats began with a scam, up from just 30% in 2020.

As technology rapidly evolves and consumers' digital footprint expands, the proliferation of breach just keeps adding fuel to the fire in addition to the large-scale breaches like the National Public data breach last quarter, recent ones, are putting not only the individual at risk but the entire families as we saw with the Power School breach. This means that threat actors have no shortage of information available to use to convince you to help them attack you and your asset. We have seen this trend accelerate this quarter with the dramatic rise in scam yourself attacks, which manipulate people into compromising their own devices through deceptive and routine-based means.

We saw this coming, and we launched Norton Genie just over one year ago to give consumers an easy-to-use tool to help detect camps coming to you via e-mail, text, video files or website. Our proprietary AI engine continuously trends on the extensive data sets and real-life scans submitted by our users, catching the newer threats with almost 100% efficacy. With 2 million downloads of the product, Genie's AI engine can not only understand the meaning and intent of text but also scans a wide range of additional attachment files, URLs, images, and even audio and video files. And we are not stopping there.

We'll soon be extending the power of Genie into our Norton 360 product family. This enhanced version of Genie will be available in all memberships, seamlessly providing proactive and comprehensive scan protection and acting as your AI-powered scam assistant. The Pro version provides advanced features, including core blocking, tax filtering and scam reimbursement and will be included in the higher membership tiers that customers can upgrade to or available as an add-on for the remaining customer base.

Beyond our own AI investments to address this growing threat we recently teamed up with Qualcomm at CES to showcase an early preview of how AI-powered scam detection can be integrated into neural processing units or NPUs, embedded into smartphones. By leveraging the NPU speed and efficiency, we're able to detect deep fake and other sophisticated threats on the device -- in the device in mere seconds, while keeping user data private. A lot of exciting developments with more to come. In this dynamic digital world, we continue to invest in and innovate around how we keep customers' devices, personal information, reputations and financial assets safe.

Our security foundation stays at the forefront with Advanced Protection, recently earning top accolades from AV tests, AV Comparatives and AV Labs, and our products provide solutions for evolving consumer needs, not only securing customer against cyber threats but also protecting their identity and finances, empowering them to manage and grow their finances and safeguarding their personal data. Earlier this month, we brought the protection of Avast Security Identity to 15 new countries, which helps consumers keep their identity safe from escalating scam and identity theft risks. Avast Secure Identity continuously scours across private forms and the dark web, identifying and notifying you if we detect your personal information.

It also gives consumers additional features like restoration support, stolen wallet assistant and in selected markets, identity theft insurance. We've also embedded financial monitoring features to help alert consumers to suspicious bank account transactions that may indicate fraud. Although we only launched it a few weeks ago, we've already seen strong interest and engagement from Avast customer base, affirming our belief in the need for these types of solutions and the growth opportunity ahead with identity and financial wellness across our entire family of trusted brands.

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In Japan, one of our largest international markets, we also rolled out a pilot Digital Vault with ID Advisors Plus. With ID Vault, we automatically detect in sensitive identity information on users' phone and move it to a secure cloud vault for added protection, and we don't stop there. With ID Advisors Plus, we also include access to scam verification specialists and a privacy adviser to on-demand services that are available to consumers in their time of need. As we drive engagement and early feedback through this offering, we plan to expand our Digital Vault technology across our portfolio in the coming quarters to give our customers more control over when and where to share their data.

I'm also proud to share that all of these new launches have been built on the new Gen Stack, which our team has been hard at work on since the Avast acquisition closed. We set on these foundational technical initiatives to build the new best-in-class cyber safety infrastructure. With the brightest minds from both teams, we've created our NextGen tech stack that enable us to provide strong protection, a more modern user interface and a more personalized experience for our customers. The Gen Stack enabled us to deliver a unified data set that makes our AI-enhanced solution more relevant for our customers given our extensive threat telemetry and behavioral data.

With the scale of our Cyber Safety networks, which protects hundreds of millions of users, we have exceptional visibility into the threat landscape. The massive amount of data that comes from all of these enable us to further train our machine learning models and harness the power of AI driving additional improvement in the efficacy rate of our award-winning rates of threat protection, making current and future customers inherently safer with Gen.

The technical benefits are unquestionable, but it does something equally, if not more important for our customers. The NextGen Stack allows us to begin delivering on the reimagined user-centric experience, with a more intuitive, simple and fully integrated experience, our customer can use more of the tools we have available to protect their digital lives. It also allows us to more smartly advise and offer products and services that match their actual needs to enhance and un-intrusive in product contextual messaging. Our extensive machine learning models helps us bring the right cross-sell and upsell campaigns to the right people at the right time, which helps us better protect them and as a result, improve customer loyalty.

We've already started expanding this technology into our customer success function with advanced machine learning models and AI driven communications to personalize our engagement with customers. All of these new products and capabilities are enabling us to deliver on our plan to expand our Cyber Safety platform, which already protects hundreds of millions of users and over 65 million paid customers. These customers all benefit from the most comprehensive features and best technology in the market backed by one of the world's largest consumer Cyber Safety networks, protecting people around the globe against advanced online threats.

Further building on our foundation in Cyber Safety. In December, we announced the acquisition of MoneyLion in order to strengthen and accelerate financial wellness offerings. This transaction enables us to offer a complete set of personal financial management tools, enhances our AI and personalization capabilities, diversify our customer base with consumer in earlier stage of their financial lives, more than double our addressable market to over $50 billion, and finally, reinforces our long-term financial model.

We've started to address our customers' demand for more credit and financial insight, but this acquisition will open and accelerate new opportunities for Gen and our customer base. While we can't provide additional commentary about the transaction until it closes, in the first half of fiscal year '26, we will continue our efforts to build out our financial wellness offering through organic and inorganic investments that can enhance the capabilities Gen and MoneyLion have today.

In summary, we see a long runway of opportunities fueled by the very real and expanding consumer needs to protect their data and assets. We have the best Cyber Safety foundation in place that inspires customer trust, confidence and loyalty. Our Q3 results demonstrate that we are executing to our plan to accelerate revenue and drive double-digit EPS growth. With our pending acquisition of MoneyLion, we're excited for the next phase of our strategy to deliver and empower our customers with digital trust services such as Financial Wellness to further accelerate our growth while operating with the same consistent and disciplined execution you've come to expect from our team. And I think we're just getting started.

So with that, let me pass it to Natalie to review our Q3 performance in detail.

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Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

Thank you, Vincent, and hello, everyone. For today's call, I will walk through our fiscal Q3 2025 results, followed by our outlook for Q4 and full fiscal year 2025. I will focus on non-GAAP financials and year-over-year growth rates unless otherwise stated.

Q3 was another quarter of solid execution with revenue above the midpoint of our guidance and EPS at the high end and reflects our 22nd consecutive quarter of growth. Cyber Safety bookings, which exclude our legacy business lines were up 4% in constant currency. Reported bookings exceeded $1 billion and increased 3% in USD and constant currency. Q3 revenue was $986 million, up 4% in USD and constant currency. We drove broad-based growth across our product portfolio and GEOs that bolstered with 5% growth in the United States.

In Security, our Norton cross-sell program continues to gain momentum, reflecting our strong incremental monetization after initial purchase. With Identity, adoption of our Norton 360 with LifeLock membership is increasing as consumer awareness grows alongside breaches and product security and consumers recognize the need for comprehensive cyber safety protection. Our privacy offerings, namely AntiTrack and Privacy Monitoring Assistants are bolstered by broader market shifts towards greater privacy needs, gaining traction across both the security and identity customer base.

Direct revenue was $869 million, up 4%, supported by improvements across our key performance metrics at cohort level. Let me share some specifics. A key ingredient to our growth strategy is driving net new customers. And in Q3, we expanded our direct customer base for the sixth quarter -- consecutive quarter, increasing to 40.1 million up 371,000 sequentially and up 1.2 million year-over-year. Our customer base is more diverse as we continue to expand our penetration in broad-based GEOs, and we prioritize our marketing allocations to where we see the highest demand in ROI. This quarter, customer growth in international markets and in mobile remain strong.

While the unit economics are different in international markets, our strategy is to reach these customers early in their Cyber Safety journey and leverage our brands a comprehensive product set and customer service to drive long-term loyalty. With Mobile, we remain top of mind during a potential customer's purchasing decision, and we have intentionally shifted more marketing dollars to reach these customers in the app stores at lower customer acquisition costs, and increased opportunities for cross-sell and up-sell. We are encouraged by the early indicators as an increased percentage of our new Norton Mobile customers are purchasing our Norton 360 membership which has a higher ARPU than the stand-alone mobile security product.

We are confident that as we extend our improved in-product messaging and life cycle marketing playbook towards this growing base, we will increase customer lifetime value contributing towards our mid-single-digit growth target. And as we shared in our Investor Day, we continue to fund customer acquisition across regions, products and customer value segments as we expand.

On monetization, our monthly direct ARPU was USD7.27, up $0.01 from the prior quarter and up $0.09 compared to last year's results. Note that this metric was negatively impacted by about $0.01 quarter-over-quarter and year-over-year due to FX headwinds. Keep in mind, this is a blended number across GEOs, channels, products and customer tenure. When we review at the cohort level, the story is even stronger. Across our online and mobile cohorts, ARPU is up mid-single digit year-over-year, as our cross-sell and upsell activity scale with new products introduced into the base.

We will continue to see this flywheel as we execute our product road map and add new features in the membership such as Scam Protection powered by Genie. The expanded value and services provided to our customers are also reflected in our strong retention rates. In Q3, our direct retention rate was approximately 77.5%. Similar to ARPU, we continue to see gains at the cohort level for mobile customers to our highest retaining LifeLock base to first-year and tenured customers, driving long-lasting customer relationships with a strong engagement focus on each stage of their customer journey remains a key tenet of our growth framework.

Turning to our Partner business. Partner revenue was $105 million in Q3, up 6% in USD and constant currency as we execute on the strategy shared one year ago. Mobilizing to where the customers are and expanding through our Identity and Privacy offerings. Employee Benefits continues to grow double digits as more companies recognize the importance of Cyber Safety as a necessity for their employees. Our pipeline and pipeline conversion are strong, and we have added new reputation and privacy services to the channel to scale further. Internationally, we are leveraging key strategic partnerships to scale identity by adding more features such as Stolen Funds Insurance.

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Our mobile attached products have become even more compelling with the Digital Vault offering that Vincent shared, driving double-digit bookings growth in Japan. We continue to strengthen our value proposition to existing and potential partners progressing towards our goal of generating $0.5 billion in annual Partner revenue over the next few years. Rounding out our revenue. Our legacy business lines contributed $12 million this quarter, down from $15 million the prior quarter. But as a reminder, we expect our legacy revenue to continue declining double digits year-over-year and represent only approximately 1% of our total revenue.

Turning to profitability. Q3 operating income was $577 million, up 4% year-over-year, in line with revenue growth and translating to an operating margin of 58.5%. Our efficient business model creates the capacity to make investments in our portfolio and sales expansion efforts, coupled with our operational discipline. Consistent with our plan, we are investing in our R&D and technology capabilities to drive continuous innovation in our portfolio, which is crucial to our growth strategy.

We are also investing in marketing, as we launch new products and reach new audiences with our existing portfolio with incremental spend always evaluated within a disciplined ROI decision framework. We will continue to invest in our business with the same disciplined approach as we focus on driving sustainable mid-single-digit growth in our core Cyber Safety business.

Q3 net income was $350 million, up 11%. Diluted EPS was $0.56 at the high end of our guidance and up 15% year-over-year, representing our fifth consecutive quarter of double-digit EPS growth. Interest expense related to our debt was $134 million. Our non-GAAP tax rate remained steady at 22%, and our ending share count was 623 million down 22 million year-over-year, reflecting the impact of share repurchases. Turning to our balance sheet and cash flow.

Q3 ending cash balance was $883 million. We are supported by $2.4 billion of total liquidity, consisting of ending Q3 cash balance and $1.5 billion revolver. Q3 operating cash flow was $326 million, and free cash flow was $318 million, which included approximately $180 million of cash interest payments this quarter. Our debt to EBITDA net leverage was 3.3x. As we look at near-term maturities, we plan to refinance our 2025 senior unsecured note of $1.1 billion in Q4 fiscal year 2025.

Moving to capital allocation. In the quarter, we paid $59 million of mandatory debt payment across our Term Loan A and Term Loan B. In December, we announced the acquisition of MoneyLion for approximately $1 billion in cash, plus an additional $23 per share in Gen stock, assuming certain trading conditions are met. We're excited about what this combination enables for our customers and also our financial model, which we will share more details about after closing. As a result of the pending transaction, there was no additional debt pay down or stock repurchases in Q3.

In the quarter, we paid $77 million to shareholders in the form of a regular quarterly dividend of $0.125 per common share. For Q4 fiscal 2025, the Board of Directors approved a regular quarterly cash dividend of $0.125 per common share to be paid on March 12, 2025, for all shareholders of record as of the close of business on February 17, 2025. Since the start of fiscal year 2023, we have paid down over $2 billion worth of debt and have deployed a total of $1.6 billion of share repurchases over that time period.

Following the closure of the deal, we will execute on our long-term capital allocation strategy, returning 100% of excess free cash flow to shareholders, maintaining our dividend and balancing our capital allocation between debt paydown and share buyback -- while remaining opportunistic and disciplined with M&A opportunities to further accelerate growth and expand our portfolio. With our strong cash flow generation, we will continue to deploy capital to achieve long-term objectives laid out in our Analyst Day.

Now turning to our Q4 and fiscal '25 outlook. Given our strong operating results year-to-date, we are again strengthening our prior guidance and expect full year revenue in the range of $3.915 billion to $3.93 billion, translating to 4% Cyber Safety growth at the midpoint, supported by expected Cyber Safety Bookings growth approximately 4%, both expressed in constant currency. We have also raised the lower end of our EPS guidance and now expect non-GAAP EPS to be in the range of $2.20 to $2.22 per share, representing 14% to 15% growth in constant currency and in line with the EPS growth objectives we shared at our Investor Day. This translates to Q4 non-GAAP revenue in the range of $990 million to $1.005 billion and Q4 non-GAAP EPS in the range of $0.57 to $0.59.

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In summary, we are pleased with the execution and financial results. We're on target for our 2025 plan, and we remain well positioned to achieve our long-term goals with our key performance indicators trending in the right direction. We look forward to closing out fiscal year strong. As always, thank you for your time today. And I will now turn the call back to the operator to take your questions.

Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Roger Boyd, UBS.

Roger Boyd - *UBS Equities - Analyst*

Great. I wanted to touch on retention rates, the directional trends you saw there. I know you mentioned on the cohort level all retention rates came up but were impacted by the higher mix of mobile year one customers. Just how do you reconcile that with the still improving ARPU numbers? And then given the continued strength of mobile in international channels, what are you expecting to see around overall retention as we move forward from here?

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

Yes. Thanks for the question. So retention rate is definitely one of our top KPIs. And the Q3 results that we saw were relatively in line with Q2, albeit there's rounding in there. What I would call out is the strength of the retention rate being industry-leading in total. And then yes, as you -- as we said, all the cohorts, whether you're talking about by brand, by device, and the tenures are all stable to up, which is the strength that we point to and what leads us to the confidence in our revenue guide.

I'd love to call out these are output metrics, the performance metrics that we really look at as the ingredients for our growth. And it's about the mix of these KPIs coming together all to drive top line and revenue acceleration, and that's exactly what we saw across KPIs. When they all come together, our revenue growth this quarter being 4% last quarter being 3% and -- and so all the -- with the positive -- net positive customer count quarter-over-quarter, the strength of the retention rate and the expanding ARPU, we feel confident in that revenue acceleration. And then as it pertains to the mix of those metrics, whether it's retention rate, customer count, ARPU, et cetera. We're down the lanes of what we laid out at our Analyst Day.

We're going after all of the demand globally across GEOs, across products, across experiences, whether it's desktop or mobile. We want to be where the customers are. We want to capture as much demand as we possibly can in an ROI-positive fashion. And that's exactly what I see as I evaluate the ingredients, our revenue performance, that is what I see. And so how the mix on a go-forward basis and how they come together in the metrics?

We obviously have our eyes on it, and we operate in a disciplined fashion. So far, the KPIs are performing to our expectation and we're delivering on that revenue acceleration from 3% to 4% quarter-over-quarter.

Operator

Andrew Nowinski, Wells Fargo.

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Andrew Nowinski - *Wells Fargo Securities, LLC - Analyst*

Great. Maybe just a quick clarification. So the Cyber Safety Bookings growth certainly is still strong, at 4% this quarter. I think that maybe was down from last quarter at 5%. But given what you just said about ARPU being up, retention up, new customer adds up, I guess, was that deceleration just entirely due to that onetime bump from the National Public Data breach you saw last quarter?

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

Yes. If you recall in our conversations and on the call last quarter, we did say there's no specific pinpoint of exactly how much came from the breach, but that increased awareness that came when NPD hit the news, Absolutely, you can see that on any chart of demand and traffic, you can see that. You can see that in our sales. You can see that in our conversion.

We put approximately 1 point of impact our Q2 bookings result last quarter. We pinned about 1 point of that acceleration on that NPD breach. And now it's not -- yes, the breach in of itself is onetime in nature. But we expect tailwind benefits from that in terms of -- we obviously evaluate how long that lift has sustained. It has come down from the peak, but of course, any awareness, any education, any thing that we can do to expand the awareness and therefore, the demand for Cyber Safety protection with potential customers, we see that in our business.

And keep in mind, we're talking about the bookings growth rate that will continue to fuel our revenue throughout as we amortize that bookings growth, as we service those contracts. And then we continue to foster the strength and the retention rate to keep those customers in our cohorts and -- in our properties.

Andrew Nowinski - *Wells Fargo Securities, LLC - Analyst*

That makes sense. If I could just squeeze a follow-up in on the MoneyLion acquisition. I know it's not closed yet, and there's not much color you can provide, but on the financial side. But I'm just wondering at a high level, it seems like maybe their customer base is a very different demographic relative to the customers that are buying the -- Norton membership. So I'm just wondering if you could just help us understand where you see the synergies between the two businesses?

Vincent Pilette - *Gen Digital Inc - Chief Executive Officer, Director*

Andrew, this is Vincent. I'll take that one. As you know, we've moved from core -- addressing a core security need with our customers to addressing what we call total Cyber Safety, which was moving towards identity protection. Within Identity, were de-tracking the entire web around your personal data, many of them being financial data, and the consumer needs that we address and number one is protect me against my financial potential loss or protect my financial assets from what's out there.

And so as we migrate our customers along their Cyber Safety journey. Those are where the most advanced kept asking about more insight into their financial largely, if you want, of financial wellness, how do you give some credit insights? How do you build your credit? How do you leverage your credit and some of those aspects. So we started to feed that organically and building kind of a product layer of features inside our own Cyber Safety for that.

What MoneyLion will do at a first level of revenue synergies is provide the back-end architecture around all of a complete PFM feature, Personal Financial Management set of features that we can then offer to our customers to better manage the insight that we protect them for.

And then the second one is the embedded marketplace where they can also make best choices to make best financial decisions. So cross-selling into our installed base with the UI that is in our brand, whether it's LifeLock or Norton or Avast with a back-end architecture of MoneyLion is kind of the first step vision. Then if you push a little bit out there, the entire financial or credit journey, if you want, we have a layer of it, which is protection and moving up that layer around building it and then leveraging it is super important.

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Later on, we'll be able to offer to the MoneyLion customers, the entire set, including the protection of some of the assets that they want to manage and grow. So -- those are the kind of two views. Obviously, it has other benefits. It will give us a much more robust set of data, which will enrich our AI and personalization capabilities. And then you'll see us continue to expand both globally and through features, making the Cyber Safety platform, including financial wellness, richer for our customer base.

Operator

Saket Kalia, Barclays.

Saket Kalia - *Barclays - Analyst*

Natalie, maybe for you, just a little bit of a housekeeping question. Great to see the full year revenue guide go up a little bit. Can you just talk about any incremental FX movement and how that's impacting the full year guide, if at all? I know that it was a little impactful to ARPU in the quarter. Can you just level set kind of any impact to the full year revenue guidance if at all?

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

That's relatively immaterial.

Saket Kalia - *Barclays - Analyst*

Got it. That's helpful. Vincent, if I can maybe squeeze in a follow-up. Maybe -- there was so much innovation that you talked about in your prepared remarks, right, just around whether it's Genie or other things in terms of finding scams, and it really adds to some of those higher-end kind of bundles like Norton 360. Can you just sort of give us a state of the state in terms of what percentage of the base is kind of using Norton 360 now? And how you think that can trend going forward?

Vincent Pilette - *Gen Digital Inc - Chief Executive Officer, Director*

Yes, absolutely. And if I can use your questions, I get to also -- a little bit the discussion. I've had a few questions from investors saying, okay, I understand you have your Antivirus business that's growing low single digit, you're diversifying with MoneyLion. We actually believe there is a lot of opportunities within Cyber Safety. I mentioned it's a dynamic threat landscape from the old virus or antivirus, which is absolutely still necessary to protect the device, the needs have moved towards a anti-scam set of tools. And that is a very different threat landscape.

And so with that, the evolution of our portfolio, if you want to follow that -- the threat evolution. You see a lot of our new features is about making sure you don't get scammed, whether it's protecting our e-mails, whether it's protecting again -- even a scam yourself antivirus or making sure that your data is out there in the dark web and then can be patches and totally pull you into doing something you don't want to do.

So the introduction of that Genie into our platform is the view more and more of our customers are then adopting that membership structure for a full view of the portfolio. On desktop, we are at around 50% now across I don't know if you remember, but before we acquire Avast, we reach all the way to, I think, 2/3, 65%, I remember the exact percentage in the membership. Avast didn't have yet that membership structure. They had Avast One, the single-digit percent adoption. And our entire population has about 50%.

When you include mobile, which is still a little bit point product. We dropped a little bit more. We had 45%, 46%. But I think we continue to make good progress towards that view that in the future will have the majority of our customers all on the membership structure.

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Operator

Dan Bergstrom, RBC.

Dan Bergstrom - *RBC Capital Markets - Analyst*

It's Dan Bergstrom on for Matt Hedberg. Sounds like you're having good success with the mobile customers purchasing Norton 360. You called that out in the prepared remarks. Maybe a little bit more on what you're doing there? Some of the areas that you could lead into to help drive that mobile adoption of 360?

Vincent Pilette - *Gen Digital Inc - Chief Executive Officer, Director*

Yes. I can take that. So definitely, I think it's what about two years ago that we launched Norton 360 on mobile and then a year after the majority of sales on mobile were on the platform. With Avast, we head back to a few single products, but then now we launch more of our new products into the new Gen architecture. We launched our Ultra VPN product a few months ago.

And that is essentially a membership structure enables you to move to different care as you enable new features to be fully Cyber Safe and protected. With that launch and that new Gen Stack, we also launched the product message tool, if you want, that enable us also to give real-time feedback on the consumer behavior and needs as they use their product on mobile.

That engagement, if you want on mobile, has enabled us to improve all of our ratios. Natalie was mentioning, whether it's ARPU, whether it's retention, with of course, it's cost account, all of our metrics are trending in the right direction, but that is because of moving more to the membership and having that full engaged tech platform.

Dan Bergstrom - *RBC Capital Markets - Analyst*

That's great. And then, Vincent, could you talk a little bit about the customization and personalization of offerings? I know that's something that remains underway maybe what are some of those personalization efforts that have been most impactful to you? And then maybe where are we in that journey?

Vincent Pilette - *Gen Digital Inc - Chief Executive Officer, Director*

Yes, definitely. So the first period is to deploy everybody on the new Gen Stack. And we are very disciplined and cautious as we deploy it. As you know, we want to make sure that it's a very smooth for the customers. We're well on the way.

We'll finish through that migration that will enable us use that AI-enabled IPM platforms -- in-product messaging. We now have a team working on developing the various models and looking at all of the data sets and how to further refine and cut the different cohorts in smaller size based on behaviors and then be able to have the product, if you want, react based on those LLM tailored to specific activities.

And I think the whole team is super mobilized around enabling that hyper personalization, if you want. Once we're on a full, on a common stock, then everybody has the unified set of data, and all of our models can be deployed across either brands or process.

Operator

Hamza Fodderwala, Morgan Stanley.

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Hamza Fodderwala - *Morgan Stanley - Analyst*

Natalie, just a quick one for you. I was wondering if you could give us a sense of how you're thinking about balancing capital allocation between debt paydown, buyback, given the pending acquisition of MoneyLion. I know there's a bit of a pause there right now, but once you do start to digest that, how should we think about modeling that on a longer-term basis?

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

Yes, -- we will get back to it as soon as we can. We're in a -- we're locked out just because of where we're at on the deal once we move past that, you'll see us get right back into the market on both. I would just point you to consistently, I think we balance -- we do strike the right balance. Especially if you zoom out and you look at the annual numbers, we provided earlier today in the script or in the prepared remarks, and we'll continue to do that. I think there is value in both -- we have demonstrated our value proposition in terms of really understanding at the right time when we go for accelerated debt paydown and opportunistic share buyback.

And keep in mind, too, -- we'll be in the refi market, refinancing that unserved note pretty soon as we expressed, we'll be in that market -- so you'll start seeing some more activity from us. As soon as we've got -- where we're past the close of the deal and we'll be focused on really delivering additional value through that balanced approach. All to say really nothing has changed in our capital allocation tenants. We've been relatively consistent actually since I got here, but definitely in line with our AID.

Operator

Tomer Zilberman, Bank of America.

Tomer Zilberman - *BofA Global Research - Analyst*

I actually wanted to go back and touch on ARPU. So you talked about a $0.01 sequential improvement. Currency had a $0.01 negative impact, so call it maybe $0.02 normalized sequential improvement. Are you seeing that kind of more broad-based across your cross-sell and upsell momentum? Or is there anything specific that you can call out to happen this quarter that helped improve the numbers?

I know you talked about an increasing number of mobile customers adopting Norton 360, but anything additional you have would be helpful.

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

Yes. Thank you for the question. So of course, I'm keeping my eye on the quarterly metrics because like we've indicated, they are key performance indicators to the health and the growth ingredients of our business. But when you really evaluate, I would encourage us to kind of zoom out and look at the year-over-year. That's when you're really going to see the full suite, the full set of cohorted customers really perform.

And so when you look at that, we're up 1 point of retention rate in the overall Cyber Safety retention rate and were up $0.09 in ARPU. So whether you're looking at it from an annualized perspective or specifically in Q3 against last quarter, the economics and the components of growth, I would say, are very consistent. So cross-sell and upsell is working in the Norton base across all the regions and is really driving success in terms of not only driving ARPU, but we have studied and shown impacts to increased retention.

And so we continue to diversify that through new products being introduced. Vincent has talked a couple of times in terms of what we're doing to optimize the membership offering. So that drives the upsell lever, and we see that coming -- customer acquisition as our offerings become even more and more relevant and in demand. It comes through ARPU as we see the ARPU continuously expand as we sell more and more of the additional service, and we see the retention rate gains from those levers because retention rate is just frankly higher.

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And then as it pertains to our mobile acquisition. They're just different starting points, but the behaviors are very consistent. And that's why we point to just such incredible opportunity. We have very healthy ROI customer acquisition internationally in Mobile -- and then it just allows us cohorts of customers to go after. And really, as they're getting more familiar, we have the opportunity to further educate the needs and then therefore, the services that we can provide to these customers.

So it's really, really a flywheel effect as to where the customers were diversifying at the very top of the funnel to customer acquisition, and we're sending them with a unique experience, a very focused experience in terms of leveraging cross-sell, upsell and all of our CSM retention efforts. And in my opinion, when I look at the customer performance indicators, and I'll unpack them at the cohort level, they're trending in the right direction. Hope that helps.

Operator

At this time, I'd like to pass the conference back over to Vincent Pilette, the CEO, for closing remarks. Vincent, you may proceed.

Vincent Pilette - *Gen Digital Inc - Chief Executive Officer, Director*

Thank you, and thank you, everyone, for joining our call today. As the leader in consumer Cyber Safety, we have a bold vision and provide digital freedom for everyone. Our many investments in new products and technology are paying off as we shared today with the progress we're making with Genie, the new Gen Stack and AI technologies. The pending MoneyLion acquisition will accelerate the next phase of our strategy to empower our customers' financial wellness. Thanks for joining our call today, and I look forward to speaking with you in the coming days and weeks.

Operator

That will conclude today's conference call. Thank you for your participation and enjoy the rest of your day.

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