

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended October 4, 2019

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File Number 000-17781



NortonLifeLock Inc.

(Exact name of the registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

77-0181864

(I.R.S. employer identification no.)

60 E. Rio Salado Parkway, Suite 1000, Tempe, Arizona
(Address of principal executive offices)

85281
(Zip code)

Registrant's telephone number, including area code:
(650) 527-8000

Former name or former address, if changed since last report:
Symantec Corporation
350 Ellis Street, Mountain View, California, 94043

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	NLOK	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
						Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of NortonLifeLock common stock, \$0.01 par value per share, outstanding as of October 30, 2019 was 623,004,728 shares.

NORTONLIFELOCK INC.

FORM 10-Q

Quarterly Period Ended October 4, 2019

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NORTONLIFELOCK INC. CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited, in millions, except par value per share amounts)

	October 4, 2019	March 29, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,697	\$ 1,791
Short-term investments	134	252
Accounts receivable, net	593	708
Other current assets	289	286
Current assets of discontinued operations	7,047	149
Total current assets	9,760	3,186
Property and equipment, net	676	718
Operating lease assets	154	—
Intangible assets, net	1,146	1,202
Goodwill	2,675	2,677
Other long-term assets	1,818	1,163
Long-term assets of discontinued operations	—	6,992
Total assets	\$ 16,229	\$ 15,938
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 120	\$ 165
Accrued compensation and benefits	219	257
Current portion of long-term debt	1,245	491
Contract liabilities	990	1,032
Current operating lease liabilities	36	—
Other current liabilities	514	524
Current liabilities of discontinued operations	1,932	1,297
Total current liabilities	5,056	3,766
Long-term debt	3,219	3,961
Long-term contract liabilities	26	27
Deferred income tax liabilities	538	577
Long-term income taxes payable	1,069	1,076
Long-term operating lease liabilities	137	—
Other long-term liabilities	72	80
Long-term liabilities of discontinued operations	—	713
Total liabilities	10,117	10,200
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, \$0.01 par value: 1 shares authorized; 0 shares issued and outstanding	—	—
Common stock and additional paid-in capital, \$0.01 par value: 3,000 shares authorized; 623 and 630 shares issued and outstanding as of October 4, 2019 and March 29, 2019, respectively	4,816	4,812
Accumulated other comprehensive loss	(2)	(7)
Retained earnings	1,298	933
Total stockholders' equity	6,112	5,738
Total liabilities and stockholders' equity	\$ 16,229	\$ 15,938

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Net revenues	\$ 608	\$ 612	\$ 1,258	\$ 1,224
Cost of revenues	100	116	200	226
Gross profit	508	496	1,058	998
Operating expenses:				
Sales and marketing	189	175	374	373
Research and development	86	105	188	214
General and administrative	92	101	188	220
Amortization of intangible assets	21	20	41	40
Restructuring, transition and other costs	17	52	30	137
Total operating expenses	405	453	821	984
Operating income	103	43	237	14
Interest expense	(46)	(52)	(95)	(104)
Other expense, net	(2)	(23)	(2)	(38)
Income (loss) from continuing operations before income taxes	55	(32)	140	(128)
Income tax expense	20	30	70	6
Income (loss) from continuing operations	35	(62)	70	(134)
Income from discontinued operations, net of taxes	750	54	741	66
Net income (loss)	\$ 785	\$ (8)	\$ 811	\$ (68)
Income (loss) per share - basic:				
Continuing operations	\$ 0.06	\$ (0.10)	\$ 0.11	\$ (0.21)
Discontinued operations	\$ 1.21	\$ 0.09	\$ 1.20	\$ 0.11
Net income (loss) per share - basic ⁽¹⁾	\$ 1.27	\$ (0.01)	\$ 1.31	\$ (0.11)
Income (loss) per share - diluted:				
Continuing operations	\$ 0.05	\$ (0.10)	\$ 0.11	\$ (0.21)
Discontinued operations	\$ 1.16	\$ 0.09	\$ 1.15	\$ 0.11
Net income (loss) per share - diluted ⁽¹⁾	\$ 1.22	\$ (0.01)	\$ 1.26	\$ (0.11)
Weighted-average shares outstanding:				
Basic	620	630	619	627
Diluted	644	630	643	627

(1) Net income per share amounts may not add due to rounding.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in millions)

	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Net income (loss)	\$ 785	\$ (8)	\$ 811	\$ (68)
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	9	1	2	(23)
Net unrealized gain on available-for-sale securities	1	—	2	—
Other comprehensive income from equity method investee	—	2	1	2
Other comprehensive loss, net of taxes	10	3	5	(21)
Comprehensive income (loss)	\$ 795	\$ (5)	\$ 816	\$ (89)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited, in millions, except per share amounts)

Three months ended October 4, 2019	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 5, 2019	617	\$ 4,701	\$ (12)	\$ 561	\$ 5,250
Net income	—	—	—	785	785
Other comprehensive loss	—	—	10	—	10
Common stock issued under employee stock incentive plans	6	51	—	—	51
Shares withheld for taxes related to vesting of restricted stock units	—	(7)	—	—	(7)
Cash dividends declared (\$0.075 per share of common stock) and dividend equivalents accrued	—	—	—	(48)	(48)
Stock-based compensation	—	71	—	—	71
Balance as of October 4, 2019	623	\$ 4,816	\$ (2)	\$ 1,298	\$ 6,112

Six months ended October 4, 2019	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of March 29, 2019	630	\$ 4,812	\$ (7)	\$ 933	\$ 5,738
Net income	—	—	—	811	811
Other comprehensive loss	—	—	5	—	5
Common stock issued under employee stock incentive plans	22	88	—	—	88
Shares withheld for taxes related to vesting of restricted stock units	(3)	(64)	—	—	(64)
Repurchases of common stock	(26)	(190)	—	(351)	(541)
Cash dividends declared (\$0.15 per share of common stock) and dividend equivalents accrued	—	—	—	(95)	(95)
Stock-based compensation	—	170	—	—	170
Balance as of October 4, 2019	623	\$ 4,816	\$ (2)	\$ 1,298	\$ 6,112

NORTONLIFELOCK INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited, in millions, except per share amounts)

Three months ended September 28, 2018	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of June 29, 2018	631	\$ 4,780	\$ (20)	\$ 1,158	\$ 5,918
Net loss	—	—	—	(8)	(8)
Other comprehensive income	—	—	3	—	3
Common stock issued under employee stock incentive plans	1	2	—	—	2
Shares withheld for taxes related to vesting of restricted stock units	—	(8)	—	—	(8)
Cash dividends declared (\$0.075 per share of common stock) and dividend equivalents accrued	—	—	—	(50)	(50)
Stock-based compensation	—	93	—	—	93
Balance as of September 28, 2018	632	\$ 4,867	\$ (17)	\$ 1,100	\$ 5,950

Six months ended September 28, 2018	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of March 30, 2018	624	\$ 4,691	\$ 4	\$ 328	\$ 5,023
Cumulative effect from adoption of accounting standards	—	—	—	939	939
Net loss	—	—	—	(68)	(68)
Other comprehensive loss	—	—	(21)	—	(21)
Common stock issued under employee stock incentive plans	10	6	—	—	6
Shares withheld for taxes related to vesting of restricted stock units	(2)	(53)	—	—	(53)
Cash dividends declared (\$0.15 per share of common stock) and dividend equivalents accrued	—	—	—	(99)	(99)
Stock-based compensation	—	223	—	—	223
Balance as of September 28, 2018	632	\$ 4,867	\$ (17)	\$ 1,100	\$ 5,950

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Six Months Ended	
	October 4, 2019	September 28, 2018
OPERATING ACTIVITIES:		
Net income (loss)	\$ 811	\$ (68)
Adjustments:		
Amortization and depreciation	251	305
Impairments of long-lived assets	4	7
Stock-based compensation expense	150	210
Deferred income taxes	(707)	3
Loss from equity interest	22	60
Other	30	(42)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	111	286
Accounts payable	(32)	(12)
Accrued compensation and benefits	(20)	(81)
Contract liabilities	(129)	(116)
Income taxes payable	5	(67)
Other assets	(5)	55
Other liabilities	15	31
Net cash provided by operating activities	506	571
INVESTING ACTIVITIES:		
Purchases of property and equipment	(76)	(95)
Payments for acquisitions, net of cash acquired	—	(17)
Proceeds from maturities and sales of short-term investments	120	99
Other	(5)	(7)
Net cash provided by (used in) investing activities	39	(20)
FINANCING ACTIVITIES:		
Net proceeds from sales of common stock under employee stock incentive plans	88	6
Tax payments related to restricted stock units	(65)	(53)
Dividends and dividend equivalents paid	(98)	(110)
Repurchases of common stock	(559)	—
Net cash used in financing activities	(634)	(157)
Effect of exchange rate fluctuations on cash and cash equivalents	(5)	(21)
Change in cash and cash equivalents	(94)	373
Beginning cash and cash equivalents	1,791	1,774
Ending cash and cash equivalents	\$ 1,697	\$ 2,147

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation and Significant Accounting Policies

Recent Corporate Name Change

In connection with the sale of certain assets of our Enterprise Security business as disclosed in Basis of presentation below, effective November 4, 2019, we changed our corporate name from Symantec Corporation to NortonLifeLock Inc.

Basis of presentation

On August 8, 2019, we entered into a definitive agreement with Broadcom Inc. (Broadcom) under which Broadcom agreed to purchase certain of our Enterprise Security assets and assume certain liabilities for a purchase price of \$10.7 billion (the Broadcom sale). On November 4, 2019, we completed the transaction. The divestiture of our Enterprise Security business allows us to shift our operational focus to our consumer business and represents a strategic shift in our operations. As a result, the majority of results of our Enterprise Security business were classified as discontinued operations in our Condensed Consolidated Statements of Operations and thus excluded from both continuing operations and segment results for all periods presented. Starting in the second quarter of fiscal 2020, we operate in one reportable segment. The Enterprise Security business was part of our Enterprise Security segment. Results of discontinued operations include all revenues and expenses directly derived from the Enterprise Security business, with the exception of revenues and associated costs of our ID Analytics solutions, which were formerly included in the Enterprise Security segment, and general corporate overhead which were previously allocated to the Enterprise Security segment but are not allocated to discontinued operations. These revenues and expenses are now included in continuing operations. The assets acquired and liabilities to be sold to Broadcom, as specified in the August 8, 2019 definitive agreement, were classified as discontinued operations in our Condensed Consolidated Balance Sheets, subject to changes set forth in the agreement. See Notes 3 and 18 for additional information about the divestiture of our Enterprise Security business.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America (U.S.) for interim financial information. In the opinion of management, the unaudited Condensed Consolidated Financial Statements contain all adjustments, consisting only of normal recurring items, except as otherwise noted, necessary for the fair presentation of our financial position, results of operations, and cash flows for the interim periods. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and accompanying Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 29, 2019. The results of operations for the six months ended October 4, 2019 are not necessarily indicative of the results expected for the entire fiscal year.

We have a 52/53-week fiscal year ending on the Friday closest to March 31. Unless otherwise stated, references to three and six-month periods in this report relate to fiscal periods ended October 4, 2019 and September 28, 2018. The three and six months ended October 4, 2019 consisted of 13 and 27 weeks, respectively, whereas the three and six months ended September 28, 2018 consisted of 13 and 26 weeks, respectively. Our 2020 fiscal year consists of 53 weeks and ends on April 3, 2020.

Use of estimates

The preparation of Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Such estimates include, but are not limited to, the determination of stand-alone selling price for performance obligations, valuation of business combinations including acquired intangible assets and goodwill, loss contingencies, valuation of stock-based compensation, and the recognition and measurement of current and deferred income taxes, including the measurement of uncertain tax positions. Management determines these estimates and assumptions based on historical experience and on various other assumptions that are believed to be reasonable. Actual results could differ significantly from these estimates, and such differences may be material to the Condensed Consolidated Financial Statements.

Significant accounting policies

There have been no material changes to our significant accounting policies as of and for the six months ended October 4, 2019, except for those noted in Note 2 and Note 5, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 29, 2019.

Note 2. Recent Accounting Standards

Recently adopted authoritative guidance

Leases. In February 2016, the Financial Accounting Standards Board (FASB) issued new guidance on lease accounting which requires lessees to recognize assets and liabilities on their balance sheet for the rights and obligations created by operating leases and also requires disclosures designed to give users of financial statements information on the amount, timing, and uncertainty of cash flows arising from leases. Most prominent among the changes in the standard is the recognition of right-of-use (ROU) assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

On March 30, 2019, the first day of our fiscal 2020, we adopted the new guidance using the alternative modified retrospective transition method under which we continue to apply the legacy lease accounting guidance, including its disclosure requirements, in comparative periods prior to fiscal 2020. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard that allowed us not to reassess (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases, and (3) initial direct costs for any existing leases. We currently do not have any finance leases. We combine the lease and non-lease components in determining the operating lease assets and liabilities.

The adoption of the new lease accounting standard resulted in the recognition of ROU assets and lease liabilities of \$182 million and \$209 million, respectively, as of March 30, 2019 related to our operating leases. The adoption of the standard also resulted in elimination of deferred rent liabilities of \$17 million, as of March 30, 2019, which are now recorded as a reduction of the ROU assets. The standard did not have an impact on our consolidated statements of operations or statements of cash flows.

Recently issued authoritative guidance not yet adopted

Credit Losses. In June 2016, the FASB issued new authoritative guidance on credit losses which changes the impairment model for most financial assets and certain other instruments. For trade receivables and other instruments, we will be required to use a new forward-looking “expected loss” model. Additionally, for available-for-sale debt securities with unrealized losses, we will measure credit losses in a manner similar to today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The standard will be effective for us in our first quarter of fiscal 2021. We are currently evaluating the impact of the adoption of this guidance on our Consolidated Financial Statements.

Internal-Use Software. In August 2018, the FASB issued new guidance that clarifies the accounting for implementation costs in a cloud computing arrangement. The new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard will be effective for us in our first quarter of fiscal 2021, with early adoption permitted. We are currently evaluating the adoption date and the impact of the adoption of this guidance on our Consolidated Financial Statements and disclosures.

Although there are several other new accounting pronouncements issued or proposed by the FASB that we have adopted or will adopt, as applicable, we do not believe any of these accounting pronouncements has had, or will have, a material impact on our consolidated financial position, operating results or disclosures.

Note 3. Discontinued Operations

On August 8, 2019, we entered into a definitive agreement with Broadcom under which Broadcom agreed to purchase certain of our Enterprise Security assets and assume certain liabilities for a purchase price of \$10.7 billion.

The following table presents the aggregate carrying amounts of the classes of assets and liabilities sold under the definitive agreement with Broadcom:

(In millions)	October 4, 2019	March 29, 2019
Assets:		
Current assets	\$ 147	\$ 149
Intangible assets, net	934	1,048
Goodwill	5,772	5,773
Other long-term assets	194	171
Total assets of discontinued operations	\$ 7,047	\$ 7,141
Liabilities:		
Current contract liabilities	\$ 1,224	\$ 1,288
Other current liabilities	22	9
Long-term contract liabilities	671	709
Other long-term liabilities	15	4
Total liabilities of discontinued operations	\$ 1,932	\$ 2,010

The following table presents information regarding certain components of income from discontinued operations, net of income taxes:

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Net revenues	\$ 576	\$ 567	\$ 1,173	\$ 1,116
Operating income	\$ 113	\$ 63	\$ 136	\$ 99
Income before income taxes	\$ 113	\$ 63	\$ 137	\$ 95
Income tax expense (benefit)	\$ (637)	\$ 9	\$ (604)	\$ 29
Income from discontinued operations, net of taxes	\$ 750	\$ 54	\$ 741	\$ 66

Our discontinued operations consist of our divested Enterprise Security assets and also includes results of our previously divested Veritas information management business (Veritas). There was no income from Veritas during the three and six months ended October 4, 2019. Revenue from Veritas was \$4 million and \$9 million during the three and six months ended September 28, 2018. Income from Veritas, net of taxes was \$0 million and \$5 million during the three and six months ended September 28, 2018.

We recorded a \$665 million tax benefit in discontinued operations during the three and six months ended October 4, 2019 to remeasure the deferred tax assets associated with the tax basis of intellectual property held by our subsidiaries organized in Ireland. We previously expected to recover the tax basis through normal operation of our Enterprise business, which is taxed at the Irish trading rate of 12.5%. We now expect to recover the tax basis through the sale of certain assets of the Enterprise business, which will be taxed at the Irish capital gains tax rate of 33%.

The following table presents significant non-cash items and capital expenditures of discontinued operations:

(In millions)	Six Months Ended	
	October 4, 2019	September 28, 2018
Amortization and depreciation	\$ 123	\$ 182
Stock-based compensation expense	\$ 95	\$ 122
Purchases of property and equipment	\$ 29	\$ 16

See Note 18 for more information regarding the completion of the sale that occurred on November 4, 2019.

Note 4. Revenues

Timing of revenue recognition

The following table provides our revenue disaggregated by the timing of recognition:

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Products and services transferred at a point in time	\$ 12	\$ 12	\$ 25	\$ 24
Products and services transferred over time	\$ 596	\$ 600	\$ 1,233	\$ 1,200

Contract liabilities

The amount of revenue recognized during the three and six months ended October 4, 2019 that was included within the contract liabilities balance at July 5, 2019 and March 29, 2019 was \$427 million and \$767 million, respectively. The amount of revenue recognized during the three and six months ended September 28, 2018 that was included within the contract liabilities balance at June 29, 2018 and March 31, 2018 was \$443 million and \$766 million, respectively.

Contract acquisition costs

We recognized amortization expense of capitalized contract acquisition costs of \$1 million and \$3 million during the three and six months ended October 4, 2019, respectively, and \$1 million and \$2 million during the three and six months ended September 28, 2018, respectively. There were no impairment losses recognized during the periods.

Remaining performance obligations

Remaining performance obligations represent contracted revenue that has not been recognized, which include contract liabilities and amounts that will be billed and recognized as revenue in future periods. As of October 4, 2019, we had \$626 million of remaining performance obligations, which does not include customer deposit liabilities of \$390 million, of which we expect to recognize approximately 96% as revenue over the next twelve months.

Note 5. Leases

We lease certain of our facilities, equipment, and data center co-locations under operating leases that expire on various dates through fiscal 2029. Our leases generally have terms that range from 1 year to 17 years for our facilities, 1 year to 6 years for equipment, and 1 year to 6 years for data center co-locations. Some of our leases contain renewal options, escalation clauses, rent concessions, and leasehold improvement incentives.

We determine if an arrangement is a lease at inception. We have elected to not recognize a lease liability or ROU asset for short-term leases (leases with a term of twelve months or less that do not include an option to purchase the underlying asset). Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The interest rate we use to determine the present value of future payments is our incremental borrowing rate because the rate implicit in our leases is not readily determinable. Our incremental borrowing rate is a hypothetical rate for collateralized borrowings in economic environments where the leased asset is located based on credit rating factors. Our operating lease assets also include adjustments for prepaid lease payments, lease incentives and initial direct costs.

Certain lease contracts include obligations to pay for other services, such as operations and maintenance. We elected the practical expedient whereby we record all lease components and the related minimum non-lease components as a single lease component. Cash payments made for variable lease costs are not included in the measurement of our operating lease assets and liabilities. Many of our lease terms include one or more options to renew. We do not assume renewals in our determination of the lease term unless it is reasonably certain that we will exercise that option. Lease costs for minimum lease payments for operating leases is recognized on a straight-line basis over the lease term. Our lease agreements do not contain any residual value guarantees.

The following summarizes our lease costs:

(In millions)	Three Months Ended	Six Months Ended
	October 4, 2019	October 4, 2019
Operating lease costs	\$ 10	\$ 22
Short-term lease costs	2	4
Variable lease costs	5	11
Total lease costs	\$ 17	\$ 37

Rent expense under operating leases was \$18 million and \$37 million for the three and six months ended September 28, 2018, respectively.

Other information related to our operating leases was as follows:

	Six Months Ended
	October 4, 2019
Weighted-average remaining lease term	5.5 years
Weighted-average discount rate	4.14%

See Note 7 for additional cash flow information related to our operating leases.

As of October 4, 2019, the maturities of our lease liabilities, excluding lease liabilities associated with our discontinued operations, by fiscal year are as follows:

(In millions)	
Remainder of 2020	\$ 21
2021	42
2022	36
2023	27
2024	26
Thereafter	42
Total lease payments	194
Less: Imputed interest	(21)
Present value of lease liabilities	\$ 173

As of March 29, 2019, the minimum future rentals on non-cancelable operating leases, including leases associated with our discontinued operations and based on the previous lease accounting standard, by fiscal year were as follows:

(In millions)	
2020	\$ 55
2021	49
2022	40
2023	32
2024	26
Thereafter	42
Total minimum future lease payments	<u>\$ 244</u>

Note 6. Goodwill and Intangible Assets

Goodwill

The changes in the carrying amount of goodwill were as follows:

(In millions)	
Balance as of March 29, 2019	\$ 2,677
Translation adjustments	(2)
Balance as of October 4, 2019	<u>\$ 2,675</u>

Intangible assets, net

(In millions)	October 4, 2019			March 29, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 541	\$ (208)	\$ 333	\$ 541	\$ (168)	\$ 373
Developed technology	143	(76)	67	143	(61)	82
Other	4	(2)	2	6	(3)	3
Total finite-lived intangible assets	688	(286)	402	690	(232)	458
Indefinite-lived trade names	744	—	744	744	—	744
Total intangible assets	<u>\$ 1,432</u>	<u>\$ (286)</u>	<u>\$ 1,146</u>	<u>\$ 1,434</u>	<u>\$ (232)</u>	<u>\$ 1,202</u>

Goodwill and intangible assets to be disposed of as a result of our agreement with Broadcom to sell certain assets of Enterprise Security business were included in assets of discontinued operations in our Condensed Consolidated Balance Sheets as of October 4, 2019 and March 29, 2019, and accordingly, are excluded from the tables above.

Amortization expense for purchased intangible assets is summarized below:

(In millions)	Three Months Ended		Six Months Ended		Statements of Operations Classification
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018	
Customer relationships and other	\$ 21	\$ 20	\$ 41	\$ 40	Operating expenses
Developed technology	8	8	15	14	Cost of revenues
Total	<u>\$ 29</u>	<u>\$ 28</u>	<u>\$ 56</u>	<u>\$ 54</u>	

As of October 4, 2019, future amortization expense related to intangible assets that have finite lives is as follows by fiscal year:

(In millions)		
Remainder of 2020	\$	54
2021		106
2022		99
2023		78
2024		64
Thereafter		1
Total	\$	402

Note 7. Supplementary Information (in millions)

Cash and cash equivalents:

	October 4, 2019	March 29, 2019
Cash	\$ 395	\$ 376
Cash equivalents	1,302	1,415
Total cash and cash equivalents	\$ 1,697	\$ 1,791

Other current assets:

	October 4, 2019	March 29, 2019
Prepaid expenses	\$ 118	\$ 136
Income tax receivable and prepaid income taxes	26	61
Other tax receivable	123	69
Other	22	20
Total other current assets	\$ 289	\$ 286

Property and equipment, net:

	October 4, 2019	March 29, 2019
Land	\$ 65	\$ 65
Computer hardware and software	917	926
Office furniture and equipment	123	118
Buildings	364	364
Leasehold improvements	355	332
Construction in progress	7	12
Total property and equipment, gross	1,831	1,817
Accumulated depreciation and amortization	(1,155)	(1,099)
Total property and equipment, net	\$ 676	\$ 718

Other long-term assets:

	October 4, 2019	March 29, 2019
Cost method investments	\$ 186	\$ 184
Equity method investment	11	32
Long-term income tax receivable and prepaid income taxes	43	34
Deferred income tax assets	1,498	830
Other	80	83
Total other long-term assets	\$ 1,818	\$ 1,163

Short-term contract liabilities:

	October 4, 2019	March 29, 2019
Deferred revenue	\$ 600	\$ 527
Customer deposit liabilities	390	505
Total short-term contract liabilities	<u>\$ 990</u>	<u>\$ 1,032</u>

Other current liabilities:

	October 4, 2019	March 29, 2019
Income taxes payable	\$ 93	\$ 103
Other taxes payable	202	143
Other	219	278
Total other current liabilities	<u>\$ 514</u>	<u>\$ 524</u>

Long-term income taxes payable:

	October 4, 2019	March 29, 2019
Deemed repatriation tax payable	\$ 638	\$ 703
Uncertain tax positions (including interest and penalties)	431	373
Total long-term income taxes payable	<u>\$ 1,069</u>	<u>\$ 1,076</u>

Other expense, net:

	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Interest income	\$ 8	\$ 11	\$ 18	\$ 18
Loss from equity interest	(11)	(34)	(22)	(60)
Foreign exchange gain (loss)	1	(4)	(2)	(9)
Other	—	4	4	13
Other expense, net	<u>\$ (2)</u>	<u>\$ (23)</u>	<u>\$ (2)</u>	<u>\$ (38)</u>

Supplemental cash flow information:

	Six Months Ended	
	October 4, 2019	September 28, 2018
Income taxes paid, net of refunds	\$ 165	\$ 57
Interest expense paid	\$ 86	\$ 93
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 31	\$ —

Non-cash operating activities:

Operating lease assets obtained in exchange for operating lease liabilities	\$ 13	\$ —
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Non-cash investing activities:

Purchases of property and equipment in current liabilities	\$ 11	\$ 29
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Note 8. Financial Instruments and Fair Value Measurements

For financial instruments measured at fair value, fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use when pricing the asset or liability.

The three levels of inputs that may be used to measure fair value are:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets or model-derived valuations. All significant inputs used in our valuations, such as

discounted cash flows, are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities.

- Level 3: Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. We monitor and review the inputs and results of these valuation models to help ensure the fair value measurements are reasonable and consistent with market experience in similar asset classes.

Assets measured and recorded at fair value on a recurring basis

The following table summarizes our financial instruments measured at fair value on a recurring basis:

(In millions)	October 4, 2019			March 29, 2019		
	Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
Assets:						
Money market funds	\$ 1,117	\$ 1,117	\$ —	\$ 1,415	\$ 1,415	\$ —
Certificates of deposit	185	—	185	1	—	1
Corporate bonds	134	—	134	251	—	251
Total	\$ 1,436	\$ 1,117	\$ 319	\$ 1,667	\$ 1,415	\$ 252

The following table presents the contractual maturities of our investments in debt securities as of October 4, 2019:

(In millions)	Fair Value
Due in one year or less	\$ 276
Due after one year through five years	43
Total	\$ 319

Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay certain obligations.

Financial instruments not recorded at fair value on a recurring basis include our non-marketable equity investments, equity method investment and our long-term debt.

Non-marketable equity investments

As of October 4, 2019 and March 29, 2019, the carrying value of our non-marketable equity investments was \$186 million and \$184 million, respectively.

Equity method investment

Our investment in equity securities that is accounted for using the equity method is included in Other long-term assets in our Condensed Consolidated Balance Sheets and consists of our equity investment in DigiCert Parent Inc. (DigiCert) that had a carrying value of \$11 million and \$32 million at October 4, 2019 and March 29, 2019, respectively.

We recorded a loss from equity interests of \$11 million and \$22 million during the three and six months ended October 4, 2019, respectively, and \$34 million and \$60 million during the three and six months ended September 28, 2018, respectively, in Other expense, net in our Condensed Consolidated Statements of Operations. This loss was reflected as a reduction in the carrying amount of our investment in equity interests in our Condensed Consolidated Balance Sheets.

The following table summarizes financial data from DigiCert which was provided to us on a three-month lag:

(In millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	\$ 108	\$ 74	\$ 215	\$ 140
Gross profit	\$ 90	\$ 61	\$ 177	\$ 114
Net loss	\$ (36)	\$ (123)	\$ (72)	\$ (205)

Current and long-term debt

As of October 4, 2019 and March 29, 2019, the total fair value of our current and long-term fixed rate debt was \$4,020 million and \$3,964 million, respectively. The fair value of our variable rate debt approximated its carrying value. The fair values of all our debt obligations were based on Level 2 inputs.

Note 9. Debt

The following table summarizes components of our debt:

(In millions, except percentages)	October 4, 2019	March 29, 2019	Effective Interest Rate
4.2% Senior Notes due September 15, 2020	\$ 750	\$ 750	4.25%
2.5% Convertible Senior Notes due April 1, 2021	500	500	3.76%
Senior Term Loan A-5 due August 1, 2021	500	500	LIBOR plus ⁽¹⁾
2.0% Convertible Senior Notes due August 15, 2021	1,250	1,250	2.66%
3.95% Senior Notes due June 15, 2022	400	400	4.05%
5.0% Senior Notes due April 15, 2025	1,100	1,100	5.23%
Total principal amount	4,500	4,500	
Less: unamortized discount and issuance costs	(36)	(48)	
Total debt	4,464	4,452	
Less: current portion	(1,245)	(491)	
Total long-term debt	\$ 3,219	\$ 3,961	

(1) The senior term facility bears interest at a rate equal to the London Interbank Offered Rate (LIBOR) plus a margin based on the current debt rating of our non-credit-enhanced, senior unsecured long-term debt and the underlying loan agreement. The interest rates for the outstanding senior term loan are as follows:

	October 4, 2019	March 29, 2019
Senior Term Loan A-5 due August 1, 2021	3.90%	4.24%

On or after March 4, 2020, holders of the 2.5% Convertible Senior Notes have the option to require us to repurchase the notes, in cash, equal to the principal amount and accrued and unpaid interest of the 2.5% Convertible Senior Notes. Therefore, as of October 4, 2019 and March 29, 2019, the principal amount and associated unamortized discount and issuance costs of the 2.5% Convertible Senior Notes were classified within Current portion of long-term debt in our Condensed Consolidated Balance Sheets.

As of October 4, 2019, the future contractual maturities of debt by fiscal year are as follows:

(In millions)	
Remainder of 2020	\$ —
2021	1,250
2022	1,750
2023	400
2024	—
Thereafter	1,100
Total future maturities of debt	\$ 4,500

Based on the closing price of our common stock of \$23.48 on October 4, 2019, the if-converted value of our 2.5% Convertible Senior Notes exceeded the principal amount by approximately \$200 million and the if-converted value of our 2.0% Convertible Senior Notes exceeded the principal amount by approximately \$188 million.

The following table sets forth total interest expense recognized related to our 2.5% and 2.0% Convertible Senior Notes:

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Contractual interest expense	\$ 9	\$ 10	\$ 19	\$ 19
Amortization of debt discount and issuance costs	\$ 4	\$ 4	\$ 8	\$ 8

Revolving credit facility

We have an unsecured revolving credit facility to borrow up to \$1.0 billion through May 10, 2021. Borrowings under the revolving facility bear interest at a floating rate of interest plus an applicable margin which is based on our senior unsecured credit agency rating. We are obligated to pay commitment fees on the daily amount of the unused commitment at a rate based

on our debt ratings. As of October 4, 2019 and March 29, 2019, there were no borrowings outstanding under this revolving credit facility.

Debt Covenant compliance

The Senior Term Loan A-5 agreement contains customary representations and warranties, non-financial covenants for financial reporting, and affirmative and negative covenants, including compliance with specified financial ratios. As of October 4, 2019, we were in compliance with all debt covenants.

Note 10. Derivatives

We conduct business in numerous currencies throughout our worldwide operations, and our entities hold monetary assets or liabilities, earn revenues, or incur costs in currencies other than the entity's functional currency. As a result, we are exposed to foreign exchange gains or losses which impacts our operating results. As part of our foreign currency risk mitigation strategy, we have entered into foreign exchange forward contracts with up to twelve months in duration. We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of the changes in foreign exchange rates.

To help protect the net investment in a foreign operation from adverse changes in foreign currency exchange rates, we conduct a program under which we may enter into foreign currency forward and option contracts to offset the changes in the carrying amounts of these investments due to fluctuations in foreign currency exchange rates. We exclude changes in forward points for the forward contracts from the assessment of hedge effectiveness. We recognize changes in the excluded component in other income (expense), net. As of October 4, 2019 and September 28, 2018, the fair value of these contracts was insignificant. During the six months ended October 4, 2019, a net gain of \$2 million was recorded in Accumulated other comprehensive loss.

We also enter into foreign currency forward contracts to hedge foreign currency balance sheet exposure. These forward contracts are not designated as hedging instruments. As of October 4, 2019 and September 28, 2018, the fair value of these contracts was insignificant. The related loss recognized in Other expense, net in our Condensed Consolidated Statements of Operations was as follows:

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Foreign exchange forward contracts loss	\$ (6)	\$ (2)	\$ (6)	\$ (38)

The fair value of our foreign exchange forward contracts is presented on a gross basis in our Condensed Consolidated Balance Sheets. To mitigate losses in the event of nonperformance by counterparties, we have entered into master netting arrangements with our counterparties that allow us to settle payments on a net basis. The effect of netting on our derivative assets and liabilities was not material as of October 4, 2019 and September 28, 2018.

The notional amount of our outstanding foreign exchange forward contracts in U.S. dollar equivalent was as follows:

(In millions)	October 4, 2019	March 29, 2019
Net investment hedges		
Foreign exchange forward contracts sold	\$ 120	\$ 116
Balance sheet contracts		
Foreign exchange forward contracts purchased	\$ 410	\$ 963
Foreign exchange forward contracts sold	\$ 277	\$ 122

Note 11. Restructuring, Transition and Other Costs

Our restructuring, transition and other costs consist primarily of severance, facilities, separation, transition and other related costs. Severance costs generally include severance payments, outplacement services, health insurance coverage, and legal costs. Included in other exit and disposal costs are advisory fees incurred in connection with restructuring events and facilities exit costs, which generally include rent expense and lease termination costs, less estimated sublease income. Separation costs primarily consist of consulting costs incurred in connection with the divestiture of our Enterprise Security business. Transition costs are incurred in connection with Board of Directors approved discrete strategic information technology transformation initiatives and primarily consist of consulting charges associated with our enterprise resource planning and supporting systems and costs to automate business processes. Such projects were completed by the end of fiscal 2019.

Fiscal 2020 Plan

On August 6, 2019, our Board of Directors approved a fiscal 2020 restructuring plan (the Fiscal 2020 Plan) to improve productivity and reduce complexity in the way we manage the business. We expect to reduce net global headcount by approximately 7%. We also plan to downsize, vacate or close certain facilities and data centers in connection with the restructuring plan. We estimate that we will incur total costs in connection with the restructuring of approximately \$100 million.

approximately \$75 million for severance and termination benefits and \$25 million for site closures. These actions are expected to be completed in fiscal 2020. As of October 4, 2019, we have incurred costs of \$49 million related to our Fiscal 2020 Plan.

Fiscal 2019 Plan

In August 2018, we announced a restructuring plan (the Fiscal 2019 Plan) under which we incurred costs of \$48 million as of October 4, 2019. These actions were substantially completed in fiscal 2020.

Fiscal 2017 Plan

We initiated a restructuring plan in the first quarter of fiscal 2017 to reduce complexity by means of long-term structural improvements (the Fiscal 2017 Plan), under which we reduced headcount and closed certain facilities. These actions were completed in fiscal 2019 at a cumulative cost of \$289 million related to our Fiscal 2017 Plan.

Restructuring, transition and other costs summary

Our restructuring, transition and other costs attributable to continuing operations are presented in the table below:

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Severance and termination benefit costs	\$ 17	\$ —	\$ 28	\$ 5
Other exit and disposal costs	—	1	2	8
Asset write-offs	—	—	—	2
Separation costs	—	—	—	3
Transition costs	—	51	—	119
Total restructuring, transition and other costs	\$ 17	\$ 52	\$ 30	\$ 137

In connection with the agreement to sell certain assets of our Enterprise Security business, a portion of our restructuring, transition and other costs were classified to discontinued operations for all periods presented. Our restructuring, transition and other costs attributable to discontinued operations are presented in the table below:

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Severance and termination benefit costs	\$ 33	\$ —	\$ 45	\$ 7
Other exit and disposal costs	—	—	—	2
Separation costs	7	—	7	—
Transition costs	—	4	—	6
Total restructuring, transition and other	\$ 40	\$ 4	\$ 52	\$ 15

Note 12. Income Taxes

The following table summarizes our effective tax rate for the periods presented:

(In millions, except percentages)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Income (loss) from continuing operations before income taxes	\$ 55	\$ (32)	\$ 140	\$ (128)
Income tax expense	\$ 20	\$ 30	\$ 70	\$ 6
Effective tax rate	36%	(94)%	50%	(5)%

Our effective tax rate for continuing operations for fiscal 2020 was based on the statutory tax rate of 21%. Our effective tax rate for continuing operations for the three and six months ended October 4, 2019 differs from the federal statutory income tax rate primarily due to various permanent differences, and state taxes, partially offset by the benefits of lower-taxed international earnings and the research and development tax credit. In addition, for the six months ended October 4, 2019, there was additional tax expense recorded to account for uncertain tax positions related to the recent holding of the Ninth Circuit Court of Appeals (Ninth Circuit) in *Altera Corp. v. Commissioner* (the *Altera* holding).

Our effective tax rate for income (loss) from continuing operations for the three and six months ended September 28, 2018 differs from the federal statutory income tax rate primarily due to tax expense recorded to account for one-time adjustments for guidance issued on the Tax Cuts and Jobs Act (H.R.1) (Tax Reform) and other changes in response to the Tax Reform, various

permanent differences, and state taxes, partially offset by the benefits of lower-taxed international earnings and the research and development tax credit.

On July 27, 2015, the United States Tax Court (Tax Court) issued its opinion in *Altera Corp. v. Commissioner* and concluded that related parties in a cost sharing arrangement are not required to share expenses related to stock-based compensation. The Commissioner of the Internal Revenue Service appealed the Tax Court decision to the Ninth Circuit. In June 2019, the Ninth Circuit reversed the July 2015 decision of the U.S. Tax Court. As a result of this decision, we recorded a cumulative income tax expense of \$62 million in six months ended October 4, 2019. On July 22, 2019, the taxpayer requested a rehearing before the full Ninth Circuit and may subsequently appeal from the Ninth Circuit to the Supreme Court. As a result, the final outcome of the case is uncertain. If the Altera holding is reversed, we would anticipate recording an income tax benefit at that time.

The aggregate changes in the balance of gross unrecognized tax benefits for the six months ended October 4, 2019 were as follows:

(In millions)	
Balance as of March 29, 2019	\$ 446
Lapse of statute of limitations	(14)
Increase related to prior period tax positions	63
Increase related to current year tax positions	31
Balance as of October 4, 2019	\$ 526

We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions.

Note 13. Stockholders' Equity

Stock repurchase program

During the six months ended October 4, 2019, we executed and settled repurchases of 25 million shares for \$541 million in the open market at an average price of \$21.85 per share. In addition, repurchases of 1 million shares executed during fiscal 2019 settled during the six months ended October 4, 2019. On August 6, 2019, our Board of Directors increased the share repurchase authorization to \$1,600 million. As of October 4, 2019, we had \$1,600 million remaining under the authorization to be completed in future periods with no expiration date.

Accumulated other comprehensive loss

Components of Accumulated other comprehensive loss, net of taxes, were as follows:

(In millions)	Unrealized Gain (Loss)			
	Foreign Currency Translation Adjustments	on Available-For-Sale Securities	Equity Method Investee	Total
Balance as of March 29, 2019	\$ (5)	\$ (1)	\$ (1)	\$ (7)
Other comprehensive income before reclassifications	2	2	1	5
Balance as of October 4, 2019	\$ (3)	\$ 1	\$ —	\$ (2)

Note 14. Employee Equity Incentive Plans

The following table sets forth the stock-based compensation expense recognized for our equity incentive plans:

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Cost of revenues	\$ 1	\$ 1	\$ 1	\$ 3
Sales and marketing	6	11	13	22
Research and development	8	8	15	16
General and administrative	14	18	26	47
Total stock-based compensation from continuing operations	29	38	55	88
Discontinued operations	41	59	95	122
Total stock-based compensation expense	\$ 70	\$ 97	\$ 150	\$ 210
Income tax benefit for stock-based compensation expense	\$ (14)	\$ (21)	\$ (29)	\$ (47)

The following table summarizes additional information related to our stock-based awards, including awards associated with our discontinued operations:

(In millions, except per grant data)	Six Months Ended	
	October 4, 2019	September 28, 2018
Restricted stock units (RSUs):		
Weighted-average fair value per award granted	\$ 19.50	\$ 21.65
Awards granted	12	12
Total fair value of awards released	\$ 199	\$ 195
Outstanding and unvested	20	21
Performance-based restricted stock units (PRUs):		
Weighted-average fair value per award granted	\$ 19.21	\$ 21.23
Awards granted	2	2
Total fair value of awards released	\$ 28	\$ 8
Outstanding and unvested at target payout	3	5
Stock options:		
Weight-average fair value per award granted	\$ 4.76	\$ —
Awards granted	2	—
Total intrinsic value of stock options exercised	\$ 113	\$ 11
Outstanding	6	13
Exercisable	4	12
Restricted stock:		
Outstanding and unvested	—	1

For certain employees, we settled fiscal 2019 bonuses in approximately 1 million RSUs. These awards were granted and vested in the first quarter of fiscal 2020. As of October 4, 2019 and March 29, 2019, the total liability associated with liability-classified awards was \$6 million and \$22 million, respectively, which is presented in Accrued compensation and benefits in our Condensed Consolidated Balance Sheets.

As of October 4, 2019, the total unrecognized stock-based compensation costs related to our unvested stock-based awards was \$446 million, which will be recognized over an estimated weighted-average amortization period of 1.9 years.

Note 15. Net Income Per Share

Basic income per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share also includes the incremental effect of dilutive potentially issuable common shares outstanding during the period using the treasury stock method. Dilutive potentially issuable common shares includes the dilutive effect of the shares underlying convertible debt and employee equity awards. Diluted loss per share was the same as basic loss per share for the three and six months ended September 28, 2018, as there was a loss from continuing operations in the period and inclusion of potentially issuable shares was anti-dilutive.

The components of basic and diluted net income (loss) per share are as follows:

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Income (loss) from continuing operations	\$ 35	\$ (62)	\$ 70	\$ (134)
Income from discontinued operations, net of taxes	750	54	741	66
Net income (loss)	<u>\$ 785</u>	<u>\$ (8)</u>	<u>\$ 811</u>	<u>\$ (68)</u>
Income (loss) per share - basic:				
Continuing operations	\$ 0.06	\$ (0.10)	\$ 0.11	\$ (0.21)
Discontinued operations	\$ 1.21	\$ 0.09	\$ 1.20	\$ 0.11
Net income (loss) per share - basic	\$ 1.27	\$ (0.01)	\$ 1.31	\$ (0.11)
Income (loss) per share - diluted:				
Continuing operations	\$ 0.05	\$ (0.10)	\$ 0.11	\$ (0.21)
Discontinued operations	\$ 1.16	\$ 0.09	\$ 1.15	\$ 0.11
Net income (loss) per share - diluted	\$ 1.22	\$ (0.01)	\$ 1.26	\$ (0.11)
Weighted-average shares outstanding - basic	620	630	619	627
Dilutive potentially issuable shares:				
Convertible debt	16	—	13	—
Employee equity awards	8	—	11	—
Weighted-average shares outstanding - diluted	<u>644</u>	<u>630</u>	<u>643</u>	<u>627</u>
Anti-dilutive shares excluded from diluted net income (loss) per share calculation:				
Convertible debt	—	91	—	91
Employee equity awards	2	50	3	50
Total	<u>2</u>	<u>141</u>	<u>3</u>	<u>141</u>

(1) Net income per share amounts may not add due to rounding.

Under the treasury stock method, our Convertible Senior Notes will generally have a dilutive impact on net income per share when our average stock price for the period exceeds approximately \$16.77 per share for the 2.5% Convertible Senior Notes and \$20.41 per share for the 2.0% Convertible Senior Notes. The conversion feature of both notes was anti-dilutive during the three and six months ended September 28, 2018 as there was a loss from continuing operations in the period.

Note 16. Segment and Geographic Information

Historically, we operated in two reportable segments: Enterprise Security and Consumer Cyber Safety. The Enterprise Security segment focused on providing our Integrated Cyber Defense solutions to help business and government customers unify cloud and on-premises security to deliver a more effective cyber defense solution, while driving down cost and complexity. The Consumer Cyber Safety segment focused on providing cyber safety solutions under our Norton LifeLock brand to help consumers protect their devices, online privacy, identities, and home networks. On August 8, 2019, we entered into a definitive agreement to sell certain assets of our Enterprise Security business to Broadcom, representing substantially all of our Enterprise Security segment. This transaction closed on November 4, 2019. The divestiture of these Enterprise Security assets allows us to shift our operational focus to our consumer business and represents a strategic shift in our operations. As a result, the results of our divested Enterprise Security assets were classified as discontinued operations in our Condensed Consolidated Statements of Operations and thus excluded from both continuing operations and segment results for all periods presented. Accordingly, we now have one reportable segment. Our Chief Operating Decision Maker reviews financial information presented on a

consolidated basis to evaluate company performance and to allocate resources. The change has been reflected in our segment reporting for all periods presented.

The following table summarizes net revenues by significant products and services categories:

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Consumer security	\$ 358	\$ 368	\$ 739	\$ 737
Identity and information protection	237	233	492	464
Other	13	11	27	23
Total net revenues	\$ 608	\$ 612	\$ 1,258	\$ 1,224

Consumer security products include Norton security, Norton Secure VPN, and other consumer security solutions. Identity and information protection products include LifeLock identity theft protection and other information protection solutions.

Geographical information

Net revenues by geography are based on the billing addresses of our customers. The following table represents net revenues by geographic area for the periods presented:

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Americas	\$ 447	\$ 447	\$ 926	\$ 884
EMEA	92	96	189	200
APJ	69	69	143	140
Total net revenues	\$ 608	\$ 612	\$ 1,258	\$ 1,224

The Americas include U.S., Canada and Latin America; EMEA includes Europe, Middle East and Africa; APJ includes Asia Pacific and Japan.

Revenues from customers inside the U.S. were \$427 million and \$883 million during the three and six months ended October 4, 2019, respectively, and \$425 million and \$842 million during the three and six months ended September 28, 2018, respectively. No other individual country accounted for more than 10% of revenues.

Most of our assets as of October 4, 2019 and March 29, 2019 were attributable to our U.S. operations. The table below represents cash, cash equivalents and short-term investments held in the U.S. and internationally in various foreign subsidiaries.

(In millions)	October 4, 2019	March 29, 2019
U.S.	\$ 1,429	\$ 1,544
International	402	499
Total cash, cash equivalent and short-term investments	\$ 1,831	\$ 2,043

The table below represents our property and equipment, net of accumulated depreciation and amortization, by geographic area, based on the physical location of the asset, at the end of each period presented.

(In millions)	October 4, 2019	March 29, 2019
U.S.	\$ 565	\$ 606
International ⁽¹⁾	111	112
Total property and equipment, net	\$ 676	\$ 718

(1) No individual country represented more than 10% of the respective totals.

Our operating lease assets by geographic area, based on the physical location of the asset, were as follows:

(In millions)	October 4, 2019
U.S.	\$ 77
International ⁽¹⁾	77
Total operating lease assets	\$ 154

(1) No individual country represented more than 10% of the respective totals.

Significant customers

Customers, which are distributors, that accounted for over 10% of our net accounts receivable were as follows:

	October 4, 2019	March 29, 2019
Customer A	13%	16%
Customer B	13%	15%

Note 17. Commitments and Contingencies

Purchase obligations

As of October 4, 2019, we had purchase obligations of \$983 million associated with agreements for purchases of goods or services, including purchase obligations associated with our discontinued operations. The amount of purchase obligations reflects estimated future payments as of October 4, 2019 according to the contract terms.

Deemed repatriation taxes

As of October 4, 2019, we are required to pay a one-time transition tax of \$703 million on untaxed foreign earnings of our foreign subsidiaries due in installments through July 2025 as a result of the Act.

Indemnifications

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, subsidiaries, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements or representations and warranties made by us. In addition, our bylaws contain indemnification obligations to our directors, officers, employees, and agents, and we have entered into indemnification agreements with our directors and certain of our officers to give such directors and officers additional contractual assurances regarding the scope of the indemnification set forth in our bylaws and to provide additional procedural protections. We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and officers. It is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements might not be subject to maximum loss clauses. Historically, we have not incurred material costs as a result of obligations under these agreements, and we have not accrued any material liabilities related to such indemnification obligations in our Condensed Consolidated Financial Statements.

In connection with the sale of Veritas, we assigned several leases to Veritas Technologies LLC or its related subsidiaries. As a condition to consenting to the assignments, certain lessors required us to agree to indemnify the lessor under the applicable lease with respect to certain matters, including, but not limited to, losses arising out of Veritas Technologies LLC or its related subsidiaries' breach of payment obligations under the terms of the lease. As with our other indemnification obligations discussed above and in general, it is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. As with our other indemnification obligations, such indemnification agreements might not be subject to maximum loss clauses, and to date, generally under our real estate obligations, we have not incurred material costs as a result of such obligations under our leases and have not accrued any liabilities related to such indemnification obligations in our Condensed Consolidated Financial Statements.

We provide limited product warranties, and the majority of our software license agreements contain provisions that indemnify licensees of our software from damages and costs resulting from claims alleging that our software infringes on the intellectual property rights of a third party. Historically, payments made under these provisions have been immaterial. We monitor the conditions that are subject to indemnification to identify if a loss has occurred.

Litigation contingencies

SEC Investigation

As previously disclosed in our public filings, the Audit Committee of our Board of Directors (the Audit Committee) completed its internal investigation (the Audit Committee Investigation) in September 2018. In connection with the Audit Committee Investigation, we voluntarily contacted the U.S. Securities and Exchange Commission (SEC) in April 2018. The SEC

commenced a formal investigation, and we continue to cooperate with that investigation. The outcome of such an investigation is difficult to predict. We have incurred, and will continue to incur, significant expenses related to legal and other professional services in connection with the SEC investigation. At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible as a result of the SEC's investigation or estimate the range of any potential loss.

Securities Class Action and Derivative Litigation

Securities class action lawsuits, which have since been consolidated, were filed in May 2018 against us and certain of our former officers, in the U.S. District Court for the Northern District of California. The lead plaintiff's consolidated amended complaint alleged that, during a purported class period of May 11, 2017 to August 2, 2018, defendants made false and misleading statements in violation of Sections 10(b) and 20(a), and that certain individuals violated Section 20A, of the Securities Exchange Act. Defendants filed motions to dismiss, which the Court granted in an order dated June 14, 2019. Pursuant to that order, plaintiff filed a motion seeking leave to amend and a proposed first amended complaint on July 11, 2019. The Court granted the motion in part on October 2, 2019 and the first amended complaint was filed on October 11, 2019. The Court's order dismissed certain claims and certain of our former officers. The Court ordered defendants to answer by November 7. No trial date has been set.

Purported shareholder derivative lawsuits have been filed against us and certain of our former officers and current and former directors in the U.S. District Courts for the District of Delaware and the Northern District of California, Delaware Chancery Court, and Delaware Superior Court, arising generally out of the same facts and circumstances as alleged in the securities class action and alleging claims for breach of fiduciary duty and related claims; these lawsuits include an action brought derivatively on behalf of our 2008 Employee Stock Purchase Plan. The derivative actions are currently voluntarily stayed in light of the securities class action. No specific amount of damages has been alleged in these lawsuits. We have also received demands from purported stockholders to inspect corporate books and records under Delaware law.

We will continue to incur legal fees in connection with these pending cases and demands, including expenses for the reimbursement of legal fees of present and former officers and directors under indemnification obligations. The expense of continuing to defend such litigation may be significant. We intend to defend these lawsuits vigorously, but there can be no assurance that we will be successful in any defense. If any of the lawsuits are decided adversely, we may be liable for significant damages directly or under our indemnification obligations, which could adversely affect our business, results of operations, and cash flows.

At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible as a result of these lawsuits or estimate the range of any potential loss.

GSA

During the first quarter of fiscal 2013, we were advised by the Commercial Litigation Branch of the Department of Justice's (DOJ) Civil Division and the Civil Division of the U.S. Attorney's Office for the District of Columbia that the government is investigating our compliance with certain provisions of our U.S. General Services Administration (GSA) Multiple Award Schedule Contract No. GS-35F-0240T effective January 24, 2007, including provisions relating to pricing, country of origin, accessibility, and the disclosure of commercial sales practices.

As reported on the GSA's publicly-available database, our total sales under the GSA Schedule contract were approximately \$222 million from the period beginning January 2007 and ending September 2012. We have fully cooperated with the government throughout its investigation, and in January 2014, representatives of the government indicated that their initial analysis of our actual damages exposure from direct government sales under the GSA schedule was approximately \$145 million; since the initial meeting, the government's analysis of our potential damages exposure relating to direct sales has increased. The government has also indicated they are going to pursue claims for certain sales to California, Florida, and New York as well as sales to the federal government through reseller GSA Schedule contracts, which could significantly increase our potential damages exposure.

In 2012, a sealed civil lawsuit was filed against us related to compliance with the GSA Schedule contract and contracts with California, Florida, and New York. On July 18, 2014, the Court-imposed seal expired, and the government intervened in the lawsuit. On September 16, 2014, the states of California and Florida intervened in the lawsuit, and the state of New York notified the Court that it would not intervene. On October 3, 2014, the DOJ filed an amended complaint, which did not state a specific damages amount. On October 17, 2014, California and Florida combined their claims with those of the DOJ and the relator on behalf of New York in an Omnibus Complaint, and a First Amended Omnibus Complaint was filed on October 8, 2015; the state claims also do not state specific damages amounts. On June 6, 2019, we filed a motion seeking summary judgment on all claims asserted by all plaintiffs, and the plaintiffs filed a motion for partial summary judgment on elements of liability on their claims. Both motions are currently pending before the court and Symantec is currently unable to forecast the likely outcome of these motions.

It is possible that the litigation could lead to claims or findings of violations of the False Claims Act and could be material to our results of operations and cash flows for any period. Resolution of False Claims Act investigations can ultimately result in the payment of somewhere between one and three times the actual damages proven by the government, plus civil penalties in some cases, depending upon a number of factors. Our current estimate of the low end of the range of the probable estimated loss from this matter is \$25 million, which we have accrued. This amount contemplates estimated losses from both the investigation of compliance with the terms of the GSA Schedule contract as well as possible violations of the False Claims Act. There is at least a reasonable possibility that a loss may have been incurred in excess of our accrual for this matter, however, we are currently unable to determine the high end of the range of estimated losses resulting from this matter.

Avila v. LifeLock et al

On August 29, 2019 the Ninth Circuit issued a mandate remanding a securities class action lawsuit, originally filed on July 22, 2015, against our subsidiary, LifeLock, as well as certain of LifeLock's former officers (the "LifeLock Defendants") for further proceedings in the U.S. District Court for the District of Arizona. The Ninth Circuit had affirmed in part and reversed in part the August 21, 2017 decision of the District Court, which had dismissed the case with prejudice. The complaint in the remanded action alleges that, during a purported class period of July 30, 2014 to July 21, 2015, a period that predates LifeLock's acquisition by us, the LifeLock Defendants made false and misleading statements in violation of Sections 10(b) and 20(a) of the Securities Exchange Act. The case is now back in the U.S. District Court for further proceedings.

Other

We are involved in a number of other judicial and administrative proceedings that are incidental to our business. Although adverse decisions (or settlements) may occur in one or more of the cases, it is not possible to estimate the possible loss or losses from each of these cases. The final resolution of these lawsuits, individually or in the aggregate, is not expected to have a material adverse effect on our business, results of operations, financial condition or cash flows.

Note 18. Subsequent Events

Sale of equity method investment

On October 16, 2019, Clearlake Capital Group, L.P. (Clearlake), a private investment firm, and TA Associates, an existing investor of DigiCert and a private equity firm, completed an investment in DigiCert. As a part of the transaction, Clearlake and TA became equal partners in DigiCert. As a result, we received \$378 million in cash for our equity investment in DigiCert. We expect to make income tax payments of approximately \$55 million as a result of the transaction. As a result of the transaction, we expect to recognize a gain of approximately \$310 million to \$320 million, net of taxes.

Divestiture of Enterprise Security business

On November 4, 2019, we completed the sale of certain assets and the assumption of certain liabilities of our Enterprise Security business to Broadcom for a purchase price of \$10.7 billion. In connection with the transaction, we expect to incur direct costs of \$35 million to \$40 million. We expect to pay \$2.2 billion to \$2.6 billion in U.S. and foreign income taxes as a result of the transaction. As a result of the transaction, we expect to recognize a gain of approximately \$2 billion to \$3 billion, net of taxes. We expect to distribute the net proceeds from the Broadcom sale to our stockholders through a special dividend in the fourth quarter of our 2020 fiscal year.

In connection with the Broadcom sale, we entered into a transition services agreement under which we will provide assistance to Broadcom including, but not limited to, business support services and information technology services for a period of six months.

New debt financing

On November 4, 2019, we entered into a credit agreement with financial institutions, which provides a revolving line of credit of \$1,000 million through October 2024, a 5-year term loan of \$500 million, and a delayed 5-year term loan commitment of \$750 million through September 15, 2020. Interest on borrowings under the credit agreement can be based on a base rate or a London interbank offered rate (LIBOR) at our election. Based on our debt ratings and our consolidated leverage ratios as determined in accordance with the credit agreement, loans borrowed bear interest, in the case of base rate loans, at a per annum rate equal to the applicable base rate plus a margin ranging from 0.125% to 0.75%, and in the case of LIBOR loans, LIBOR plus a margin ranging from 1.125% to 1.75%. The unused revolving line of credit is subject to a commitment fee ranging from 0.125% to 0.30% per annum. The principal amount of the term loan is repayable in quarterly installments on the last business day of each calendar quarter commencing with the quarter ended March 31, 2021 in an amount equal to 1.25% of the aggregate principal amount of the term loan and in the outstanding principal amount upon the October 2024 maturity date.

The credit agreement contains customary representations and warranties, non-financial covenants for financial reporting, affirmative and negative covenants, including a covenant that we maintain a consolidated leverage ratio of not more than 5.25 to 1.0, or 5.75 to 1.0 if we acquire assets or business in an aggregate amount greater than \$250 million, and restrictions on subsidiary indebtedness, liens, stock repurchases, and dividends (with exceptions permitting our regular quarterly dividend).

Dividends

On November 7, 2019, we announced a cash dividend of \$0.125 per share of common stock to be paid in December 2019. All shares of common stock issued and outstanding and all RSUs and PRUs as of the record date will be entitled to the dividend and dividend equivalents, respectively. Any future dividends and dividend equivalents will be subject to the approval of our Board of Directors.

November 2019 Restructuring Plan

On November 5, 2019, in connection with the strategic decision to divest our enterprise business, our Board of Directors approved a restructuring plan (the November 2019 Plan). Actions under this plan will include the reduction of our workforce by approximately 3,100 employees, as well as asset impairments, contract terminations, facilities closures, and the sale of underutilized facilities. We estimate that we will incur total costs of \$800 million in connection with the November 2019 Plan of

which approximately \$350 million are expected to consist of cash expenditures for severance and termination benefits. These actions are expected to be completed within the next twelve months.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking statements and factors that may affect future results

The discussion below contains forward-looking statements, which are subject to safe harbors under the Securities Act of 1933, as amended (the Securities Act) and the Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements include references to our ability to utilize our deferred tax assets, as well as statements including words such as “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “goal,” “intent,” “momentum,” “projects,” and similar expressions. In addition, projections of our future financial performance; anticipated growth and trends in our businesses and in our industries; the anticipated impacts of acquisitions, restructurings, stock repurchases, and investment activities; the outcome or impact of pending litigation, claims or disputes; our intent to pay quarterly cash dividends in the future; plans for and anticipated benefits of our solutions; matters arising out of the ongoing U.S. Securities and Exchange Commission (the SEC) investigation; and other characterizations of future events or circumstances are forward-looking statements. These statements are only predictions, based on our current expectations about future events and may not prove to be accurate. We do not undertake any obligation to update these forward-looking statements to reflect events occurring or circumstances arising after the date of this report. These forward-looking statements involve risks and uncertainties, and our actual results, performance, or achievements could differ materially from those expressed or implied by the forward-looking statements on the basis of several factors, including those that we discuss in Part II Item 1A, of this quarterly report on Form 10-Q. We encourage you to read that section carefully.

OVERVIEW

NortonLifeLock Inc. is a global leader in consumer cyber safety. Our Norton LifeLock branded solutions help consumers protect their devices, online privacy, identity, and home networks.

On August 8, 2019, we entered into a definitive agreement with Broadcom Inc. (Broadcom) under which Broadcom agreed to purchase certain of our Enterprise Security assets and assume certain liabilities for a purchase price of \$10.7 billion (the Broadcom sale). On November 4, 2019, we completed the transaction.

The divestiture of our Enterprise Security business allows us to shift our operational focus to our consumer business and represents a strategic shift in our operations. As a result, the results of our Enterprise Security business were classified as discontinued operations in our Condensed Consolidated Statements of Operations and thus excluded from both continuing operations and segment results for all periods presented. Starting in the second quarter of fiscal 2020, we operate in one reportable segment. The Enterprise Security business was part of our Enterprise Security Segment. Revenues and associated costs of our ID Analytics solutions, which were formerly included in the Enterprise Security segment, are now included in our remaining reportable segment.

In connection with the Broadcom sale, effective November 4, 2019, we changed our corporate name from Symantec Corporation to NortonLifeLock Inc.

Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The second quarter of fiscal 2020 and fiscal 2019 both consisted of 13 weeks. The three and six months ended October 4, 2019 consisted of 13 and 27 weeks, respectively, whereas the three and six months ended September 28, 2018 consisted of 13 and 26 weeks, respectively. Our 2020 fiscal year consists of 53 weeks and ends on April 3, 2020.

Key financial metrics

The following tables provide our key financial metrics for the periods presented:

(In millions, except for per share amounts)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Net revenues	\$ 608	\$ 612	\$ 1,258	\$ 1,224
Operating income	\$ 103	\$ 43	\$ 237	\$ 14
Income (loss) from continuing operations, net of taxes	\$ 35	\$ (62)	\$ 70	\$ (134)
Income from discontinued operations, net of taxes	\$ 750	\$ 54	\$ 741	\$ 66
Net income (loss)	\$ 785	\$ (8)	\$ 811	\$ (68)
Net income (loss) per share from continuing operations - diluted	\$ 0.05	\$ (0.10)	\$ 0.11	\$ (0.21)
Net income (loss) per share from discontinued operations - diluted	\$ 1.16	\$ 0.09	\$ 1.15	\$ 0.11
Net income (loss) per share - diluted	\$ 1.22	\$ (0.01)	\$ 1.26	\$ (0.11)
Cash provided by operating activities			\$ 506	\$ 571

(In millions)	As Of	
	October 4, 2019	March 29, 2019
Cash, cash equivalents and short-term investments	\$ 1,831	\$ 2,043
Contract liabilities	\$ 1,016	\$ 1,059

Below are our financial highlights for the second quarter of fiscal 2020, compared to the corresponding period in the prior year:

- Net revenues were relatively flat.
- Operating income increased \$60 million primarily due to lower restructuring, transition and other expense, partially offset by higher advertisement and promotion costs.
- Income (loss) from continuing operations, net of taxes, increased \$97 million primarily due to lower operating expenses.
- Income from discontinued operations, net of taxes, increased \$696 million primarily due to higher income tax benefits.
- Net income and net income per share increased primarily due to higher income from both our continuing operations and discontinued operations, net of taxes.

Below are our financial highlights for the first six months of fiscal 2020, compared to the corresponding period in the prior year unless stated otherwise:

- Net revenues increased 3% primarily due to the favorable impact from the additional week in the first six months of fiscal 2020.
- Operating income increased \$223 million primarily due to revenue recognized in the additional week in the first six months of fiscal 2020, lower restructuring, transition and other expense, and lower stock-based compensation expense.
- Income (loss) from continuing operations, net of taxes, increased \$204 million primarily due to the higher operating income, partially offset by higher income tax expense.
- Income from discontinued operations, net of taxes, increased \$675 million primarily due to higher income tax benefits.
- Net income and net income per share increased primarily due to higher income from both our continuing operations and discontinued operations, net of taxes.
- Net cash provided by operating activities decreased \$65 million primarily due to unfavorable net changes in operating assets and liabilities, partially offset by higher net income adjusted for non-cash items.
- Cash, cash equivalents and short-term investments decreased by \$212 million compared to March 29, 2019, primarily due to stock repurchases and payments of dividends, partially offset by cash from operations.
- Contract liabilities decreased \$43 million compared to March 29, 2019, primarily due to lower billings than recognized revenue during the period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our Condensed Consolidated Financial Statements and related notes in accordance with generally accepted accounting principles in the U.S. requires us to make estimates, including judgments and assumptions that affect the

reported amounts of assets, liabilities, revenue, and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates on a regular basis and make changes accordingly. Management believes that the accounting estimates employed and the resulting amounts are reasonable; however, actual results may differ from these estimates. Making estimates and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and cash flows.

Our critical accounting policies and estimates were disclosed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended March 29, 2019. There have been no material changes in the matters for which we make critical accounting estimates in the preparation of our Condensed Consolidated Financial Statements during the six months ended October 4, 2019, except for those related to discontinued operations as a result of changes in reporting that relate to the Broadcom sale.

Discontinued Operations. We review the presentation of planned business dispositions in the Condensed Consolidated Financial Statements based on the available information and events that have occurred. The review consists of evaluating whether the business meets the definition of a component for which the operations and cash flows are clearly distinguishable from the other components of the business, and if so, whether it is anticipated that after the disposal the cash flows of the component would be eliminated from continuing operations and whether the disposition represents a strategic shift that has a major effect on operations and financial results. In addition, we evaluate whether the business has met the criteria as a business held for sale. In order for a planned disposition to be classified as a business held for sale, the established criteria must be met as of the reporting date, including an active program to market the business and the expected disposition of the business within one year.

Planned business dispositions are presented as discontinued operations when all the criteria described above are met. For those divestitures that qualify as discontinued operations, all comparative periods presented are reclassified in the Condensed Consolidated Balance Sheet. Additionally, the results of operations of a discontinued operation are reclassified to income from discontinued operations, net of tax, for all periods presented. Results of discontinued operations include all revenues and expenses directly derived from such businesses; general corporate overhead is not allocated to discontinued operations. See Note 3 - Discontinued Operations in our Notes to Condensed Consolidated Financial statements for the carrying value of discontinued operations held for sale assets and liabilities and additional information.

RESULTS OF OPERATIONS

The following table sets forth our Condensed Consolidated Statements of Operations data as a percentage of net revenues for the periods indicated:

	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Net revenues	100 %	100 %	100 %	100 %
Cost of revenues	16	19	16	18
Gross profit	84	81	84	82
Operating expenses:				
Sales and marketing	31	29	30	30
Research and development	14	17	15	17
General and administrative	15	17	15	18
Amortization of intangible assets	3	3	3	3
Restructuring, transition and other costs	3	8	2	11
Total operating expenses	67	74	65	80
Operating income	17	7	19	1
Interest expense	(8)	(8)	(8)	(8)
Other expense, net	—	(4)	—	(3)
Income (loss) from continuing operations before income taxes	9	(5)	11	(10)
Income tax expense	3	5	6	—
Income (loss) from continuing operations	6	(10)	6	(11)
Income from discontinued operations, net of taxes	123	9	59	5
Net income (loss)	129 %	(1)%	64 %	(6)%

Percentages may not add due to rounding.

Net revenues

(In millions, except for percentages)	Three Months Ended			Six Months Ended		
	October 4, 2019	September 28, 2018	Change in %	October 4, 2019	September 28, 2018	Change in %
Net revenues	\$ 608	\$ 612	(1)%	\$ 1,258	\$ 1,224	3%

Performance Metrics

We regularly monitor a number of metrics in order to measure our current performance and estimate our future performance. Our metrics may be calculated in a manner different than similar metrics used by other companies.

The following table summarizes supplemental key performance metrics for our consumer solutions:

(In millions, except for per user amounts)	Three Months Ended	
	October 4, 2019	September 28, 2018
Direct customer revenues	\$ 536	\$ 543
Average direct customer count	20.1	20.8
Direct customer count (at quarter end)	20.1	20.7
Direct average revenue per user (ARPU)	\$ 8.88	\$ 8.72

We define direct customer revenues as revenues from sales of our consumer solutions to direct customers, which we define as those customers who have a direct billing relationship with us. Such customer sources include online acquisition and retention, affiliates, co-marketing, and original contract manufacturer channels. Direct customers exclude customers of our partners and ID Analytics solutions and direct customer revenues excludes partner revenues and ID Analytics revenues. For the three months ended October 4, 2019 partner revenues and ID Analytics revenues were \$59 million and \$13 million, respectively. For the three months ended September 28, 2018 partner revenues and ID Analytics revenues were \$58 million and \$11 million, respectively.

Average direct customer count presents the average of the total number of direct customers at the beginning and end of the fiscal quarter.

ARPU is calculated as estimated direct customer revenues for the period divided by the average direct customer count for the same period, expressed as a monthly figure. We monitor ARPU because it helps us understand the rate at which we are monetizing our consumer customer base.

Net revenues by geographical region

	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Americas	74%	73%	74%	72%
EMEA	15%	16%	15%	16%
APJ	11%	11%	11%	11%

Percentages may not add to 100% due to rounding.

The Americas include the U.S., Canada and Latin America; EMEA includes Europe, the Middle East and Africa; APJ includes Asia Pacific and Japan.

Three Months Ended October 4, 2019 Compared with Three Months Ended September 28, 2018

Net revenues were relatively flat, as our average direct customer count decline was partially offset by an increase in our ARPU.

Six Months Ended October 4, 2019 Compared with Six Months Ended September 28, 2018

Net revenues increased \$34 million compared to the corresponding period in fiscal 2019 primarily due to approximately \$44 million of revenue from the additional week in the first six months of fiscal 2020.

Cost of revenues

(In millions, except for percentages)	Three Months Ended			Six Months Ended		
	October 4, 2019	September 28, 2018	Change in %	October 4, 2019	September 28, 2018	Change in %
Cost of revenues	\$ 100	\$ 116	(14)%	\$ 200	\$ 226	(12)%

Three Months Ended October 4, 2019 Compared with Three Months Ended September 28, 2018

Our cost of revenues decreased \$16 million primarily due to inventory write-offs of \$10 million in the second quarter of fiscal 2019 which did not recur in fiscal 2020 and an \$8 million decrease in technical support costs in the second quarter of fiscal 2020 compared to the corresponding period in the prior year.

Six Months Ended October 4, 2019 Compared with Six Months Ended September 28, 2018

Our cost of revenues decreased \$26 million primarily due to inventory write-offs of \$13 million in the first six months of fiscal 2019 and a \$14 million decrease in technical support costs in the first six months of fiscal 2020 compared to the corresponding period in the prior year.

Operating expenses

(In millions, except for percentages)	Three Months Ended			Six Months Ended		
	October 4, 2019	September 28, 2018	Change in %	October 4, 2019	September 28, 2018	Change in %
Sales and marketing	\$ 189	\$ 175	8 %	\$ 374	\$ 373	— %
Research and development	86	105	(18)%	188	214	(12)%
General and administrative	92	101	(9)%	188	220	(15)%
Amortization of intangible assets	21	20	5 %	41	40	3 %
Restructuring, transition and other costs	17	52	(67)%	30	137	(78)%
Total operating expenses	\$ 405	\$ 453	(11)%	\$ 821	\$ 984	(17)%

Three Months Ended October 4, 2019 Compared with Three Months Ended September 28, 2018

Sales and marketing expense increased \$14 million primarily due to a \$30 million increase in advertising and promotional expense, partially offset by \$5 million decrease in stock-based compensation expense.

Research and development expense decreased \$19 million primarily due to an \$8 million decrease in outside services and a \$7 million decrease in compensation expenses other than stock-based compensation expense.

General and administrative expense decreased \$9 million primarily due to a \$14 million decrease in outside services.

Restructuring, transition and other costs decreased \$35 million primarily due to a \$51 million decrease in transition related projects costs, partially offset by a \$17 million increase in severance costs.

Six Months Ended October 4, 2019 Compared with Six Months Ended September 28, 2018

Sales and marketing expense increased \$1 million primarily due to a \$9 million increase advertising and promotional expense, partially offset by a \$9 million decrease in stock-based compensation expense.

Research and development expense decreased \$26 million primarily due to a \$10 million decrease in outside services and a \$7 million decrease in compensation expenses other than stock-based compensation.

General and administrative expense decreased \$32 million primarily due to a \$21 million decrease in stock-based compensation expense and a \$15 million decrease in outside services, partially offset by a \$11 million increase in compensation expenses other than stock-based compensation.

Restructuring, transition and other costs decreased \$107 million primarily due to a \$119 million decrease in transition related projects costs, partially offset by a \$23 million increase in severance costs.

Non-operating expense, net

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Interest expense	\$ (46)	\$ (52)	\$ (95)	\$ (104)
Interest income	8	11	18	18
Loss from equity interest	(11)	(34)	(22)	(60)
Foreign exchange gain (loss)	1	(4)	(2)	(9)
Other	—	4	4	13
Total non-operating expense, net	\$ (48)	\$ (75)	\$ (97)	\$ (142)

Provision for income taxes

(In millions, except for percentages)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Income (loss) from continuing operations before income taxes	\$ 55	\$ (32)	\$ 140	\$ (128)
Income tax expense	\$ 20	\$ 30	\$ 70	\$ 6
Effective tax rate	36%	(94)%	50%	(5)%

Our effective tax rate for continuing operations for fiscal 2020 was based on the statutory tax rate of 21%. Our effective tax rate for continuing operations for the second quarter and the first six months of fiscal 2020 differs from the federal statutory income tax rate primarily due to various permanent differences, and state taxes, partially offset by the benefits of lower-taxed international earnings and the research and development tax credit. In addition, for the first six months of fiscal 2020, there was additional tax expense recorded to account for uncertain tax positions related to the Ninth Circuit's recent holding in *Altera Corp. v. Commissioner*.

Our effective tax rate for income (loss) from continuing operations for the second quarter and the first six months of fiscal 2019 differs from the federal statutory income tax rate primarily due to tax expense recorded to account for one-time adjustments for guidance issued on Tax Cuts and Jobs Act (H.R. 1) (Tax Reform) and other changes in response to the Tax Reform, various permanent differences, and state taxes, partially offset by the benefits of lower-taxed international earnings and the research and development tax credit.

We are a U.S.-based multinational company subject to tax in multiple U.S. and international tax jurisdictions. A substantial portion of our international earnings were generated from subsidiaries organized in Ireland and Singapore. Our results of operations would be adversely affected to the extent that our geographical mix of income becomes more weighted toward jurisdictions with higher tax rates and would be favorably affected to the extent the relative geographic mix shifts to lower tax jurisdictions. Any change in our mix of earnings is dependent upon many factors and is therefore difficult to predict.

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involves multiple tax periods and jurisdictions, it is reasonably possible that the gross unrecognized tax benefits related to these audits could decrease, whether by payment, release, or a combination of both, in the next 12 months by \$30 million, which could reduce our income tax provision and therefore benefit the resulting effective tax rate.

We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions.

Discontinued operations

(In millions)	Three Months Ended		Six Months Ended	
	October 4, 2019	September 28, 2018	October 4, 2019	September 28, 2018
Net revenues	\$ 576	\$ 567	\$ 1,173	\$ 1,116
Operating income	\$ 113	\$ 63	\$ 136	\$ 99
Income before income taxes	\$ 113	\$ 63	\$ 137	\$ 95
Income tax expense (benefit)	\$ (637)	\$ 9	\$ (604)	\$ 29
Income from discontinued operations, net of taxes	\$ 750	\$ 54	\$ 741	\$ 66

Three Months Ended October 4, 2019 Compared with Three Months Ended September 28, 2018

Income from discontinued operations, net of taxes increased \$696 million primarily as a result of a \$665 million tax benefit in discontinued operations during the second quarter of fiscal 2020 to remeasure the deferred tax assets associated with the tax basis of intellectual property held by our subsidiaries organized in Ireland. We previously expected to recover the tax basis through normal operation of our Enterprise business, which is taxed at the Irish trading rate of 12.5%. We now expect to recover the tax basis through the sale of certain assets of our Enterprise business, which will be taxed at the Irish capital gains tax rate of 33%. The impact of the tax benefit was partially offset by a \$36 million increase in restructuring, transition and other costs.

Six Months Ended October 4, 2019 Compared with Six Months Ended September 28, 2018

Income from discontinued operations, net of taxes increased \$675 million primarily due to a \$633 million increase in income tax benefit as a result of the \$665 tax benefit discussed above and a \$57 million increase in net revenues, partially offset by a \$37 million increase in restructuring, transition and other costs.

LIQUIDITY, CAPITAL RESOURCES AND CASH REQUIREMENTS

Liquidity

We have historically relied on cash generated from operations, borrowings under credit facilities, issuances of debt, and proceeds from divestitures for our liquidity needs.

As of October 4, 2019, we had cash, cash equivalents and short-term investments of \$1.8 billion, of which \$0.4 billion was held by our foreign subsidiaries. Our cash, cash equivalents and short-term investments are managed with the objective to preserve principal, maintain liquidity, and generate investment returns. The participation exemption system under current U.S. federal tax regulations generally allows us to make distributions of non-U.S. earnings to the U.S. without incurring additional U.S. federal tax, however these distributions may be subject to applicable state or non-U.S. taxes. We have not recognized deferred income taxes for local country income and withholding taxes that could be incurred on distributions of certain non-U.S. earnings or for outside basis differences in our subsidiaries, because we plan to indefinitely reinvest such earnings and basis differences.

We also have an undrawn credit facility of \$1.0 billion under a new financing arrangement discussed below which expires in October 2024.

Our principal cash requirements are primarily to meet our working capital needs, support on-going business activities, including the payment of taxes, fund capital expenditures, payments of cash dividends, service existing debt, and invest in business acquisitions. As a part of our plan to deleverage our balance sheet, we may from time to time make optional repayments of our debt obligations, which may include repurchases of our outstanding debt, depending on various factors such as market conditions.

Our capital allocation strategy is to balance driving stockholder returns, managing financial risk, and preserving our flexibility to pursue strategic options, including acquisitions. Historically this has included a quarterly cash dividend, the repayment of debt and the repurchase of our common stock.

Sale of equity method investment

On October 16, 2019, Clearlake Capital Group, L.P. (Clearlake), a private investment firm, and TA Associates, an existing investor of DigiCert and a private equity firm, completed an investment in DigiCert. As a part of the transaction, Clearlake and TA became equal partners in DigiCert. As a result, we received \$378 million in cash for our equity investment in DigiCert. We expect to make income tax payments of approximately \$55 million as a result of the transaction.

Divestiture of Enterprise Security business

On November 4, 2019, we completed the sale of certain assets and the assumption of certain liabilities of our Enterprise Security business to Broadcom for a purchase price of \$10.7 billion. In connection with the transaction, we expect to incur direct costs of approximately \$35 million to \$40 million. We expect to pay \$2.2 billion to \$2.6 billion for U.S. and foreign income taxes as a result of the transaction. We expect to distribute the net proceeds from the Broadcom sale to our stockholders through a special dividend in the fourth quarter of our fiscal 2020.

Cash flows

The following summarizes our cash flow activities:

(In millions)	Six Months Ended	
	October 4, 2019	September 28, 2018
Net cash provided by (used in):		
Operating activities	\$ 506	\$ 571
Investing activities	\$ 39	\$ (20)
Financing activities	\$ (634)	\$ (157)

See Note 3 to the Condensed Consolidated Financial Statements for additional cash flow information associated with our discontinued operations.

Cash from operating activities

Our cash flows for the first six months of fiscal 2020 reflected net income of \$811 million, adjusted by non-cash items, including a deferred income tax benefit of \$707 million, amortization and depreciation of \$251 million, and stock-based compensation expense of \$150 million, compared to a net loss of \$68 million adjusted by non-cash items, including amortization and depreciation of \$305 million, and stock-based compensation expense of \$210 million for the first six months of fiscal 2019.

Changes in operating assets and liabilities in the first six months of fiscal 2020 consisted primarily of the following:

Accounts receivable decreased \$111 million, compared to \$286 million in the first six months of fiscal 2019, primarily due to seasonally higher collections than billings during the period.

Contract liabilities decreased \$129 million, compared to \$116 million in the first six months of fiscal 2019, primarily due to seasonally higher recognized revenue than billings during the period.

Cash from investing activities

Our investing activities in the first six months of fiscal 2020 consisted primarily of cash proceeds from maturities and sales of short-term investments of \$120 million partially offset by capital expenditures of \$76 million, while our investing activities in the first six months of fiscal 2019 consisted primarily of capital expenditures of \$95 million, partially offset by cash proceeds from maturities and sales of short-term investments of \$99 million.

Cash from financing activities

Our financing activities in the first six months of fiscal 2020 included common stock repurchases of \$559 million, payments of dividends and dividend equivalents of \$98 million and tax withholding payments related to restricted stock units (RSUs) of \$65 million, partially offset by net proceeds from sales of common stock under employee stock incentive plans of \$68 million. Our financing activities in the first six months of fiscal 2019 included payment of dividends and dividend equivalents of \$110 million and tax withholding payments related to RSUs of \$53 million.

Our financing activities in the first six months of fiscal 2020 included purchases of property and equipment related to discontinued operations of \$29 million, compared to \$16 million for the first six months of fiscal 2019.

Cash requirements

Debt - As of October 4, 2019, our total outstanding principal amount of indebtedness was \$4.5 billion, summarized as follows. See Note 9 to the Condensed Consolidated Financial Statements for further information on our debt.

(In millions)	October 4, 2019
Senior Term Loans	\$ 500
Senior Notes	2,250
Convertible Senior Notes	1,750
Total debt	\$ 4,500

Debt covenant compliance. The Senior Term Loan A-5 agreement contains customary representations and warranties, non-financial covenants for financial reporting, and affirmative and negative covenants, including compliance with specified financial ratios. As of October 4, 2019, we were in compliance with all debt covenants.

On November 4, 2019, we entered into a credit agreement with financial institutions which provides a revolving line of credit of \$1.0 billion through October 2024, a 5-year term loan of \$500 million, and a delayed draw 5-year term loan commitment of \$750 million through September 15, 2020. Interest on borrowings under the credit agreement can be based on a base rate or a London interbank offered rate at our election, in each case plus a margin that varies based on our ratio of debt to adjusted EBITDA and debt ratings. The principal amount of the term loan is repayable in quarterly installments on the last business day of each calendar quarter commencing with the quarter ended March 31, 2021 in an amount equal to 1.25% of the aggregate principal amount of the term loan and in the outstanding principal amount upon the October 2024 maturity date.

In connection with the credit agreement, on November 4, 2019, we fully prepaid the principal amount of \$500 million of our Senior Term Loan A-5 and terminated our existing revolving line of credit.

In our second quarter of fiscal 2021, we plan to borrow under the delayed draw term loan of \$750 million, which will mature in October 2024 and to use the proceeds to repay our 4.2% Senior Notes, which are due in September 2020.

Dividends. On November 7, 2019, we announced a cash dividend of \$0.125 per share of common stock to be paid in December 2019. All shares of common stock issued and outstanding and all RSUs and performance-based restricted stock units as of the record date will be entitled to the dividends and dividend equivalents, respectively. Any future dividends will be subject to the approval of our Board of Directors.

Stock repurchases. Under our stock repurchase program, we may purchase shares of our outstanding common stock through accelerated stock repurchase transactions, open market transactions (including through trading plans intended to qualify under Rule 10b5-1 under the Exchange Act) and privately-negotiated transactions. As of October 4, 2019, the remaining balance of our stock repurchase authorization was \$1.6 billion and does not have an expiration date. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and other investment opportunities.

November 2019 Restructuring Plan

On November 5, 2019, in connection with the strategic decision to divest our enterprise business, our Board of Directors approved a restructuring plan (the November 2019 Plan). Actions under this plan will include the reduction of our workforce by approximately 3,100 employees, as well as asset impairments, contract terminations, facilities closures, and the sale of underutilized facilities. We estimate that we will incur total costs of \$800 million in connection with the November 2019 Plan of which approximately \$350 million are expected to consist of cash expenditures for severance and termination benefits. We expect these costs to be partially offset by proceeds from the sale of real estate and other assets, in addition to the \$378 million of proceeds from the sale of our equity investment discussed above. These actions are expected to be completed within the next twelve months.

Contractual obligations

The following is a schedule of our significant contractual obligations as of October 4, 2019, including those associated with our discontinued operations. The expected timing of payments of the obligations in the following table is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations.

(In millions)	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	Thereafter
Debt ⁽¹⁾	\$ 4,500	\$ 750	\$ 2,650	\$ —	\$ 1,100
Interest payments on debt ⁽²⁾	519	163	191	110	55
Purchase obligations ⁽³⁾	983	560	315	98	10
Deemed repatriation taxes ⁽⁴⁾	703	65	260	378	—
Operating leases ⁽⁵⁾	218	52	83	52	31
Total	\$ 6,923	\$ 1,590	\$ 3,499	\$ 638	\$ 1,196

- (1) On November 4, 2019, we entered into a new credit facility, which provides for a revolving line of credit of \$1,000 million through October 2024, a 5- year term loan of \$500 million, and a delayed draw 5-year term loan commitment of \$750 million through September 15, 2020. In connection therewith, we fully prepaid the principal amount of \$500 million of our Senior Term Loan A-5 and terminated our existing revolving line of credit. In our second quarter of fiscal 2021, we plan to borrow under the delayed draw term loan of \$750 million, which will mature in October 2024 and to use the proceeds to repay our 4.2% Senior Notes, which are due in September 2020.
- (2) Interest payments were calculated based on the contractual terms of the related Senior Notes, Convertible Senior Notes and Senior Term Facilities. Interest on variable rate debt was calculated using the interest rate in effect as of October 4, 2019. See Note 9 to the Condensed Consolidated Financial Statements for further information on the Senior Notes, Convertible Senior Notes and Senior Term Facility.
- (3) These amounts are associated with agreements for purchases of goods or services generally including agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. The table above also includes agreements to purchase goods or services that have cancellation provisions requiring little or no payment. The amounts under such contracts are included in the table above because management believes that cancellation of these contracts is unlikely, and we expect to make future cash payments according to the contract terms or in similar amounts for similar materials.
- (4) These amounts represent the transition tax on previously untaxed foreign earnings of foreign subsidiaries under the Tax Cuts and Jobs Act (H.R.1) which may be paid in installments through July 2025.
- (5) We have entered into various non-cancelable operating lease agreements that expire on various dates through fiscal 2029. See Note 5 to the Condensed Consolidated Financial Statements for further information on leases.

Due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits and other long-term taxes as of October 4, 2019 we are unable to make reasonably reliable estimates of the period of cash settlement with

the respective taxing authorities. Therefore, \$431 million in long-term income taxes payable has been excluded from the contractual obligations table. See Note 12 to the Condensed Consolidated Financial Statements for further information.

Indemnifications

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, subsidiaries, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements or representations and warranties made by us. See Note 17 to the Condensed Consolidated Financial Statements for further information on our indemnifications.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to our market risk exposures during the first six months of fiscal 2020, as compared to those discussed in Quantitative and Qualitative Disclosures About Market Risk, set forth in Part II, Item 7A, of our Annual Report on Form 10-K for the fiscal year ended March 29, 2019.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The SEC defines the term “disclosure controls and procedures” to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms. “Disclosure controls and procedures” include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our management (with the participation of our Chief Executive Officer and Chief Financial Officer) has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act). Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the second quarter of fiscal 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to this Item may be found under the heading "Litigation contingencies" in Note 17 to the Condensed Consolidated Financial Statements in this Form 10-Q, which information is incorporated herein by reference.

Item 1A. Risk Factors

A description of the risk factors associated with our business is set forth below. The list is not exhaustive, and you should carefully consider these risks and uncertainties before investing in our common stock.

If we are unsuccessful at executing the separation and transition of the Enterprise Security Business assets we sold to Broadcom Inc. (the Broadcom sale), as well as our business challenges and our business and results of operations may be adversely affected and our ability to invest in and grow our business could be limited.

For the last several years, we have experienced transitions in our business with the integration of two major acquisitions, the completion of several smaller acquisitions, and the divestiture of two businesses, two of which comprised substantially whole operating segments. These transitions have involved significant turnover in management and other key personnel and changes in our strategic direction. Transitions of this type can be disruptive, result in the loss of focus and employee morale and make the execution of business strategies more difficult. We have made commitments to Broadcom to provide transition services and certain threat intelligence data as has historically been provided to the Enterprise Security business. We may experience delays in the anticipated timing of activities related to such transitions and higher than expected or unanticipated execution costs. If we do not succeed in these efforts, or if these efforts are more costly or time-consuming than expected, our business and results of operations may be adversely affected, which could limit our ability to invest in and grow our business.

We are dependent upon Broadcom for certain engineering services, which are critical to our products and business.

Our endpoint security solution has historically relied upon certain threat analytics software engines and other software (the Engine-Related Services) that have been developed and provided by engineering teams that have transferred to Broadcom as part of the Broadcom sale. The technology, including source code, at issue is shared, and pursuant to the terms of the Broadcom sale, we retain rights to use, modify, enhance and create derivative works from such technology. Broadcom has committed to provide these Engine-Related Services under a transition services agreement in substantially to the same extent and in substantially the same manner that have been historically provided. As a result, we are dependent on Broadcom for services and technology that are critical to our business, and if Broadcom fails to deliver these Engine-Related Services it would result in significant business disruption, and our business and operating results could be materially and adversely affected.

We may not achieve the intended benefits of the Broadcom sale.

We may not realize some or all of the anticipated benefits from the Broadcom sale. The resource constraints as a result of our focus on completing the transaction, which included the loss of employees, could have a continuing impact on the execution of our business strategy and our overall operating results. Further, our remaining employees may become concerned about the future of our remaining operations and lose focus or seek other employment.

Additionally, in connection with the divestiture, our Board of Directors committed to returning the proceeds of the Broadcom sale to stockholders in the form of a capital return program, including a special dividend of \$12 per share and the August 2019 increase of our existing share repurchase authorization from \$500 million to \$1.6 billion. The use of proceeds in this manner could impair our future financial growth.

Any cost reduction initiatives that we undertake may not deliver the results we expect, and these actions may adversely affect our business.

On November 5, 2019, in connection with the strategic decision to divest our enterprise business, our Board of Directors approved a restructuring plan (the November 2019 Plan). Actions under this plan will include the reduction of our workforce by approximately 3,100 employees, as well as asset impairments, contract terminations, facilities closures, and the sale of underutilized facilities. We estimate that we will incur total costs of \$800 million in connection with the November 2019 Plan of which approximately \$350 million are expected to consist of cash expenditures for severance and termination benefits. These actions are expected to be completed within the next twelve months. This initiative could result in disruptions to our operations. Any cost-cutting measures could also negatively impact our business by delaying the introduction of new products or technologies, interrupting service of additional products, or impacting employee retention. In addition, we cannot be sure that the cost reduction and streamlining initiatives will be as successful in reducing our overall expenses as we expect or that additional costs will not offset any such reductions or streamlining of our operations. If our operating costs are higher than we expect if the expected proceeds from the sale of under-utilized assets do not meet expectations, or we do not maintain adequate control of our costs and expenses, our results of operations will suffer.

Our future results of operations are dependent solely on our consumer operations and will differ materially from our previous results.

The Enterprise Security business generated approximately 49% of our total revenue for fiscal 2019, and approximately 53% of our total revenue for fiscal 2018. Accordingly, our future financial results will differ materially from our previous results since our future financial results are dependent solely on our consumer operations. Any downturn in our consumer business could have a material adverse effect on our future operating results and financial condition and could materially and adversely affect the trading price of our outstanding securities.

If we are not able to retain and attract consumers for our consumer solutions, our financial performance will be impaired.

We are subject to fluctuations in demand for our consumer solutions (which we refer to herein going forward as our “solutions”) due to a variety of factors, including market transitions, general economic conditions, competition, product obsolescence, technological change, shifts in buying patterns, public awareness of security threats to IT systems, and other factors. While such factors may, in some periods, increase revenues, fluctuations in demand can also negatively impact our revenues. Our success is based on our ability to retain current customers and attract new customers. If demand for our solutions declines, whether due to general economic conditions, a shift in buying patterns or otherwise, our revenues and margins would likely be adversely affected.

Fluctuations in our quarterly financial results have affected the trading price of our outstanding securities in the past and could affect the trading price of our outstanding securities in the future.

Our quarterly financial results have fluctuated in the past and are likely to vary in the future due to a number of factors, many of which are outside of our control. If our quarterly financial results or our predictions of future financial results fail to meet our expectations or the expectations of securities analysts and investors, the trading price of our outstanding securities could be negatively affected. Volatility in our quarterly financial results may make it more difficult for us to raise capital in the future or pursue acquisitions. Our operating results for prior periods may not be effective predictors of our future performance.

Factors associated with our industry, the operation of our business, and the markets for our solutions may cause our quarterly financial results to fluctuate, including but not limited to:

- Fluctuations in demand for our solutions;
- Fluctuations in advertising and marketing expense;
- Entry of new competition into our markets;
- Our ability to achieve targeted operating income and margins and revenues;
- Competitive pricing pressure for one or more of our solutions;
- Our ability to timely complete the release of new or enhanced versions of our solutions;
- The number, severity, and timing of threat outbreaks (e.g. worms, viruses, malware, ransomware, and other malicious threats) and cyber security incidents (e.g., large scale data breaches);
- Loss of customers or strategic partners;
- Changes in the mix or type of solutions and subscriptions sold and changes in consumer retention rates;
- The rate of adoption of new technologies and new releases of operating systems, and new business processes;
- Consumer confidence and spending changes, which could be impacted by market changes and general economic conditions, among other reasons;
- The impact of litigation, regulatory inquiries, or investigations;
- The timing and extent of significant restructuring charges;
- The impact of acquisitions and divestitures and our ability to achieve expected synergies or attendant cost savings;
- Disruptions in our business operations or target markets caused by, among other things, terrorism or other intentional acts, outbreaks of disease, or earthquakes, floods, or other natural disasters;
- Fluctuations in foreign currency exchange rates;
- Movements in interest rates; and
- Changes in tax laws, rules, and regulations.

Any of the foregoing factors could cause the trading price of our outstanding securities to fluctuate significantly.

If we are unable to develop new and enhanced solutions that achieve widespread market acceptance, or if we are unable to continually improve the performance, features, and reliability of our existing solutions or adapt our business model to keep pace with industry trends, our competitive position may weaken, and our business and operating results could be adversely affected.

Our future success depends on our ability to effectively respond to the rapidly changing needs of our customers, as well as competitive technological developments and industry changes, by developing or introducing new and enhanced solutions on a timely basis.

We have in the past incurred, and will continue to incur, significant research and development expenses as we strive to remain competitive. If we are unable to anticipate or react to competitive challenges or if existing or new competitors gain market share in any of our markets, our competitive position could weaken, and we could experience a decline in our revenues that could adversely affect our business and operating results. Additionally, we must continually address the challenges of dynamic and accelerating market trends and competitive developments, such as the emergence of advanced persistent threats in the security space, the continued volatility in the PC market and the continued market shift towards mobility, all of which continue to make it more difficult for us to compete effectively. Customers may require features and capabilities that our current solutions do not have. Our failure to develop new solutions and improve our existing solutions that satisfy customer preferences and effectively compete with other market offerings in a timely and cost-effective manner may harm our ability to retain our customers and to create or increase demand for our solutions, which may adversely impact our operating results. The development and introduction of new solutions involves a significant commitment of time and resources and are subject to a number of risks and challenges including but not limited to:

- Lengthy development cycles;
- Evolving industry standards and technological developments by our competitors and customers;
- Evolving platforms, operating systems, and hardware products, such as mobile devices, and related product and service interoperability challenges;
- Entering into new or unproven markets; and
- Executing new product and service strategies.

If we are not successful in managing these risks and challenges, or if our new or improved solutions are not technologically competitive or do not achieve market acceptance, our business and operating results could be adversely affected.

If we are unable to attract and retain qualified employees, lose key personnel, fail to integrate replacement personnel successfully, or fail to manage our employee base effectively, we may be unable to develop new and enhanced solutions, effectively manage or expand our business, or increase our revenues.

Our future success depends upon our ability to recruit and retain key management, technical (including cyber-security experts), sales, marketing, finance, and other personnel. Our officers and other key personnel are employees-at-will and we generally do not have employment or non-compete agreements with our employees, and we cannot assure you that we will be able to retain them. Competition for people with the specific skills that we require is significant, and we may face new and unexpected difficulties in attracting, retaining, and motivating employees in connection with the planned relocation of our headquarters outside of the Silicon Valley. In connection with the Broadcom sale, we experienced employee attrition and related difficulties and these difficulties may continue or increase following its consummation.

In order to attract and retain personnel in a competitive marketplace, we must provide competitive pay packages, including cash and equity-based compensation. Additionally, changes in immigration laws could impair our ability to attract and retain highly qualified employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business, results of operations and future growth prospects could suffer. The volatility in our stock price may from time to time adversely affect our ability to recruit or retain employees. In addition, we may be unable to obtain required stockholder approvals of future increases in the number of shares required for issuance under our equity compensation plans. As a result, we may issue fewer equity-based incentives and may be impaired in our efforts to attract and retain necessary personnel. If we are unable to hire and retain qualified employees, or conversely, if we fail to manage employee performance or reduce staffing levels when required by market conditions, our business and operating results could be adversely affected.

Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. From time to time, key personnel leave our company and the frequency and number of such departures has widely varied and have resulted in significant changes to our executive leadership team. For example, we recently announced that Rick Hill, our interim President and CEO is stepping down and will be succeeded by our CFO, Vincent Pilette, and that Samir Kapuria has been named President and Matt Brown has been named interim Chief Financial Officer. Although we strive to reduce the negative impact of changes in our leadership, the loss of any key employee could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of company initiatives, our internal control over financial reporting, and our results of operations. In addition, hiring, training, and successfully integrating replacement sales and other personnel could be time consuming and expensive, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact future financial results.

We operate in a highly competitive environment, and our competitors may gain market share in the markets for our solutions that could adversely affect our business and cause our revenues to decline.

We operate in intensely competitive markets that experience rapid technological developments, changes in industry standards, changes in customer requirements, and frequent new product introductions and improvements. If we are unable to anticipate or react to these competitive challenges, or if existing or new competitors gain market share in any of our markets, our competitive position could weaken, and we could experience a decline in our revenues that could adversely affect our business.

and operating results. To compete successfully, we must maintain an innovative research and development effort to develop new solutions and enhance our existing solutions, effectively adapt to changes in the technology or product rights held by our competitors, appropriately respond to competitive strategies, and effectively adapt to technological changes and changes in the ways that our information is accessed, used, and stored by our customers. If we are unsuccessful in responding to our competitors or to changing technological and customer demands, our competitive position and our financial results could be adversely affected.

Our competitors include software vendors that offer solutions that directly compete with our offerings. In addition to competing with these vendors directly for sales to end-users of our solutions, we compete with them for the opportunity to have our solutions bundled with the offerings of our strategic partners, such as computer hardware original equipment manufacturers (OEMs) and internet service providers (ISPs). Our competitors could gain market share from us if any of these strategic partners replace our solutions with those of our competitors or if these partners more actively promote our competitors' solutions than our own. In addition, software vendors who have bundled our solutions with theirs may choose to bundle their solutions with their own or other vendors' solutions or may limit our access to standard interfaces and inhibit our ability to develop solutions for their platform. In the future, further product development by these vendors could cause our solutions to become redundant, which could significantly impact our sales and financial results.

We face growing competition from other technology companies, as well as from companies in the identity threat protection space such as credit bureaus. Many of these competitors are increasingly developing and incorporating into their products data protection software that competes at some levels with our offerings. Our competitive position could be adversely affected to the extent that our customers perceive the functionality incorporated into these products as replacing the need for our solutions.

Security protection is also offered by some of our competitors at prices lower than our prices or, in some cases is offered free of charge. Some companies offer lower-priced or free security products within their computer hardware or software products. Our competitive position could be adversely affected to the extent that our customers perceive these lower cost or free security products as replacing the need for more effective, full featured solutions, such as those that we provide. The expansion of these competitive trends could have a significant negative impact on our revenues and operating results by causing, among other things, price reductions of our solutions, reduced profitability, and loss of market share.

Many of our competitors have greater financial, technical, sales, marketing, or other resources than we do and consequently, may have the ability to influence customers to purchase their products instead of ours. Further consolidation within our industry or other changes in the competitive environment could result in larger competitors that compete with us on several levels. We also face competition from many smaller companies that specialize in particular segments of the markets in which we compete.

We invest in research and development activities in both the short and long term, and these investments may achieve delayed, or lower than expected, benefits which could harm our operating results.

While we continue to focus on managing our costs and expenses, we also continue to invest significantly in research and development activities, in both the short and long term, as we focus on organic growth through internal innovation in each of our business segments. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position, and that the level of these investments will increase in future periods. We recognize the costs associated with these research and development investments earlier than the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results may be adversely affected.

Changes in industry structure and market conditions could lead to charges related to discontinuance of certain of our products or businesses and asset impairments.

In response to changes in industry structure and market conditions and in connection with the Broadcom sale, we may be required to strategically reallocate our resources and consider restructuring, disposing of, or otherwise exiting certain businesses. Any decision to limit investment in or dispose of or otherwise exit businesses may result in the recording of special charges, such as inventory and technology-related write-offs, workforce reduction costs, charges relating to consolidation of excess facilities, or claims from third parties who were resellers or users of discontinued products. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Although in certain instances our vendor agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs, our loss contingencies may include liabilities for contracts that we cannot cancel, reschedule or adjust with suppliers.

Further, our estimates relating to the liabilities for excess facilities are affected by changes in real estate market conditions. Additionally, we are required to evaluate goodwill impairment on an annual basis and between annual evaluations in certain circumstances, and future goodwill impairment evaluations may result in a charge to earnings.

Matters relating to or arising from our completed Audit Committee Investigation, including regulatory investigations and proceedings, litigation matters, and potential additional expenses, may adversely affect our business and results of operations.

As previously disclosed in our public filings, the Audit Committee completed its internal investigation in September 2018. In connection with the Audit Committee Investigation, we voluntarily contacted the SEC. The SEC commenced a formal investigation, and we continue to cooperate with that investigation. The outcome of such an investigation is difficult to predict. If the SEC commences legal action, we could be required to pay significant penalties and become subject to injunctions, a cease and desist order, and other equitable remedies. We can provide no assurances as to the outcome of any governmental investigation.

We have incurred, and will continue to incur, significant expenses related to legal and other professional services in connection with the ongoing SEC investigation, which may continue to adversely affect our business and financial condition. In addition, securities class actions and other lawsuits have been filed against us, our directors, and officers (see also, “We are subject to pending securities class action and stockholder derivative legal proceedings . . .” below). The outcome of the securities class actions and other litigation and regulatory proceedings or government enforcement actions is difficult to predict, and the cost to defend, settle, or otherwise resolve these matters may be significant. Plaintiffs or regulatory agencies or authorities in these matters may seek recovery of very large or indeterminate amounts or seek to impose sanctions, including significant monetary penalties. The monetary and other impact of these litigations, proceedings, or actions may remain unknown for substantial periods of time. Further, an unfavorable resolution of litigations, proceedings or actions could have a material adverse effect on our business, financial condition, and results of operations and cash flows. Any future investigations or additional lawsuits may also adversely affect our business, financial condition, results of operations, and cash flows.

We are subject to pending securities class action and stockholder derivative legal proceedings that may adversely affect our business.

Several securities class action and purported derivative lawsuits have been filed against us arising out of the announcement of the Audit Committee Investigation. In addition, we have received demands from purported stockholders to inspect corporate books and records under Delaware law. No specific amounts of damages have been alleged in these lawsuits. We will continue to incur legal fees in connection with these pending cases, including expenses for the reimbursement of legal fees of present and former officers and directors under indemnification obligations. The expense of continuing to defend such litigation may be significant. We intend to defend these lawsuits vigorously, but there can be no assurance that we will be successful in any defense. If any of the lawsuits related to our Audit Committee Investigation are decided adversely, we may be liable for significant damages directly or under our indemnification obligations, which could adversely affect our business, results of operations and cash flows. Further, the amount of time that will be required to resolve these lawsuits is unpredictable, and these actions may divert management’s attention from the day-to-day operations of our business, which could further adversely affect our business, results of operations, and cash flows.

Our indemnification obligations and limitations of our director and officer liability insurance may have a material adverse effect on our financial condition, results of operations, and cash flows.

Under Delaware law, our certificate of incorporation, our bylaws, and certain indemnification agreements to which we are a party, we have an obligation to indemnify, or we have otherwise agreed to indemnify, certain of our current and former directors and officers with respect to past, current, and future investigations and litigation.

The scope of our indemnification obligations may be broader than the coverage available under our directors’ and officers’ liability insurance, or there may be insufficient coverage available. Further, in the event the directors and officers are ultimately determined not to be entitled to indemnification, we may not be able to recover any amounts we previously advanced to them.

We cannot provide any assurances that future indemnification claims, including the cost of fees, penalties or other expenses, will not exceed the limits of our insurance policies, that such claims are covered by the terms of our insurance policies or that our insurance carrier will be able to cover such claims. Further, should a coverage dispute arise, we may also incur significant expenses in relation to litigating or attempting to resolve any such dispute. Accordingly, we may incur significant unreimbursed costs to satisfy our indemnification obligations, which may have a material adverse effect on our financial condition, results of operations or cash flows.

We may need to change our pricing models to compete successfully.

The intense competition we face, in addition to general and economic business conditions, can put pressure on us to change our prices. If our competitors offer deep discounts on certain solutions or provide offerings that the marketplace considers more valuable, we may need to lower prices in order to compete successfully. Any such changes may reduce margins and could adversely affect our operating results.

In addition, a weakening of economic conditions or significant uncertainty regarding the stability of financial markets could adversely impact our business, financial condition, and operating results in a number of ways. Impacts could include pressure to

lower prices for our solutions, a reduction in the rate of adoption of our solutions by new customers, and a lower rate of current customers purchasing.

Any broad-based change to our prices could cause our revenues to decline or be delayed as our customers adjust to new pricing. We or our competitors may bundle solutions for promotional purposes or as a long-term go-to-market or pricing strategy. These practices could, over time, significantly constrain the prices that we can charge for certain of our offerings.

Defects, disruptions or risks related to our offerings could impair our ability to deliver our solutions and could expose us to liability, damage our brand and reputation, or otherwise negatively impact our business.

Our solutions may contain errors or defects that users identify after they begin using them that could result in unanticipated service interruptions, which could harm our reputation and our business. If any such performance problems occur, customers could elect not to renew, we could lose future sales or customers may make warranty or other claims against us, which could result in an increase in the expense and risk of litigation.

We currently serve our customers from hosting facilities, including third-party hosting facilities, located across the globe. Damage to, or failure of, any significant element of these hosting facilities could result in interruptions in our service, which could harm our customers and expose us to liability. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the delivery of our solutions. Global climate change may result in certain natural disasters occurring more frequently or with greater intensity, such as drought, wildfires, storms, sea-level rise, and flooding. Interruptions or failures in our service delivery could cause customers to terminate their subscriptions with us, could adversely affect our renewal rates, and could harm our ability to attract new customers. Our business would also be harmed if our customers believe that our cloud offerings are unreliable.

Our solutions are complex and operate in a wide variety of environments, systems and configurations, which could result in failures of our solutions to function as designed.

Because we offer very complex solutions, undetected errors, failures or bugs may occur, especially when solutions are first introduced or when new versions are released. Despite testing by us and others, errors, failures, or bugs may not be found in new solutions or releases until after they are delivered to customers. In the past, we have discovered software errors, failures, and bugs in certain of our solutions after their introduction and, in some cases, have experienced delayed or lost revenues as a result of these errors.

Errors, failures, or bugs in solutions released by us could result in negative publicity, damage to our brand and reputation, returns, loss of or delay in market acceptance of our products, loss of competitive position, or claims by customers or others. Alleviating any of these problems could be costly and cause interruptions, delays, or cessation of our subscriptions, which could cause us to lose existing or potential customers and could adversely affect our operating results.

Our products, solutions, systems, and website may be subject to intentional disruption that could adversely impact our reputation and future sales.

Despite our precautions and significant ongoing investments to protect against security risks, data protection breaches, cyber-attacks, and other intentional disruptions of our solutions, we expect to be an ongoing target of attacks specifically designed to impede the performance and availability of our offerings and harm our reputation as a company. Similarly, experienced computer programmers or other sophisticated individuals or entities, including malicious hackers, state-sponsored organizations, and insider threats including actions by employees and third-party service providers, may attempt to penetrate our network security or the security of our systems and websites and misappropriate proprietary information or cause interruptions of our services, including the operation of our global civilian cyber intelligence threat network. Such attempts are increasing in number and in technical sophistication, and if successful could expose us and the affected parties, to risk of loss or misuse of proprietary or confidential information or disruptions of our business operations. While we invest and devote significant resources to maintain and continually enhance and update our methods to detect and alert us to such breaches, attacks, and disruptions, these efforts may not be sufficient, even with rapid detection, to prevent the damage such a breach of our products, solutions, systems, and websites may cause.

Our inability to successfully recover from a disaster or other business continuity event could impair our ability to deliver our products and services and harm our business.

We are heavily reliant on our technology and infrastructure to provide our products and services to our customers. For example, we host many of our products using third-party data center facilities, and we do not control the operation of these facilities. These facilities are vulnerable to damage, interruption, or performance problems from earthquakes, hurricanes, floods, fires, power loss, telecommunications failures, and similar events. They are also subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the delivery of our products and services.

Furthermore, our business administration, human resources, and finance services depend on the proper functioning of our computer, telecommunication, and other related systems and operations. A disruption or failure of these systems or operations because of a disaster or other business continuity event could cause data to be lost or otherwise delay our ability to complete sales and provide the highest level of service to our customers. In addition, we could have difficulty producing accurate financial statements on a timely basis, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results, all of which could adversely affect the trading value of our stock. Although we endeavor to ensure there is redundancy in these systems and that they are regularly backed-up, there are no assurances that data recovery in the event of a disaster would be effective or occur in an efficient manner, including the operation of our global civilian cyber intelligence threat network. If these systems or their functionality do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

Any errors, defects, disruptions, or other performance problems with our products and services could harm our reputation. For example, we may experience disruptions, outages, and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our websites simultaneously, fraud, or security attacks. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Interruptions in our products and services, including the operation of our global civilian cyber intelligence threat network, could impact our revenues or cause customers to cease doing business with us. In addition, our business would be harmed if any of the events of this nature caused our customers and potential customers to believe our services are unreliable. Our operations are dependent upon our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose customer data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario.

We collect, use, disclose, store, or otherwise process personal information, which subjects us to privacy and data security laws and contractual commitments, and our actual or perceived failure to comply with such laws and commitments could harm our business.

We collect, use, store or disclose (collectively, process) an increasingly large amount of personal information, including from employees and customers, in connection with the operation of our business, particularly in relation to our identity and information protection offerings. We process an increasingly high volume, variety, and velocity of personal information as a result of our identity and information protection offerings that rely on large data repositories of personal information and consumer transactions. The personal information we process is subject to an increasing number of federal, state, local, and foreign laws regarding privacy and data security, as well as contractual commitments. Any failure or perceived failure by us to comply with such obligations may result in governmental enforcement actions, fines, litigation, or public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

Additionally, changes to applicable privacy or data security laws could impact how we process personal information and therefore limit the effectiveness of our solutions or our ability to develop new solutions. For example, the European Union General Data Protection Regulation imposes more stringent data protection requirements and provides for greater penalties for noncompliance of up to the greater of €20 million or four percent of worldwide annual revenues.

Data protection legislation is also becoming increasingly common in the U.S. at both the federal and state level. For example, in June 2018, the State of California enacted the California Consumer Privacy Act of 2018 (the CCPA), which will come into effect on January 1, 2020. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use, and sharing practices, allows consumers to opt out of certain data sharing with third parties, and provides a new cause of action for data breaches. However, California legislators have stated that they intend to propose amendments to the CCPA, and it remains unclear what, if any, modifications will be made to the CCPA or how it will be interpreted. Additionally, the Federal Trade Commission (the FTC) and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data. The burdens imposed by the CCPA and other similar laws that may be enacted at the federal and state level may require us to modify our data processing practices and policies and to incur substantial expenditures in order to comply.

Global privacy and data protection legislation, enforcement, and policy activity are rapidly expanding and evolving, and may be inconsistent from jurisdiction to jurisdiction. We may be or become subject to data localization laws mandating that data collected in a foreign country be processed and stored only within that country. If any country in which we have customers were to adopt a data localization law, we could be required to expand our data storage facilities there or build new ones in order to comply. The expenditure this would require, as well as costs of compliance generally, could harm our financial condition.

Additionally, third parties with whom we work, such as vendors or developers, may violate applicable laws or our policies and such violations can place personal information of our customers at risk. In addition, our customers may also accidentally disclose their passwords or store them on a device that is lost or stolen, creating the perception that our systems are not secure against third-party access. This could have an adverse effect on our reputation and business. In addition, such third parties could be the target of cyberattack and other data breaches which could impact our systems or our customers' records.

Our acquisitions and divestitures create special risks and challenges that could adversely affect our financial results.

As part of our business strategy, we may acquire or divest businesses or assets. For example, we recently completed the Broadcom sale. These activities can involve a number of risks and challenges, including:

- Complexity, time, and costs associated with managing these transactions, including the integration of acquired business operations, workforce, products, IT systems, and technologies;
- Diversion of management time and attention;
- Loss or termination of employees, including costs associated with the termination or replacement of those employees;
- Assumption of liabilities of the acquired business or assets, including pending or future litigation, investigations or claims related to the acquired business or assets;
- The addition of acquisition-related debt;
- Increased or unexpected costs and working capital requirements;
- Dilution of stock ownership of existing stockholders;
- Unanticipated delays or failure to meet contractual obligations; and
- Substantial accounting charges for acquisition-related costs, amortization of intangible assets, and higher levels of stock-based compensation expense.

We have invested and continue to invest and devote significant resources in the integration of businesses we acquire. The success of each acquisition depends in part on our ability to realize the anticipated business opportunities, including certain cost savings and operational efficiencies or synergies and growth prospects from integrating these businesses in an efficient and effective manner. If integration of our acquired businesses is not successful, we may not realize the potential benefits of an acquisition or suffer other adverse effects. To integrate acquired businesses, we must integrate and manage the personnel and business systems of the acquired operations. We also must effectively integrate the different cultures of acquired business organizations into our own in a way that aligns various interests and we may need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions. Moreover, to be successful, large complex acquisitions depend on large-scale product, technology, and sales force integrations that are difficult to complete on a timely basis or at all and may be more susceptible to the special risks and challenges described above.

In addition, we have, and may in the future, divest businesses, product lines, or assets, with the Broadcom sale being a recent example. Such initiatives may require significant separation activities that could result in the diversion of management's time and attention, loss of employees, substantial separation costs, and accounting charges for asset impairments.

Any of the foregoing, and other factors, could harm our ability to achieve anticipated levels of profitability or other financial benefits from our acquired or divested businesses, product lines or assets or to realize other anticipated benefits of divestitures or acquisitions.

If we fail to manage our sales and distribution channels effectively, or if our partners choose not to market and sell our solutions to their customers, our operating results could be adversely affected.

We sell our solutions to customers around the world through multi-tiered sales and distribution networks.

Sales through these different channels involve distinct risks, including the following:

Indirect Sales Channels. A portion of our revenues is derived from sales through indirect channels, including, but not limited to, distributors that sell our products to end-users and other resellers. This channel involves a number of risks, including:

- Our resellers and distributors are generally not subject to minimum sales requirements or any obligation to market our solutions to their customers;
- Our reseller and distributor agreements are generally nonexclusive and may be terminated at any time without cause;
- Our resellers and distributors may violate applicable law or regulatory requirements or otherwise cause damage to our reputation through their actions;
- Our resellers and distributors frequently market and distribute competing solutions and may, from time to time, place greater emphasis on the sale of these solutions due to pricing, promotions, and other terms offered by our competitors; and
- Any consolidation of electronics retailers can continue to increase their negotiating power with respect to software providers such as us.

OEM Sales Channels. A portion of our revenues is derived from sales through our OEM partners that incorporate our products into, or bundle our products with, their products. Our reliance on this sales channel involves many risks, including:

- Our lack of control over the volume of products delivered and the timing of such delivery;
- Most of our OEM partners are not subject to minimum sales requirements. Generally, our OEM partners do not have any obligation to market our products to their customers;
- Our OEM partners may terminate or renegotiate their arrangements with us and new terms may be less favorable due to competitive conditions in our markets and other factors;
- Sales through our OEM partners are subject to changes in general economic conditions, strategic direction, competitive risks, and other issues that could result in a reduction of OEM sales;
- The development work that we must generally undertake under our agreements with our OEM partners may require us to invest significant resources and incur significant costs with little or no assurance of ever receiving associated revenues;
- The time and expense required for the sales and marketing organizations of our OEM partners to become familiar with our solutions may make it more difficult to introduce those solutions to the market; and
- Our OEM partners may develop, market, and distribute their own solutions and market and distribute products of our competitors, which could reduce our sales.

If we fail to manage our sales and distribution channels successfully, these channels may conflict with one another or otherwise fail to perform as we anticipate, which could reduce our sales and increase our expenses as well as weaken our competitive position. Some of our distribution partners have experienced financial difficulties in the past, and if our partners suffer financial difficulties in the future because of general economic conditions or for other reasons, these partners may delay paying their obligations to us, and we may have reduced revenues or collections that could adversely affect our operating results. In addition, reliance on multiple channels subjects us to events that could cause unpredictability in demand, which could increase the risk that we may be unable to plan effectively for the future, and could adversely affect our operating results.

Our solutions are highly regulated, which could impede our ability to market and provide our solutions or adversely affect our business, financial position, and results of operations.

Our solutions are subject to a high degree of regulation, including a wide variety of federal, state, and local laws and regulations, such as the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Federal Trade Commission Act (FTC Act), and comparable state laws that are patterned after the FTC Act. Moreover, LifeLock entered into consent decrees and similar arrangements with the FTC and 35 states' attorneys general in 2010 and a settlement with the FTC in 2015 relating to allegations that certain of LifeLock's advertising and marketing practices constituted deceptive acts or practices in violation of the FTC Act, which impose additional restrictions on the LifeLock business, including prohibitions against making any misrepresentation of "the means, methods, procedures, effects, effectiveness, coverage, or scope of" LifeLock's identity theft protection services. Any of the laws and regulations that apply to our business are subject to revision or new or changed interpretations, and we cannot predict the impact of such changes on our business.

Additionally, the nature of our identity and information protection products subjects us to the broad regulatory, supervisory, and enforcement powers of the Consumer Financial Protection Bureau which may exercise authority with respect to our services, or the marketing and servicing of those services, by overseeing our financial institution or credit reporting agency customers and suppliers, or by otherwise exercising its supervisory, regulatory, or enforcement authority over consumer financial products and services.

If we do not protect our proprietary information and prevent third parties from making unauthorized use of our products and technology, our financial results could be harmed.

Most of our software and underlying technology is proprietary. We seek to protect our proprietary rights through a combination of confidentiality agreements and procedures and through copyright, patent, trademark, and trade secret laws. However, these measures afford only limited protection and may be challenged, invalidated, or circumvented by third parties. Third parties may copy all or portions of our products or otherwise obtain, use, distribute, and sell our proprietary information without authorization.

Third parties may also develop similar or superior technology independently by designing around our patents. Our shrink-wrap license agreements are not signed by licensees and therefore may be unenforceable under the laws of some jurisdictions. Furthermore, the laws of some foreign countries do not offer the same level of protection of our proprietary rights as the laws of the U.S., and we may be subject to unauthorized use of our products in those countries. The unauthorized copying or use of our products or proprietary information could result in reduced sales of our products. Any legal action to protect proprietary information that we may bring or be engaged in with a strategic partner or vendor could adversely affect our ability to access software, operating system, and hardware platforms of such partner or vendor, or cause such partner or vendor to choose not to offer our products to their customers. In addition, any legal action to protect proprietary information that we may bring or be engaged in, could be costly, may distract management from day-to-day operations, and may lead to additional claims against us, which could adversely affect our operating results.

From time to time we are a party to lawsuits and investigations, which typically require significant management time and attention and result in significant legal expenses, and which could negatively impact our business, financial condition, results of operations, and cash flows.

We have initiated and been named as a party to lawsuits, including patent litigation, class actions, and governmental claims, and we may be named in additional litigation. For example, the securities class action lawsuit, originally filed on July 22, 2015, against our subsidiary, LifeLock, and other named defendants has been remanded by the Ninth Circuit to the District Court for further proceedings. The expense of initiating and defending, and in some cases settling, such litigation may be costly and divert management's attention from the day-to-day operations of our business, which could adversely affect our business, results of operations, and cash flows. In addition, an unfavorable outcome in such litigation could result in significant fines, settlements, monetary damages, or injunctive relief that could negatively impact our ability to conduct our business, results of operations, and cash flows.

Third parties claiming that we infringe their proprietary rights could cause us to incur significant legal expenses and prevent us from selling our products.

From time to time, third parties may claim that we have infringed their intellectual property rights, including claims regarding patents, copyrights, and trademarks. Because of constant technological change in the segments in which we compete, the extensive patent coverage of existing technologies, and the rapid rate of issuance of new patents, it is possible that the number of these claims may grow. In addition, former employees of our former, current, or future employees may assert claims that such employees have improperly disclosed to us confidential or proprietary information of these former employers. Any such claim, with or without merit, could result in costly litigation and distract management from day-to-day operations. If we are not successful in defending such claims, we could be required to stop selling, delay shipments of, or redesign our products, pay monetary amounts as damages, enter into royalty or licensing arrangements, or satisfy indemnification obligations that we have with some of our customers. We cannot assure you that any royalty or licensing arrangements that we may seek in such circumstances will be available to us on commercially reasonable terms or at all. We have made and expect to continue making significant expenditures to investigate, defend, and settle claims related to the use of technology and intellectual property rights as part of our strategy to manage this risk.

In addition, we license and use software from third parties in our business. These third-party software licenses may not continue to be available to us on acceptable terms or at all and may expose us to additional liability. This liability, or our inability to use any of this third-party software, could result in delivery delays or other disruptions in our business that could materially and adversely affect our operating results.

Changes to our effective tax rate could increase our income tax expense and reduce (increase) our net income (loss).

Our effective tax rate could be adversely affected by several factors, many of which are outside of our control, including:

- Changes to the U.S. federal income tax laws, including impacts of the Tax Cuts and Jobs Act (H.R.1) (the 2017 Tax Act) arising from future interpretations of the 2017 Tax Act;
- Changes to other tax laws, regulations, and interpretations in multiple jurisdictions in which we operate, including actions resulting from the Organisation for Economic Co-operation and Development's base erosion and profit shifting project, proposed actions by international bodies such as digital services taxation, as well as the requirements of certain tax rulings;
- Changes in the relative proportions of revenues and income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- The tax effects of purchase accounting for acquisitions and restructuring charges that may cause fluctuations between reporting periods;
- Tax assessments, or any related tax interest or penalties, that could significantly affect our income tax expense for the period in which the settlements take place; and
- Taxes arising in connection with the Broadcom sale.

We report our results of operations based on our determination of the aggregate amount of taxes owed in the tax jurisdictions in which we operate. From time to time, we receive notices that a tax authority in a particular jurisdiction believes that we owe a greater amount of tax than we have reported to such authority. We are regularly engaged in discussions and sometimes disputes with these tax authorities. If the ultimate determination of our taxes owed in any of these jurisdictions is for an amount in excess of the tax provision we have recorded or reserved for, our operating results, cash flows, and financial condition could be adversely affected.

We cannot predict our future capital needs, and we may be unable to obtain financing, which could have a material adverse effect on our business, results of operations, and financial condition.

Adverse economic conditions or a change in our business performance may make it more difficult to obtain financing for our operations, investing activities (including potential acquisitions or divestitures), or financing activities. Any required financing may

not be available on terms acceptable to us, or at all. If we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our financial or operational flexibility and would also require us to fund additional interest expense. If additional financing is not available when required or is not available on acceptable terms, we may be unable to successfully develop or enhance our software and services through acquisitions in order to take advantage of business opportunities or respond to competitive pressures, which could have a material adverse effect on our software and services offerings, revenues, results of operations, and financial condition.

Failure to maintain our credit ratings could adversely affect our liquidity, capital position, ability to hedge certain financial risks, borrowing costs, and access to capital markets.

Our credit risk is evaluated by the major independent rating agencies, and such agencies have in the past and could in the future downgrade our ratings. We cannot assure you that we will be able to maintain our current credit ratings, and any additional actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may have a negative impact on our liquidity, capital position, ability to hedge certain financial risks, and access to capital markets. In addition, changes by any rating agency to our outlook or credit rating could increase the interest we pay on outstanding or future debt.

There are risks associated with our outstanding and future indebtedness that could adversely affect our financial condition.

As of October 4, 2019, we had an aggregate of \$4.5 billion of outstanding indebtedness that will mature in calendar years 2020 through 2025, including approximately \$4.0 billion in aggregate principal amount of existing convertible or senior notes and \$0.5 billion of outstanding term loans under our senior credit facility, and we may incur additional indebtedness in the future and/or enter into new financing arrangements. In addition, as of October 4, 2019, we had \$1.0 billion available for borrowing under our revolving credit facility. Our ability to meet expenses, to remain in compliance with the covenants under our debt instruments, and to pay interest and repay principal for our substantial level of indebtedness depends on, among other things, our operating performance, competitive developments, and financial market conditions, all of which are significantly affected by financial, business, economic, and other factors. We are not able to control many of these factors. Accordingly, our cash flow may not be sufficient to allow us to pay principal and interest on our debt, including the notes, and meet our other obligations.

Our level of indebtedness could have important consequences, including the following:

- We must use a substantial portion of our cash flow from operations to pay interest and principal on the term loans and revolving credit facility, our existing senior notes, and other indebtedness, which reduces funds available to us for other purposes such as working capital, capital expenditures, other general corporate purposes, and potential acquisitions;
- We may be unable to refinance our indebtedness or to obtain additional financing for working capital, capital expenditures, acquisitions, or general corporate purposes;
- We are exposed to fluctuations in interest rates because borrowings under our senior credit facilities bear interest at variable rates;
- Our leverage may be greater than that of some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in responding to current and changing industry and financial market conditions;
- We may be more vulnerable to an economic downturn and adverse developments in our business;
- We may be unable to comply with financial and other covenants in our debt agreements, which could result in an event of default that, if not cured or waived, may result in acceleration of certain of our debt and would have an adverse effect on our business and prospects and could force us into bankruptcy or liquidation; and
- Changes by any rating agency to our outlook or credit rating could negatively affect the value of our debt and/or our common stock, adversely affect our access to debt markets, and increase the interest we pay on outstanding or future debt.

There can be no assurance that we will be able to manage any of these risks successfully.

In addition, we conduct a significant portion of our operations through our subsidiaries, which are generally not guarantors of our debt. Accordingly, repayment of our indebtedness will be dependent in part on the generation of cash flow by our subsidiaries and their ability to make such cash available to us by dividend, debt repayment, or otherwise. In general, our subsidiaries will not have any obligation to pay amounts due on our debt or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and under certain circumstances legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions from our subsidiaries, we may be unable to make the required principal and interest payments on our indebtedness.

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates on our current or future indebtedness and may otherwise adversely affect our financial condition and results of operations.

Certain of our indebtedness is made at variable interest rates that use the London Interbank Offered Rate, or LIBOR (or metrics derived from or related to LIBOR), as a benchmark for establishing the interest rate. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. These reforms may cause LIBOR to cease to exist, new methods of calculating LIBOR to be established, or alternative reference rates to be established. The potential consequences cannot be fully predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows. In addition, any transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR, reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. This could materially and adversely effect our results of operations, cash flows, and liquidity. We cannot predict the effect of the potential changes to LIBOR or the establishment and use of alternative rates or benchmarks.

Our existing credit agreements impose operating and financial restrictions on us.

The existing credit agreements contain covenants that limit our ability and the ability of our restricted subsidiaries to:

- Incur additional debt;
- Create liens on certain assets to secure debt;
- Enter into certain sale and leaseback transactions;
- Pay dividends on or make other distributions in respect of our capital stock or make other restricted payments; and
- Consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

All of these covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities, react to market conditions, or otherwise restrict activities or business plans. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and, to the extent such indebtedness is secured in the future, proceed against any collateral securing that indebtedness.

Some of our products contain "open source" software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Certain of our products are distributed with software licensed by its authors or other third parties under so-called "open source" licenses, which may include, by way of example, the GNU General Public License, GNU Lesser General Public License, the Mozilla Public License, the BSD License, and the Apache License.

Some of these licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software if we combine our proprietary software with open source software in a certain manner. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source, but we cannot be sure that all open source is submitted for approval prior to use in our products. In addition, many of the risks associated with usage of open source cannot be eliminated and could, if not properly addressed, negatively affect our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) None
- (b) None
- (c) None

Item 5. Other Information

2019 Annual Meeting

Our Board of Directors has rescheduled our 2019 Annual Meeting of Stockholders, or the 2019 Annual Meeting, to December 19, 2019 from the date disclosed in our annual report on Form 10-K for the annual period ended March 29, 2019. The record date, time and location of the 2019 Annual Meeting will be as set forth in our proxy statement for the 2019 Annual Meeting.

Stockholders are advised that the deadlines set forth under the captions “Stockholder Proposals for Nominees” and “Stockholder Proposals to be Presented at the Next Annual Meeting” in the Company’s proxy statement for its 2018 Annual Meeting of Stockholders, which was filed with the Securities and Exchange Commission on October 29, 2018, continue to apply since the date of the 2019 Annual Meeting does not vary by more than 30 calendar days from the anniversary of the 2018 Annual Meeting of Stockholders.

The information below is reported in lieu of information that would be reported under Items 2.05 under Form 8-K.

November 2019 Restructuring Plan

On November 5, 2019, in connection with the strategic decision to divest our enterprise business, our Board of Directors approved a restructuring plan (the November 2019 Plan). Actions under this plan will include the reduction of our workforce by approximately 3,100 employees, as well as asset impairments, contract terminations, facilities closures, and the sale of underutilized facilities. We estimate that we will incur total costs of \$800 million in connection with the November 2019 Plan of which approximately \$350 million are expected to consist of cash expenditures for severance and termination benefits. These actions are expected to be completed within the next twelve months.

Our estimate of the amount or range of amounts of these charges by category, and the amount or range of amounts of the charges that will result in future cash expenditures, will be disclosed in subsequent filings with the Securities and Exchange Commission.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed with this 10-Q
		Form	File Number	Exhibit	File Date	
2.01	Asset Purchase Agreement, dated August 8, 2019, by and between Broadcom Inc. and Symantec Corporation.	8-K	000-17781	2.1	8/8/2019	
3.01	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Symantec Corporation.	8-K	000-17781	3.1	11/4/2019	
3.02	Amended and Restated Bylaws of NortonLifeLock Inc.	8-K	000-17781	3.2	11/4/2019	
10.01*	FY20 Executive Annual Incentive Plan - Chief Executive Officer.	10-Q	000-17781	10.01	8/9/2019	
10.02*	FY20 Executive Annual Incentive Plan - Senior Vice President and Executive Vice President.	10-Q	000-17781	10.02	8/9/2019	
10.03*	Form of FY20 Performance Based Restricted Stock Unit Award Agreements under 2013 Equity Incentive Plan	10-Q	000-17781	10.03	8/9/2019	
10.04*	Form of Amended and Restated Restricted Stock Unit Award Agreements under 2013 Equity Incentive Plan	10-Q	000-17781	10.04	8/9/2019	
10.05*	Symantec Corporation Broadcom Transaction Severance & Retention Plan dated August 21, 2019.					X
10.06*	Transitions Services Agreement by and between Richard S. Hill and Symantec Corporation dated August 30, 2019.					X

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed with this 10-Q
		Form	File Number	Exhibit	File Date	
10.07	Credit Agreement, effective as of November 4, 2019, among NortonLifeLock Inc., the issuing banks and lenders party thereto (the Lenders), Wells Fargo Bank, National Association, as Revolver Administrative Agent and Swingline Lender, JPMorgan Chase Bank, N.A., as Term Loan Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A., Wells Fargo Securities, LLC, BofA Securities, Inc., Mizuho Bank, Ltd., Barclays Bank PLC, and The Bank of Nova Scotia, as Lead Arrangers and Joint Bookrunners, Bank of America, N.A., Mizuho Bank, Ltd., Barclays Bank PLC and The Bank of Nova Scotia, as Syndication Agents and Goldman Sachs Bank USA, HSBC Securities (USA) Inc., MUFG Bank, Ltd., SunTrust Robinson Humphrey, Inc., Citizens Bank, N.A., BMO Capital Markets Corp., BNP Paribas Securities Corp. and Santander Bank, N.A., as Co-Documentation Agents.	8-K	000-17781	10.01	11/4/2019	
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.01†	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.02†	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	The following financial information from NortonLifeLock Inc.'s Quarterly Report on Form 10-Q for the quarter ended October 4, 2019 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					

* Indicates a management contract or compensatory plan or arrangement.

† This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTONLIFELOCK INC.
(Registrant)

By: /s/ Richard S. Hill
Richard S. Hill
Interim President, Chief Executive Officer and Director

By: /s/ Vincent Pilette
Vincent Pilette
Executive Vice President and Chief Financial Officer

November 8, 2019

SYMANTEC CORPORATION
BROADCOM TRANSACTION SEVERANCE & RETENTION PLAN

This Severance & Retention Plan (the “**Plan**”) has been adopted by Symantec Corporation, a Delaware corporation (the “**Company**”), effective as of August 21, 2019 (the “**Effective Date**”). Capitalized terms used herein and not otherwise defined have the meanings given to those terms in Section 5 hereof. For purposes of the Plan, “Company” shall include any direct or indirect subsidiary of Symantec Corporation.

1. Purpose of this Plan.

The purpose of this Plan is to provide specified benefits to Eligible Participants upon and following the closing (the “**Closing**”) of the transaction contemplated by the Asset Purchase Agreement (the “**Asset Purchase Agreement**”), between the Company and Broadcom Inc., (“**Broadcom**”) dated August 8, 2019 (the “**Transaction**”).

2. Eligible Participants.

An Eligible Participant includes: (1) employees who are Vice Presidents, Senior Directors or Directors of the Company and who on the Closing are not Consumer Employees (“**Group 1 Employees**”) and (2) employees who are Senior Vice Presidents and Executive Vice Presidents of the Company, who on the Closing are not Consumer Employees and who execute a participation agreement (a “**Participation Agreement**”) (“**Group 2 Employees**”), and collectively with the Group 1 Employees (“**Eligible Participants**”), in each case who do not receive an offer of employment from Broadcom.

3. Benefits for Group 1 Employees.

A Group 1 Employee (x) who remains employed by the Company on the Closing and (y) who is terminated by the Company without Cause (as defined below) within twelve months following the Closing shall be entitled to receive subject to satisfaction of the Release requirements set forth in the Severance Plan (in the case of the benefits described in (ii) and (iii) below):

(i) earned but unpaid base salary and PTO and unreimbursed business expenses incurred through the date of termination of employment (“**Accrued Benefits**”) within ten (10) days following termination of employment;

(ii) the cash severance and other benefits that such person would have been entitled to receive under the Symantec Corporation Severance Plan (the “**Severance Plan**”) payable as set forth in the Severance Plan; and

(iii) acceleration of all outstanding unvested Company stock options, unvested Company restricted stock units and unvested Company performance based restricted stock units. For purposes of this Section 3, unvested Company performance

based restricted stock units shall be calculated in the same manner as Unvested PRSUs are calculated in Section 4(a)(iv)(A) below.

4. Benefits for Group 2 Employees.

(a) **Group 2 Employees Listed on Appendix A.** A Group 2 Employee (x) who remains employed by the Company on the Closing, (y) who is terminated by the Company without Cause (or upon death) on or within ninety (90) days following the Closing and (z) who is employed by the Company on the Closing in a division referenced on **Appendix A** to this Plan shall be entitled to receive within sixty (60) days following termination of employment, subject to satisfaction of the Release requirements set forth in Section 7 of this Plan in the case of the benefits described in (ii), (iii) and (iv) below:

(i) the Accrued Benefits within ten (10) days following termination of employment;

(ii) a single lump sum cash amount equal to the Group 2 Employee's base salary in effect on the Effective Date, payable within sixty (60) days following termination of employment;

(iii) a single lump sum cash amount of 100% of the Group 2 Employee's annual target bonus amount in effect on the Effective Date, but such amount shall be increased by a multiple reflecting the months worked more than twelve months post-Closing (e.g., for 13 months of post-Closing employment, the bonus multiple will be 108.33%), payable within sixty (60) days following termination of employment; and

(iv) Vesting of the Unvested Equity Awards (as defined below) held by the Group 2 Employee within sixty (60) days following termination of employment as follows:

(A) For the purposes of this Section 4, the Company shall calculate the Group 2 Employee's outstanding time-based RSUs that are unvested as of the Closing (the "**Unvested RSUs**") and outstanding performance based restricted stock units that are unvested as of the Closing (calculated as set forth in the next sentence in this Section 4) (the "**Unvested PRSUs**" and together with the Unvested RSUs, the "**Unvested Equity Awards**"). For purposes of this Section 4, "**Unvested PRSUs**" means (i) for PRSUs, if any, held by a Group 2 Employee that are outstanding as of the Closing and for which the applicable performance metrics already have been measured, the resulting number of PRSUs that are then-subject to additional time-based vesting requirement *plus* (ii) for PRSUs, if any, held by a Group 2 Employee Participant that are outstanding as of the Closing and for which the applicable performance metrics have not yet been measured (including in the case of FY18 PRSUs, carryover amounts based on 3-year TSR achievement), the resulting number of PRSUs that are eligible to vest based on "target" level performance.

(B) Fifty percent (50%) of the Unvested Equity Awards held by a Group 2 Employee shall vest (and be settled) upon termination of employment or such

earlier date as required to satisfy the short-term deferral provisions of Section 409A, of the Code.

(b) **Group 2 Employees Not Listed on Appendix A.** A Group 2 Employee (x) who remains employed by the Company through a specified transition period (to end no later than December 31, 2020) (whether or not terminated at the end of the transition period) or terminated by the Company without Cause (or upon death) prior to the end of such transition period (in either event, the “**Group 2 Transition Period**”), and (y) who is not employed by the Company on the Closing in a division referenced on **Appendix A** to this Plan shall be entitled to receive subject to satisfaction of the Release requirements set forth in Section 7 of this Plan in the case of termination of employment and in the case of benefits described in (ii), (iii) and (iv) below:

(i) the Accrued Benefits, payable only in the case of termination of employment within ten (10) days following termination of employment;

(ii) a single lump sum cash amount equal to the Group 2 Employee’s base salary in effect on the Effective Date, payable within sixty (60) days following the Group 2 Transition Period;

(iii) A single lump sum cash amount of 100% of the Group 2 Employee’s annual target bonus amount in effect on the Effective Date, but such amount shall be increased by a multiple reflecting the months worked more than twelve months post-Closing (e.g., for 13 months of post-Closing employment, the bonus multiple will be 108.33%), payable within sixty (60) days following the Group 2 Transition Period; and

(iv) vesting of the Unvested Equity Awards held by the Group 2 Employee as follows:

(A) The Company shall calculate the Group 2 Employee’s outstanding Unvested Equity Awards in the same manner set forth in Section 4(a)(iv)(A) above.

(B) Fifty percent (50%) of the Unvested Equity Awards held by a Group 2 Employee shall vest (and be settled) following the Group 2 Transition Period or such earlier date as required to satisfy the short-term deferral provisions of Section 409A, of the Code.

(C) In addition to the benefits set forth in subparagraph (a) above, no later than March 15, 2021, the Group 2 Employee shall be entitled to receive the remaining Unvested Equity Awards (after reduction for the number of Unvested Equity Awards as determined pursuant to subparagraph (B) above), subject to the satisfaction of the following performance requirements (the “**New Performance Shares**”) as follows:

a. 75% of the New Performance Shares may be earned (i) 50% based on the highest Average Closing Price during the period beginning on August

20, 2019 and ending on December 31, 2020 and (ii) 50% based on the highest Average Closing Price during the period beginning on July 1, 2020 and ending on December 31, 2020, if in each case, such Average Closing Price is at or above share.

b. 100% of the New Performance Shares may be earned (i) 50% based on the highest Average Closing Price during the period beginning on August 20, 2019 and ending on December 31, 2020 and (ii) 50% based on the highest Average Closing Price during the period beginning on July 1, 2020 and ending on December 31, 2020, if in each case, such Average Closing Price is at or above share.

c. 125% of the remaining New Performance Shares may be earned (i) 50% based on the highest Average Closing Price during the period beginning on August 20, 2019 and ending on December 31, 2020 and (ii) 50% based on the highest Average Closing Price during the period beginning on July 1, 2020 and ending on December 31, 2020, if in each case, such average trading price is at or above share.

d. 150% of the remaining New Performance Shares may be earned (i) 50% based on the highest Average Closing Price during the period beginning on August 20, 2019 and ending on December 31, 2020 (ii) 50% based on the highest Average Closing Price during the period beginning on July 1, 2020 and ending on December 31, 2020, if in each case, such Average Closing Price is at or above share. For the avoidance of doubt, Group 2 Employee shall not be entitled to receive more than 150% of the New Performance Shares.

e. Linear interpolation will apply between the trading prices set forth in subsections (a) through (c) above (but linear interpolation will not apply between prices set forth in subsections (c) through (d)).

(D) Upon a Change in Control (as defined in the Symantec Corporation Executive Retention Plan), the number of remaining New Performance Shares that may be earned will be based on the greater of (x) the number of shares determined by the attainment of the stock price goals set forth in subsections (a) through (e) above, but based only on the price per share payable to stockholders in connection with the Change in Control rather than on the Average Closing Price in subsections (i) or (ii) of subsections (a) through (d) of subsection 4(b)(iv)(C), as the case may be, or (y) 100% of the remaining Unvested Equity Awards referred to in this subsection 4(b)(iv)(D), if greater.

(E) The share price thresholds for attainment of the share price goals set forth in subsections (a) through (d) above shall be adjusted to take account of extraordinary dividends or other payments to stockholders, if any, as a result of the Purchase Agreement consistent with section 2.2 of the Symantec Corporation 2013 Equity Incentive Plan (the "**Equity Plan**") and the treatment of other holders of restricted stock units or options under the Equity Plan or any other equity plan.

(F) The Committee will certify the achievement of the share price metrics and the resulting number of the New Performance Shares eligible to vest.

(G) Any portion of any Unvested Equity Awards that do not vest pursuant to the provisions of this Section 4 shall be forfeited.

5. Definitions.

(a) “**Average Closing Price**” shall mean the average reported closing price of the Company’s common stock for any period of twenty consecutive trading days within the relevant measurement period.

(b) “**Board**” means the Company’s board of directors or, if so designated by the Board for purposes of administering this Plan, a committee of the Board.

(c) “**Cause**” means any or all of the following: (i) failure to perform, to the reasonable satisfaction of the Company, the employee’s duties and/or responsibilities, as assigned or delegated by the Company (ii) commission of a felony or crime of moral turpitude, including but not limited to embezzlement or fraud (iii) material breach of the terms of the employee’s employment agreement, confidentiality and intellectual property agreement or any other agreement by and between employee and the Company (iv) commission of any act of dishonesty, misconduct or fraud in any way impacting the Company, its clients, or its affiliates; (v) any misconduct which brings the Company into disrepute, including conduct that injures or impairs the Company’s business prospects, reputation or standing in the community; (vi) violation of Company policies, including, without limitation, any violation of the Company’s Code of Conduct and Global Workforce Inclusion Policies; provided, however, that the Company shall allow employee a reasonable opportunity (but not in excess of 10 calendar days) to cure, to the reasonable satisfaction of the Company, any act or omission applicable to part (i), (iii), or (vi) above, if curable in the Company’s determination; provided, further, that it is understood that willful or grossly negligent acts or omissions will not be curable.

(d) “**Change in Control**” means (i) any person or entity becoming the beneficial owner, directly or indirectly, of securities of the Company representing forty (40%) percent of the total voting power of all its then outstanding voting securities, (ii) a merger or consolidation of the Company in which its voting securities immediately prior to the merger or consolidation do not represent, or are not converted into securities that represent, a majority of the voting power of all voting securities of the surviving entity immediately after the merger or consolidation, (iii) a sale of substantially all of the assets of the Company or a liquidation or dissolution of the Company, or (iv) individuals who, as of the date of adoption of this Plan, constitute the Board of Directors (this body, the “Board,” and these members constituting, the “Incumbent Board”) cease for any reason to constitute at least a majority of such Board; provided that any individual who becomes a director of the Company subsequent to the date of adoption of this Plan, whose election, or nomination for election by the Company stockholders, was approved by the vote of at least a majority of the directors then in office shall be deemed a member of the Incumbent Board; provided that, in each cases (i)-(iv) of this definition, a transaction or series of transactions shall only constitute a Change in Control if it also satisfies the requirements of a change in control under U.S. Treasury Regulation 1.409A-3(i)(5)(v), 1.409A-3(i)(5)(vi), or 1.409A-3(i)(5)(vii).

(e) “**Code**” means the Internal Revenue Code of 1986, as amended.

(f) “**Committee**” means the Compensation and Leadership Development Committee of the Board.

(g) “**Consumer Employee**” means each employee of the who is primarily dedicated to the Consumer Cyber Safety Business of the Company.

(h) “**Cyber Security Safety Business**” means (i) the Cyber Safety segment (as such segment is described in the Company’s Form 10-K for the year ended March 29, 2019) (including the audited financial statements and footnotes thereto, of the Company that provides cyber safety solutions under the Norton LifeLock brand to assist consumers in protecting their devices, online privacy, identities, and home networks and (ii) the ID Analytics business of the Company.

(i) “**Group 2 Transition Period**” means the period of time from the Closing through December 31, 2020 or such earlier termination of employment other than for Cause or by reason of the Eligible Participant’s death.

6. Golden Parachute Taxes. In the event that the benefits provided for in this Plan or otherwise payable to an Eligible Participant (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 6, would be subject to the excise tax imposed by Section 4999 of the Code, then, the Eligible Participant’s benefits under this Plan shall be payable either (i) in full, or (ii) as to such lesser amount which would result in no portion of such benefits being subject to the excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Eligible Participant on an after-tax basis, of the greatest amount of benefits under this Plan, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. Reduction in either cash payments or equity compensation benefits shall be made pro-rata between and among benefits which are subject to Section 409A of the Code and benefits which are exempt from Section 409A of the Code.

7. Release Requirement for Certain Severance & Acceleration. Except as provided in Section 3 and 4, the receipt of any severance payment or equity acceleration payable an Eligible Participant pursuant to Sections 3 or 4 will be subject to the Eligible Participant signing a release of claims that is satisfactory to the Company (a “**Release**”) and satisfying all conditions to make the Release effective and irrevocable by no later than sixty (60) days after the applicable date of the termination of employment.

8. Administration. This Plan will be administered by the Committee. Subject to the general purposes, terms and conditions of this Plan, the Committee will have full power to implement this Plan. Any determination made by the Committee with respect to any Award will be made in its sole discretion, unless in contravention of any express term of this Plan

or Award, at any later time, and such determination will be final, binding and conclusive on the Company and on all Eligible Participants.

9. Miscellaneous Provisions.

(a) **Section 409A.** To the extent that (i) any payments to which the Eligible Participant becomes entitled under this Plan in connection with a separation from service constitute nonqualified deferred compensation subject to Section 409A of the Code, and (ii) the Eligible Participant is deemed at the time of the separation from service to be a specified employee (as such term is defined in U.S. Treasury Regulation 1.409A-1(i)), then such payment or payments shall not be made or commence until the earlier of (A) the expiration of the six-month period measured from the date of the Eligible Participant's separation from service with the Company, or (B) the Eligible Participant's date of death following such separation from service; provided, however, that such delay shall only be effected to the extent required to avoid adverse tax treatment to the Eligible Participant, including (without limitation) the additional twenty percent (20%) tax for which the Eligible Participant would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such delay. Upon the expiration of the applicable delay period, any payments which would have otherwise been made during that period in the absence of this paragraph shall be paid to the Eligible Participant or his or her beneficiary in one lump sum (without interest). The provisions of this Plan are intended to be exempt from or otherwise comply with the provisions of Section 409A of the Code. If any provision of this Plan is subject to more than one interpretation or construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with such provisions not being subject to the provisions of Section 409A of the Code, and for any payments where such construction is not tenable, that those payments comply with Section 409A of the Code to the maximum permissible extent. To the extent any payment under this Plan may be classified as a "short-term deferral" within the meaning of Section 409A of the Code, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A of the Code under another provision of Section 409A of the Code. Payments pursuant to this Plan (or referenced in this Agreement) are intended to constitute separate payments for purposes of U.S. Treasury Regulation 1.409A-2(b)(2).

(b) **Other Severance and Acceleration Arrangements.** Except as otherwise specified herein, this Plan represents the entire agreement between Eligible Participant and the Company with respect to any and all severance arrangements and vesting acceleration arrangements and supersedes and replaces any and all prior verbal or written discussions, negotiations and/or agreements between Eligible Participant and the Company relating to the subject matter hereof as may be set forth under any and all prior agreements governing any employment agreement, severance agreement, offer letter, equity grant or programs and plans which were previously offered by the Company to Eligible Participant, including, but not limited to, as applicable, the Symantec Corporation 2013 Equity Incentive Plan, the Blue Coat, Inc. 2016 Equity Plan, the Batman Holdings, Inc. Amended and Restated 2015 Stock Plan, the FireGlass Ltd. 2015 Share Incentive Plan, the LifeLock, Inc. 2012 Incentive Compensation Plan, the Accezz.io Ltd. Share

Incentive Plan, the Skycure Ltd. Option Grant Agreement, the Skycure Ltd. 2019 Equity Incentive Plan and the Symantec Corporation Severance Plan, the Symantec Corporation Retention Plan, the Symantec Corporation Executive Severance Plan and the Symantec Corporation Executive Retention Plan, and Eligible Participant hereby waives the Eligible Participant's rights under all such other arrangements after the Effective Date provided that the Plan shall terminate and all prior plans and arrangements shall remain in effect if the Closing does not occur on or before March 1, 2020.

(c) **All Awards Subject to Company Clawback or Recoupment Policy.** All benefits shall be subject to clawback, recoupment or forfeiture employee as provided under any clawback, recoupment or forfeiture policy adopted by the Board or required by law. Such clawback, recoupment or forfeiture policy, in addition to any other remedies available under applicable law, may require the cancellation of outstanding Awards and the recoupment of any gains realized with respect to Awards.

(d) **Arbitration.** Except for any claim for injunctive relief arising out of a breach of a Party's obligations to protect the other's proprietary information, the Parties agree to arbitrate, in Santa Clara County, California through JAMS, any and all disputes or claims arising out of or related to the validity, enforceability, interpretation, performance or breach of this Agreement, whether sounding in tort, contract, statutory violation or otherwise, or involving the construction or application or any of the terms, provisions, or conditions of this Agreement. Any arbitration may be initiated by a written demand to the other Party. The arbitrator's decision shall be final, binding, and conclusive. The Parties further agree that this Agreement is intended to be strictly construed to provide for arbitration as the sole and exclusive means for resolution of all disputes hereunder to the fullest extent permitted by law. The Parties expressly waive any entitlement to have such controversies decided by a court or a jury.

(e) **Amendment; Waiver.** The Board may at any time terminate or amend this Plan in any respect; provided, however, that an Eligible Participant's participation herein will continue to be governed by the version of this Plan in effect at the time such individual becomes an Eligible Participant. In any event, no termination or amendment of this Plan may adversely affect any Eligible Participant's rights hereunder without the consent of the Eligible Participant, unless such termination or amendment is necessary to comply with applicable law, regulation or rule. No waiver by the Company of any breach by any Eligible Participant of, or of compliance with, any condition or provision of this Plan will be considered a waiver by the Company of any other condition or provision or of the same condition or provision at another time.

(f) **Withholding Taxes.** All payments made under this Plan will be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) **Severability.** The invalidity or unenforceability of any provision or provisions of this Plan will not affect the validity or enforceability of any other provision hereof, which will remain in full force and effect.

(h) **No Retention Rights.** Nothing in this Plan will confer upon Eligible Participant any right to continue in employment with or other service to the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or any subsidiary of the Company or of Eligible Participant, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without Cause.

(i) **Choice of Law.** The validity, interpretation, construction and performance of this Plan will be governed by the laws of the State of California (other than their choice-of-law provisions).

TRANSITION SERVICES AGREEMENT

This Transition Services Agreement ("**Agreement**") is made by and between Richard S. Hill ("**Executive**") and Symantec Corporation (the "**Company**") (collectively referred to as the "**Parties**" or individually referred to as a "**Party**") and is effective as of the date it is signed by the Parties (the "**Effective Date**").

RECITALS

WHEREAS, Executive intends to resign from his employment with the Company following the closing (the "**Closing**") of the transactions contemplated by the Asset Purchase Agreement (the "**Asset Purchase Agreement**"), dated August 8, 2019 between the Company and Broadcom, Inc. (the "**Transaction**"), at such time as determined by the Board of Directors of the Company (provided such date of resignation shall not be later than December 31, 2019) (the "**Resignation Date**"); and

WHEREAS, Executive and Company both wish to ensure an orderly transition of Executive's duties and responsibilities throughout the Transition Period;

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

COVENANTS

1. **Executive's Resignation.** Executive will resign from his employment with the Company as of the Resignation Date. Executive agrees to execute any documentation deemed reasonably necessary by the Company to confirm Executive's resignation from employment.
 2. **Transition Services.** Beginning on the Effective Date of this Agreement and through the Resignation Date (the "**Transition Period**"), Executive agrees to provide the following transition services (the "**Transition Services**"): (1) continue to serve as the Company's Chief Executive Officer until the Closing and (2) provide reasonable transition services to the Company, or such other services as the Company may request, including, but not limited to, the transitioning of Executive's responsibilities and assistance in the hiring of a new chief executive officer of the Company. Executive's employment during the period Executive provides the Transition Services shall continue to be "at-will," meaning the Company and Executive are both free to terminate Executive's employment with or without cause or notice. During the period Executive provides the Transition Services, Executive shall continue to receive his base salary and special monthly stipend at the same rate and frequency that he was receiving his salary immediately prior to the commencement of the Transition Period, and shall continue to be eligible to participate in then-available Company
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benefit programs at the same level as he would have been eligible to participate in such programs as of immediately prior to the Transition Period, subject to the terms and conditions, including eligibility requirements, of such programs. Executive will remain on the Board of Directors of the Company until the next meeting of shareholders of the Company, and shall remain on the Board thereafter if nominated to the Board and elected by shareholders.

3. **Accrued Compensation.** In connection with any termination of employment, the Company shall pay Executive's earned but unpaid base salary and special monthly stipend, as set forth in his executive employment agreement with the Company, dated May 24, 2019 (the "***Employment Agreement***") and unreimbursed documented business expenses incurred by Executive through the date of termination of Executive's employment (collectively "***Accrued Compensation and Expenses***"). In addition, Executive shall be entitled to any other vested benefits earned by Executive for the period through and including the termination date of Executive's employment under the Company's Section 401(k) plan maintained by the Company, in accordance with the terms of such plans ("***Accrued Benefits***"). Any Accrued Compensation and Expenses to which Executive is entitled shall be paid to Executive in cash as soon as administratively practicable after the termination of employment.

4. **Consideration.** In consideration of the Transition Services, and in connection with and in exchange for the Parties' promises herein:

(a) **FY20 Executive Annual Incentive Plan.** The Executive's participation in the FY20 Executive Annual Incentive Plan (the "***FY20 EAIP***") will be terminated and Executive will receive a cash amount equal to (x) the number of days from and including April 14, 2019 through and including December 31, 2019 (or if later, the date of Executive's termination of employment), divided by (y) 365, times (z) \$1,500,000, in full satisfaction of Executive's FY20 EAIP and target bonus opportunity within thirty (30) days following termination of employment; provided that (i) Executive remains employed through the end of the Transition Period or (ii) Executive's employment is terminated by the Company other than for Cause or upon Executive's death or disability prior to the end of the Transition Period; and provided further that Executive has executed and not revoked the Release prior to the Release Deadline (as set forth in Section 6 below).

(b) **RSU Vesting and Settlement.** Executive will continue to vest in Executive's restricted stock unit awards granted on May 24, 2019 ("***RSUs***"), in accordance with the terms of such RSUs through the end of the Transition Period and during the period that Executive remains on the Board, provided Executive continues to provide the Transition Services or remains on the Board as of the applicable vesting date set forth in such RSUs. Notwithstanding the foregoing, the vesting of the outstanding unvested RSUs will vest and be settled in full with respect to 100% of such RSUs if Executive's employment is terminated by the Company other than for Cause and Executive is requested to resign from the Board or is not nominated or elected as a Board member at the Company's Annual Meeting. Any

RSUs that are unvested upon any termination of employment or Board service not described in the preceding sentence will be forfeited except as set forth above.

The RSUs shall be adjusted to take account of extraordinary dividends or other payments to stockholders, if any, as a result of the Asset Purchase Agreement consistent with section 2.2 of the Symantec Corporation 2013 Equity Incentive Plan (the “**Equity Plan**”) and the treatment of other holders of restricted stock units under the Equity Plan or any other equity plan.

(c) **Stock Option Vesting and Exercisability.** Any vested portion of the stock option granted to Executive on May 24, 2019 (“**Option**”) shall be exercisable through and including May 24, 2022 (without regard to whether Executive’s service as an executive or director terminates prior to such time). After such date, any unexercised portion of the Option shall terminate. The Option shall vest and become exercisable as follows:

(i) The Option shall vest and become exercisable with respect to 650,000 shares of common stock subject to the Option upon the earliest to occur of a Closing or a Change in Control (as defined in the Symantec Corporation Executive Retention Plan) if (i) Executive is employed through the end of the Transition Period or (ii) Executive’s employment is terminated by the Company other than for Cause or upon Executive’s death or disability prior to or at the end of the Transition Period; provided Executive has executed and not revoked the Release prior to the Release Deadline (as set forth in Section 6 below).

(ii) Up to 975,000 additional shares of common stock subject to the Option shall vest and become exercisable if (i) Executive is employed through the end of the Transition Period or (ii) Executive’s employment is terminated by the Company other than for Cause or upon Executive’s death or disability prior to or at the end of the Transition Period; provided Executive has executed and not revoked the Release prior to the Release Deadline (as set forth in Section 6 below) only as follows:

(A) With respect to 487,500 shares of common stock subject to the Option (i) 50% based on the highest Average Closing Price during the period August 20, 2019 and December 31, 2020 and (ii) 50% based on the highest Average Closing Price during the period July 1, 2020 through December 31, 2020, if in the applicable case, such highest Average Closing Price is at or above share. For purposes of this Section 4, Average Closing Price shall mean the average reported closing price of the Company’s common stock for any period of twenty consecutive trading days within the relevant measurement period.

(B) With respect to an additional 162,500 shares of common stock subject to the Option (i) 50% based on the highest Average Closing Price during the period August 20, 2019 and December 31, 2020 and (ii) 50% based on the highest Average Closing Price during the period July 1, 2020 through December 31, 2020, if in the applicable case, such highest Average Closing Price is at or above share.

(C) With respect to an additional 162,500 shares of common stock subject to the Option (i) 50% based on the highest Average Closing Price during the period August 20, 2019 and December 31, 2020 and (ii) 50% based on the highest Average Closing Price during the period July 1, 2020 through December 31, 2020, if in the applicable case, such highest Average Closing Price is at or above share.

(D) With respect to an additional 162,500 shares of common stock subject to the Option (i) 50% based on the highest Average Closing Price between August 20, 2019 and December 31, 2020 and (ii) 50% based on the highest Average Closing Price during the period July 1, 2020 through December 31, 2020, if in the applicable case, such highest Average Closing Price is at or above share.

(E) Linear interpolation of the shares of common stock subject to the Option that are eligible to vest and become exercisable will apply between the trading prices set forth in (A) through (C) above (but linear interpolation will not apply between prices set forth in (C) through (D)).

(F) Upon a Change in Control (as defined in the Symantec Corporation Executive Retention Plan), the number of shares of common stock subject to the Option that may be earned pursuant to clause (c)(ii) will be based on the greater of (x) the number of shares determined by attainment of the stock price goals set forth in subsections (A) through (E) above, but based only on the price per share payable to stockholders in connection with the Change in Control rather than on the Average Closing Price in subsections (i) or (ii) of subsections (A) through (D), as the case may be, or (y) 650,000 shares of common stock.

(G) The Option exercise price and the share price thresholds for attainment of the stock price goals set forth in subsections (A) through (D) above shall be adjusted to take account of extraordinary dividends or other payments to stockholders, if any, as a result of the Asset Purchase Agreement consistent with Section 2.2 of the Equity Plan and the treatment of other holders of stock options under the Equity Plan or any other equity plan.

(iii) Any portion of the Option that does not vest and become exercisable or is not otherwise exercisable pursuant to this Section 4(c) will not be exercisable and will be forfeited.

(d) **Cause.** For purposes of this Section 4, except where otherwise provided in this Section 4, Cause means any or all of the following: (i) failure to perform, to the reasonable satisfaction of the Company, Executive's duties and/or responsibilities, as assigned or delegated by the Company; (ii) commission of a felony or crime of moral turpitude, including but not limited to embezzlement or fraud; (iii) material breach of the terms of Executive's employment agreement, confidentiality and intellectual property agreement or any other agreement by and between Executive and the Company; (iv) commission of any act of dishonesty, misconduct or fraud in any way materially adversely impacting the Company, its clients, or its affiliates; (v) any misconduct which brings the

Company into disrepute, including conduct that injures or impairs the Company's business prospects, reputation or standing in the community; (vi) violation of Company policies, including, without limitation, any violation of the Company's Code of Conduct and Global Workforce Inclusion Policies; provided, however, that the Company shall allow Executive a reasonable opportunity (but not in excess of 10 calendar days) to cure, to the reasonable satisfaction of the Company, any act or omission applicable to part (i), (iii), or (vi) above, if curable in the Company's determination; provided, further, that it is understood that willful or grossly negligent acts or omissions will not be curable. If Executive's employment is terminated due to Executive's resigning at the request of the Company, such termination shall be considered a termination other than for Cause.

5. **Non-disparagement**. In addition to any other existing obligations regarding non-disparagement, for a period of two years from the date hereof (i) Executive shall not disparage the Company or its products, services, directors or officers with any written or oral statement and (ii) the Company will use its best efforts to ensure that the Company's executive officers and its Board of Directors shall not disparage Executive, with any written or oral statement. Nothing in this section shall prohibit Executive or the Company or its executive officers from providing truthful information in response to a subpoena or other legal process.

6. **Conditions to Receipt of Severance**. The receipt of any vesting or benefits payable upon a termination pursuant to Section 4 will be subject to Executive signing a release of claims in a form approved by the Company, which approval will not be unreasonably withheld (the "**Release**") and satisfying all conditions to make the Release effective by no later than thirty (30) days after the Resignation Date (the "**Release Deadline**"), provided, however, that the Release does not release any of Executive's rights to his compensation under this Agreement or his rights to indemnification or fiduciary insurance pursuant to the Company's Certificate of Incorporation, Bylaws or other agreements with the Company.

7. **Indemnification**. For the avoidance of doubt, Executive will continue to be covered by any indemnification agreement in place between Executive and the Company, and remain named as an insured on the director and officer liability insurance policy currently maintained by the Company, or as may be maintained by the Company from time to time.

8. **Arbitration**. Except for any claim for injunctive relief arising out of a breach of a Party's obligations to protect the other's proprietary information, the Parties agree to arbitrate, in Santa Clara County, California through JAMS, any and all disputes or claims arising out of or related to the validity, enforceability, interpretation, performance or breach of this Agreement, whether sounding in tort, contract, statutory violation or otherwise, or involving the construction or application or any of the terms, provisions, or conditions of this Agreement. Any arbitration may be initiated by a written demand to the other Party. The arbitrator's decision shall be final, binding, and conclusive. The Parties further agree that this Agreement is intended to be strictly construed to provide for arbitration as the sole and exclusive means for resolution of all disputes hereunder to the fullest extent permitted

by law. The Parties expressly waive any entitlement to have such controversies decided by a court or a jury.

9. Complete and Voluntary Agreement. This Agreement amends Executive's Employment Agreement and existing RSU and Option, and together with such agreements, constitutes the entire agreement between Executive and the Company with respect to the subject matter hereof and, except as expressly indicated herein, supersedes all prior negotiations and agreements, whether written or oral, relating to such subject matter. In the event of a conflict between this Agreement and Executive's Employment Agreement and existing RSU and Option, the provisions of this Agreement shall prevail (except as provided below). The payments and benefits pursuant to this Agreement are in satisfaction or in lieu of any payments or benefits otherwise payable to Executive under the Employment Agreement or any other severance benefit plan, offer letter, equity agreement or other agreement or arrangement, including any vesting provisions in your Employment Agreement or any equity agreements. Notwithstanding the foregoing, (i) if the Transaction does not close on or before May 8, 2020, this Agreement shall terminate and all prior agreements or arrangements shall remain in effect or be reinstated as if this Agreement was never in effect and (ii) Sections 7, 8, 10, 11 and 14 of the Employment Agreement shall remain in effect and shall not be superseded by this Agreement. Executive acknowledges that neither the Company nor its agents or attorneys have made any promise, representation or warranty whatsoever, either express or implied, written or oral, which is not contained in this Agreement for the purpose of inducing Executive to execute the Agreement, and Executive acknowledges that Executive has executed this Agreement in reliance only upon such promises, representations and warranties as are contained herein, and is executing this Agreement voluntarily, free of any duress or coercion.

10. Modification; Counterparts; Facsimile/PDF Signatures. It is expressly agreed that this Agreement may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Agreement, executed by authorized representatives of each of the parties to this Agreement. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Execution of a facsimile or PDF copy shall have the same force and effect as execution of an original, and a copy of a signature will be equally admissible in any legal proceeding as if an original.

11. Taxes. All payments made under this Agreement will be subject to reduction to reflect taxes or other charges required to be withheld by law. Each payment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii).

12. Fees. The Company shall reimburse Executive's reasonable legal and accounting fees related to the review and negotiation of this Agreement, including related tax matters not to exceed \$30,000.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below:

EXECUTIVE

SYMANTEC CORPORATION

/s/ Richard S. Hill

/s/ Scott Taylor

Richard S. Hill

Scott Taylor, EVP General Counsel

August 30, 2019

August 30, 2019

Date

Date

[SIGNATURE PAGE TO TRANSITION SERVICES AGREEMENT]

Certification

I, Richard S. Hill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NortonLifeLock Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Richard S. Hill

Richard S. Hill

Interim President, Chief Executive Officer and Director

Date: November 8, 2019

Certification

I, Vincent Pilette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NortonLifeLock Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Vincent Pilette

Vincent Pilette

Executive Vice President and Chief Financial Officer

Date: November 8, 2019

**Certification Pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Richard S. Hill, Interim President, Chief Executive Officer and Director of NortonLifeLock Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (i) the Company's quarterly report on Form 10-Q for the period ended October 4, 2019, to which this Certification is attached (the "Form 10-Q"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard S. Hill

Richard S. Hill

Interim President, Chief Executive Officer and Director

Date: November 8, 2019

This Certification which accompanies the Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

**Certification Pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Vincent Pilette, Executive Vice President and Chief Financial Officer of NortonLifeLock Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (i) the Company's quarterly report on Form 10-Q for the period ended October 4, 2019, to which this Certification is attached (the "Form 10-Q"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Vincent Pilette

Vincent Pilette

Executive Vice President and Chief Financial Officer

Date: November 8, 2019

This Certification which accompanies the Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.