



Q3FY20 SUPPLEMENTAL INFORMATION

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PRESENTATION OF DISCONTINUED OPERATIONS

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. As a result, the majority of results of our Enterprise Security business were classified as discontinued operations and thus excluded from continuing operations for all periods presented.

The definitive agreement for the Broadcom sale provided that the selection of certain assets sold and liabilities assumed would be subject to negotiations between us and Broadcom subsequent to the signing of the agreement through the date of the close of the Broadcom sale. As a result of such negotiations, our results of operations reflect changes in the assets and liabilities that were determined to be part of discontinued operations as reported in our earnings materials for the period ended October 4, 2019.

NON-GAAP SUPPLEMENTAL INFORMATION & NOTES

The following information includes non-GAAP measures. Non-GAAP financial measures are supplemental and should not be considered a substitute for financial information presented in accordance with GAAP. For a detailed explanation of these non-GAAP measures, please see Explanation of Non-GAAP Measures.

All quarters presented consisted of 13 weeks except for Q1FY20 which consisted of 14 weeks.

The following numbers may not add due to rounding.

(Dollars and shares in millions, except per share data, unaudited)

REVENUES (a)

	Q3FY20	Q3FY19	Y/Y Change
Revenues	\$ 618	\$ 615	1%

(a) Y/Y change is in constant currency using Q3FY19 foreign exchange rates. See page 2 for the GAAP to non-GAAP reconciliation of this number.

NON-GAAP EXPENSES AND PROFITABILITY (b)

	Q3FY20	Q3FY19	Y/Y Change
Operating expenses	\$ 299	\$ 338	(12%)
Operating income	\$ 224	\$ 176	27%
Operating margin	36.2%	28.6%	7.6pts
Net income	\$ 159	\$ 102	56%
Diluted EPS	\$ 0.25	\$ 0.16	\$ 0.09
Diluted weighted-average shares outstanding	647	655	(1%)

(b) See page 3 for GAAP to non-GAAP reconciliations of these numbers.

BALANCE SHEETS

	Q3FY20	Q4FY19
Cash, cash equivalents and short-term investments	\$ 12,768	\$ 2,043
Contract liabilities	\$ 1,047	\$ 1,059
Debt (principal)	\$ 4,500	\$ 4,500

CASH FLOW AND OTHER METRICS

	Q3FY20	Q3FY19
Cash flow from operating activities	\$ 399	\$ 377
Purchases of property and equipment	\$ 10	\$ 58
Free cash flow	\$ 389	\$ 319
Stock repurchases - number of shares (c)	14	—
Headcount	5,144	11,925

(c) The number of shares repurchased is reported based on trade date.

(Dollars and customer count in millions, unaudited)

REPORTED BILLINGS (NON-GAAP)

	Q3FY20	Q3FY19	Y/Y Change
Revenues	\$ 618	\$ 615	—%
Add: Contract liabilities (end of period)	1,047	1,046	
Less: Contract liabilities (beginning of period)	(1,016)	(1,040)	
Add: Other contract liabilities adjustment (a)	—	4	
Reported billings (Non-GAAP)	\$ 649	\$ 625	4%

(a) Other contract liabilities adjustment represents the change in contract liabilities related to Veritas discontinued operations.

CONSUMER CYBER SAFETY METRICS

	Q3FY20	Q2FY20	Q3FY19
Direct customer revenues	\$ 542	\$ 536	\$ 540
Partner revenues	\$ 61	\$ 59	\$ 62
Revenues from ID Analytics	\$ 15	\$ 13	\$ 13
Average direct customer count	20.1	20.1	20.6
Direct customer count (at quarter end)	20.1	20.1	20.5
Direct average revenue per user (ARPU)	\$ 8.99	\$ 8.88	\$ 8.75

REVENUES & NON-GAAP CONSTANT CURRENCY ADJUSTED REVENUES

	Q3FY20	Q3FY19	Y/Y Change
Revenues	\$ 618	\$ 615	—%
Exclude foreign exchange impact (b)	1	—	
Non-GAAP constant currency adjusted revenues	\$ 619	\$ 615	1%

(b) Calculated using Q3FY19 foreign exchange rates.

(Dollars and shares in millions, except per share data, unaudited)

GAAP RESULTS OF OPERATIONS (a)

	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Net revenues	\$ 618	\$ 608	\$ 650	\$ 617	\$ 615	\$ 612	\$ 612
Cost of revenues	103	97	96	124	110	113	108
Gross profit	515	511	554	493	505	499	504
Sales and marketing	178	189	184	175	166	174	197
Research and development	72	85	101	98	110	104	108
General and administrative	85	90	96	93	98	100	119
Amortization of intangible assets	20	21	20	21	19	20	20
Restructuring, transition and other costs	98	17	13	34	50	53	84
Total operating expenses	453	402	414	421	443	451	528
Operating income	62	109	140	72	62	48	(24)
Interest expense	(51)	(46)	(49)	(51)	(53)	(52)	(52)
Other income (expense), net	399	(3)	1	(1)	(18)	(23)	(15)
Income (loss) from continuing operations before income taxes	410	60	92	20	(9)	(27)	(91)
Income tax expense	57	22	54	(17)	10	34	(24)
Income (loss) from continuing operations	353	38	38	37	(19)	(61)	(67)
Income from discontinued operations	2,492	747	(12)	(3)	84	53	7
Net income	\$ 2,845	\$ 785	\$ 26	\$ 34	\$ 65	\$ (8)	\$ (60)

NON-GAAP ADJUSTMENTS (a)

	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Cost of revenue							
Stock-based compensation	\$ —	\$ 1	\$ —	\$ 1	\$ 2	\$ 1	\$ 2
Amortization of intangible assets	8	8	7	7	9	8	6
Other	—	—	—	1	(1)	—	—
Total gross profit adjustment	8	9	7	9	10	9	8
Operating expenses							
Stock-based compensation	36	28	26	32	35	37	48
Amortization of intangible assets	20	21	20	21	19	20	20
Restructuring, transition and other costs	98	17	13	34	50	53	84
Other	—	—	—	—	—	1	(3)
Total operating expense adjustment	154	66	59	87	104	111	149
Stock-based compensation	3	—	—	—	—	—	—
Non-cash interest expense	7	5	6	7	6	6	6
Gain on sale of equity method investment	(379)	—	—	—	—	—	—
Loss from equity interest	9	11	11	17	24	34	26
Other	—	—	—	—	(1)	—	—
Total adjustments to GAAP income (loss) from continuing operations before income taxes	(198)	91	83	120	143	160	189
Income tax effect of non-GAAP adjustments	3	(13)	13	(49)	(22)	6	(45)
Total income (loss) adjustment to continuing operations, net of taxes	(195)	78	96	71	121	166	144
Income adjustment for discontinued operations	(2,492)	(747)	12	3	(84)	(53)	(7)
Total net income adjustment	\$ (2,687)	\$ (669)	\$ 108	\$ 74	\$ 37	\$ 113	\$ 137

NON-GAAP RESULTS OF OPERATIONS (a)

	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Net revenues	\$ 618	\$ 608	\$ 650	\$ 617	\$ 615	\$ 612	\$ 612
Cost of revenues	95	89	88	114	101	103	100
Gross profit	523	519	562	503	514	509	512
Sales and marketing	169	182	177	166	156	163	186
Research and development	66	77	94	89	101	96	100
General and administrative	64	77	84	80	81	82	92
Total operating expenses	299	336	355	335	338	341	378
Operating income	224	183	207	168	176	168	134
Interest expense	(44)	(41)	(43)	(44)	(46)	(46)	(46)
Other income, net	33	9	11	17	4	12	11
Income before income taxes	213	151	175	141	134	134	99
Provision for income taxes	54	35	41	32	32	28	21
Net income	\$ 159	\$ 116	\$ 134	\$ 109	\$ 102	\$ 106	\$ 78

SHARE COUNT & DILUTED NET INCOME PER SHARE (a)

	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Diluted GAAP weighted-average shares outstanding	647	644	642	662	637	630	624
Incremental dilution	—	—	—	—	18	27	47
Diluted non-GAAP weighted-average shares outstanding	647	644	642	662	655	657	671
GAAP diluted net income per share	\$ 4.40	\$ 1.22	\$ 0.04	\$ 0.05	\$ 0.10	\$ (0.01)	\$ (0.10)
Non-GAAP adjustments per share	\$ (4.15)	\$ (1.04)	\$ 0.17	\$ 0.11	\$ 0.05	\$ 0.17	\$ 0.21
Non-GAAP diluted net income per share	\$ 0.25	\$ 0.18	\$ 0.21	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.12

(a) Amounts may not add due to rounding.

(Dollars in millions, unaudited)

STOCK-BASED COMPENSATION EXPENSE

	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Cost of revenues	\$ —	\$ 1	\$ —	\$ 1	\$ 2	\$ 1	\$ 2
Sales and marketing	10	6	7	10	10	11	11
Research and development	6	8	7	9	9	8	8
General and administrative	20	14	12	13	16	18	29
Restructuring, transition and other costs	6	—	—	—	—	—	—
Other income (expense), net	3	—	—	—	—	—	—
Total stock-based compensation from continuing operations	45	29	26	33	37	38	50
Discontinued operations	75	41	54	54	18	59	63
Total stock-based compensation expense	\$ 120	\$ 70	\$ 80	\$ 87	\$ 55	\$ 97	\$ 113

NORTONLIFELOCK INC.

Explanation of Non-GAAP Measures

Objective of non-GAAP measures: We believe our presentation of non-GAAP financial measures, when taken together with corresponding GAAP financial measures, provides meaningful supplemental information regarding the Company's operating performance for the reasons discussed below. Our management team uses these non-GAAP financial measures in assessing NortonLifeLock's performance, as well as in planning and forecasting future periods. Due to the importance of these measures in managing the business, we use non-GAAP measures in the evaluation of management's compensation. These non-GAAP financial measures are not computed according to GAAP and the methods we use to compute them may differ from the methods used by other companies. Non-GAAP financial measures are supplemental and should not be considered a substitute for financial information presented in accordance with GAAP and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Contract liabilities adjustment: Our non-GAAP net revenues eliminate the impact of contract liabilities purchase accounting adjustments required by GAAP. GAAP requires an adjustment to the liability for acquired contract liabilities such that the liability approximates how much we, the acquirer, would have to pay a third party to assume the liability. We believe that eliminating the impact of this adjustment improves the comparability of revenues between periods. Also, although the adjustment amounts will never be recognized in our GAAP financial statements, we do not expect the acquisitions to affect the future renewal rates of revenues excluded by the adjustments. In addition, our management uses non-GAAP net revenues, adjusted for the impact of purchase accounting adjustments to assess our operating performance and overall revenue trends. Nevertheless, non-GAAP net revenues has limitations as an analytical tool and should not be considered in isolation or as a substitute for GAAP net revenues. We believe these adjustments are useful to investors as an additional means to reflect revenue trends of our business. However, other companies in our industry may not calculate these measures in the same manner which may limit their usefulness for comparative purposes.

Stock-based compensation: This consists of expenses for employee restricted stock units, performance-based awards, bonus share programs, stock options and our employee stock purchase plan, determined in accordance with GAAP. We evaluate our performance both with and without these measures because stock-based compensation is a non-cash expense and can vary significantly over time based on the timing, size, nature and design of the awards granted, and is influenced in part by certain factors that are generally beyond our control, such as the volatility of the market value of our common stock. In addition, for comparability purposes, we believe it is useful to provide a non-GAAP financial measure that excludes stock-based compensation to facilitate the comparison of our results to those of other companies in our industry.

Amortization of intangible assets: Amortization of intangible assets consists of amortization of acquisition-related intangibles assets such as developed technology, customer relationships and trade names acquired in connection with business combinations. We record charges relating to the amortization of these intangibles within both cost of revenues and operating expenses in our GAAP financial statements. Under purchase accounting, we are required to allocate a portion of the purchase price to intangible assets acquired and amortize this amount over the estimated useful lives of the acquired intangible assets. However, the purchase price allocated to these assets is not necessarily reflective of the cost we would incur to internally develop the intangible asset. Further, amortization charges for our acquired intangible assets are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions. We eliminate these charges from our non-GAAP operating results to facilitate an evaluation of our current operating performance and provide better comparability to our past operating performance.

Restructuring, transition and other costs: Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements and contract cancellation charges, as well as other exit and disposal costs. Included in other exit and disposal costs are advisory fees incurred in connection with restructuring events and facilities exit costs. Separation costs primarily consist of consulting costs incurred in connection with the divestiture of our Enterprise Security business. Transition costs are associated with formal discrete strategic information technology initiatives and primarily consist of consulting charges associated with our enterprise resource planning and supporting systems and costs to automate business processes. We exclude restructuring, transition and other costs from our non-GAAP results as we believe that these costs are incremental to core activities that arise in the ordinary course of our business and do not reflect our current operating performance, and that excluding these charges facilitates a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.

Acquisition-related costs: These represent the transaction and business integration costs related to significant acquisitions that are charged to operating expense in our GAAP financial statements. These costs include incremental expenses incurred to affect these business combinations such as advisory, legal, accounting, valuation, and other professional or consulting fees. We exclude these costs from our non-GAAP results as they have no direct correlation to the operation of our business, and because we believe that the non-GAAP financial measures excluding these costs provide meaningful supplemental information regarding the spending trends of our business. In addition, these costs vary, depending on the size and complexity of the acquisitions, and are not indicative of costs of future acquisitions.

Litigation settlement: We may periodically incur charges or benefits related to litigation settlements. We exclude these charges and benefits when associated with a significant settlement because we do not believe they are reflective of ongoing business and operating results.

Non-cash interest expense and amortization of debt issuance costs: In accordance with GAAP, we separately account for the value of the conversion feature on our convertible notes as a debt discount that reflects our assumed non-convertible debt borrowing rates. We amortize the discount and debt issuance costs over the term of the related debt. We exclude the difference between the imputed interest expense, which includes the amortization of the conversion feature and of the issuance costs, and the coupon interest payments because we believe that excluding these costs provides meaningful supplemental information regarding the cash cost of our convertible debt and enhance investors' ability to view the Company's results from management's perspective.

Gain on divestitures: We periodically recognize gains on divestitures. We have excluded these gains for purposes of calculating our non-GAAP results. We believe making these adjustments facilitates a better evaluation of our current operating performance and comparisons to past operating results.

Gain (loss) from equity interest: We record gains or losses in equity method investments representing net income or loss attributable to our noncontrolling interest in companies over which we have limited control and visibility. We exclude such gains and losses in full because we lack control over the operations of the investee and the related gains and losses are not indicative of our ongoing core results.

Income tax effects and adjustments: We use a non-GAAP tax rate that excludes (1) the discrete impacts of changes in tax legislation, (2) most other significant discrete items, (3) certain unique GAAP reporting requirements under discontinued operations and (4) the income tax effects of the non-GAAP adjustment to our operating results described above. We believe making these adjustments facilitates a better evaluation of our current operating performance and comparisons to past operating results. Our tax rate is subject to change for a variety of reasons, such as significant changes in the geographic earnings mix due to acquisition and divestiture activities or fundamental tax law changes in major jurisdictions where we operate. On June 7, 2019, a three-judge panel from the Ninth Circuit Court of Appeals issued an opinion in *Altera Corp. v. Commissioner* which reversed a United States Tax Court decision regarding the treatment of share-based compensation expense in a cost sharing arrangement. As a result, we recorded a cumulative income tax expense of \$62 million for continuing operation in the first quarter and first six months of fiscal 2020, which has been excluded from our non-GAAP tax provision. In addition, in the second quarter of fiscal 2020, we recorded a \$665 million tax benefit in discontinued operations 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 will recover the tax basis through the sale of certain assets of the Enterprise business, which is taxed at the Irish capital gains tax rate of 33%. For fiscal 2019, as a result of U.S. tax reform, we used a non-GAAP tax rate that excluded (1) the discrete impacts of changes in tax legislation, (2) most other significant discrete items, (3) certain unique GAAP reporting requirements under discontinued operations and (4) the income tax effects of the non-GAAP adjustment to our operating results described above.

Discontinued operations: On August 8, 2019, we entered into a definitive agreement to sell certain of our Enterprise Security assets to Broadcom Inc. On November 4, 2019, we completed the transaction. In January 2016, we completed the sale of assets related to our Veritas operations. The results of our divested Enterprise Security and Veritas operations that were subject to the divestiture are presented as discontinued operations in our Consolidated Statements of Operations and thus have been excluded from non-GAAP net income and segment results for all reported periods.

Diluted GAAP and non-GAAP weighted-average shares outstanding: Diluted GAAP and non-GAAP weighted-average shares outstanding are the same, except in periods that there is a GAAP loss from continuing operations. In accordance with GAAP, we do not present dilution for GAAP in periods in which there is a loss from continuing operations. However, if there is non-GAAP net income, we present dilution for non-GAAP weighted-average shares outstanding in an amount equal to the dilution that would have been presented had there been GAAP income from continuing operations for the period.

Reported billings: We define reported billings as total revenue plus the change in adjusted contract liabilities. The change in contract liabilities excludes the change related to discontinued operations that does not amortize to revenue from continuing operations. We consider reported billings to be a useful metric for management and investors because it facilitates an analysis of changes in contract liabilities balances that are an indicator of the health and visibility of our business. There are several limitations related to the use of reported billings versus revenue calculated in accordance with GAAP. First, reported billings include amounts that have not yet been recognized as revenue. Second, our calculation of reported billings may be different from other companies in our industry, some of which may not use reported billings, may calculate reported billings differently, may have different reported billing frequencies, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of reported billings as a comparative measure. We compensate for these limitations by providing specific information regarding GAAP revenue and evaluating reported billings together with revenue calculated in accordance with GAAP.

Free cash flow: Free cash flow is defined as cash flow from operating activities less purchases of property and equipment.

Non-GAAP constant currency adjusted revenues: Non-GAAP constant currency adjusted revenues are defined as revenues adjusted for foreign exchange impact, calculated by translating current period revenue using the year ago currency conversion rate.

Consumer Cyber Safety direct customer count: Direct customers are defined as those customers of our Consumer Cyber Safety solutions who have a direct billing relationship with us, including online acquisition and retention, affiliates, co-marketing, and original contract manufacturer channels. Also excluded are customers of our ID Analytics solutions. Average direct customer count presents the average of the total number of direct customers at the beginning and end of the fiscal quarter.

Consumer Cyber Safety direct average revenues per user (ARPU): 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.