NortonLifeLock™

Q4FY20 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.

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. FY20 consisted of 53 weeks whereas FY19 consisted of 52 weeks. The impact of the extra week on revenues in Q1FY20 and FY20 is estimated to be approximately $44 million.

The following numbers may not add due to rounding.

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

REVENUES (a)

		Q4FY20		Q4FY19	Y/Y Change		FY20		FY19	Y/Y Change
Revenues	$	614	$	617	—%	$	2,490	$	2,456	— %
Consumer revenues (Non-GAAP)	$	610	$	605	1%	$	2,444	$	2,408	— %

(a) Y/Y change is in constant currency using year ago foreign exchange rates. Fiscal year Y/Y change also adjusts for the impact of the extra week in FY20. See page 2 for the GAAP to non-GAAP reconciliation of this number.

NON-GAAP EXPENSES AND PROFITABILITY (b)

		Q4FY20		Q4FY19		Y/Y Change		FY20		FY19		Y/Y Change
Operating expenses	$	269	$	335		(20)%	$	1,259	$	1,392		(10)%
Operating income	$	255	$	168		52%	$	869	$	646		35 %
Operating margin		41.5%		27.2%		14.3pts		34.9%		26.3%		8.6pts
Net income	$	167	$	109		53%	$	576	$	395		46 %
Diluted EPS	$	0.26	$	0.16	$	0.10	$	0.90	$	0.60	$	0.30
Diluted weighted-average shares outstanding		639		662		(3)%		643		661		(3)%

(b) See pages 3 and 4 for GAAP to non-GAAP reconciliations of these numbers.

BALANCE SHEETS

		Q4FY20		Q4FY19		Y/Y Change
Cash, cash equivalents and short-term investments	$	2,263	$	2,043	$	220
Contract liabilities	$	1,076	$	1,059	$	17
Debt (principal)	$	4,250	$	4,500	$	(250)

CASH FLOW AND OTHER METRICS

		Q4FY20		Q4FY19		Y/Y Change		FY20		FY19		Y/Y Change
Cash flow from (used in) operating activities	$	(1,766)	$	547	$	(2,313)	$	(861)	$	1,495	$	(2,356)
Purchases of property and equipment	$	3	$	54	$	(51)	$	89	$	207	$	(118)
Free cash flow	$	(1,769)	$	493	$	(2,262)	$	(950)	$	1,288	$	(2,238)
Stock repurchases - number of shares (c)		29		11		18		68		11		57
Headcount		3,662		11,923		(8,261)		3,662		11,923		(8,261)

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

(Dollars and customer count in millions, unaudited)

REPORTED BILLINGS (NON-GAAP)

	Q4FY20	Q4FY19	Y/Y Change	FY20	FY19	Y/Y Change
Revenues	$ 614	$ 617	— %	$ 2,490	$ 2,456	1%
Add: Contract liabilities (end of period)	1,076	1,059		1,076	1,059	
Less: Contract liabilities (beginning of period)	(1,047)	(1,046)		(1,059)	(1,117)	
Add: Other contract liabilities adjustment (a)	—	2		5	2	
Reported billings (Non-GAAP)	643	632	2 %	2,512	2,400	5%
Exclude revenues from ID Analytics (b)	(4)	(12)		(46)	(48)	
Consumer reported billings (Non-GAAP)	639	620	3 %	2,466	2,352	5%
Exclude extra week impact in FY20	—	—		(44)	—	
Consumer reported billings excluding extra week impact (Non-GAAP)	$ 639	$ 620	3 %	$ 2,422	$ 2,352	3%

(a) Other contract liabilities adjustment for FY20 and Q4FY19 represents the change in contract liabilities related to Veritas discontinued operations. Other contract liabilities adjustment for FY19 represents the change in contract liabilities related to Veritas discontinued operations and the contract liabilities adjustment due to the adoption of the new revenue recognition standard.

(b) In Q4FY20, we divested our ID Analytics solutions and are presenting consumer reported billings to enhance comparability of the reported billings of our remaining solutions to the year ago period. There are no contract liabilities balances related to our divested ID Analytics solutions in any reported period.

CONSUMER CYBER SAFETY METRICS

	Q4FY20	Q3FY20	Q4FY19	FY20	FY19
Direct customer revenues	$ 549	$ 542	$ 541	$ 2,204	$ 2,168
Partner revenues	$ 61	$ 61	$ 64	$ 240	$ 240
Revenues from ID Analytics	$ 4	$ 15	$ 12	$ 46	$ 48
Average direct customer count	20.2	20.1	20.4	20.2	20.7
Direct customer count (at quarter end)	20.2	20.1	20.3	20.2	20.3
Direct average revenue per user (ARPU) (c)	$ 9.07	$ 8.99	$ 8.83	$ 8.90	$ 8.74
Consumer annual retention rate				85%	85%

(c) ARPU in fiscal 2020 was normalized to exclude the impact of the extra week on direct revenue, which we estimate to be approximately $41 million.

CONSTANT CURRENCY & EXTRA WEEK ADJUSTED REVENUES (NON-GAAP)

	Q4FY20	Q4FY19	Y/Y Change	FY20	FY19	Y/Y Change
Revenues	$ 614	$ 617	— %	$ 2,490	$ 2,456	1%
Exclude foreign exchange impact (d)	3	—		16	—	
Constant currency adjusted revenues (Non-GAAP)	617	617	— %	2,506	2,456	2%
Exclude extra week impact in FY20	—	—		(44)	—	
Constant currency and extra week adjusted revenues (Non-GAAP)	$ 617	$ 617	— %	$ 2,462	$ 2,456	—%

(d) Calculated using year ago foreign exchange rates.

CONSUMER REVENUES (NON-GAAP)

	Q4FY20	Q4FY19	Y/Y Change	FY20	FY19	Y/Y Change
Revenues	$ 614	$ 617	— %	$ 2,490	$ 2,456	1%
Exclude revenues from ID Analytics (e)	(4)	(12)		(46)	(48)	
Consumer revenues (Non-GAAP)	610	605	1 %	2,444	2,408	1%
Exclude foreign exchange impact (f)	3	—		16	—	
Consumer constant currency adjusted revenues (Non-GAAP)	613	605	1 %	2,460	2,408	2%
Exclude extra week impact in FY20	—	—		(44)	—	
Constant currency and extra week adjusted consumer revenues (Non-GAAP)	$ 613	$ 605	1 %	$ 2,416	$ 2,408	—%

(e) In Q4FY20, we divested our ID Analytics solutions and are presenting consumer revenues to enhance comparability of the revenues of our remaining solutions to the year ago period.

(f) Calculated using year ago foreign exchange rates.

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

GAAP RESULTS OF OPERATIONS (a)

	Q4FY20	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Net revenues	$ 614	$ 618	$ 608	$ 650	$ 617	$ 615	$ 612	$ 612
Cost of revenues	97	103	97	96	124	110	113	108
Gross profit	517	515	511	554	493	505	499	504
Sales and marketing	150	178	189	184	175	166	174	197
Research and development	70	72	85	101	98	110	104	108
General and administrative	97	85	90	96	93	98	100	119
Amortization of intangible assets	18	20	21	20	21	19	20	20
Restructuring, transition and other costs	138	98	17	13	34	50	53	84
Total operating expenses	473	453	402	414	421	443	451	528
Operating income	44	62	109	140	72	62	48	(24)
Interest expense	(50)	(51)	(46)	(49)	(51)	(53)	(52)	(52)
Other income (expense), net	263	399	(3)	1	(1)	(18)	(23)	(15)
Income (loss) from continuing operations before income taxes	257	410	60	92	20	(9)	(27)	(91)
Income tax expense (benefit)	108	57	22	54	(17)	10	34	(24)
Income (loss) from continuing operations	149	353	38	38	37	(19)	(61)	(67)
Income (loss) from discontinued operations	82	2,492	747	(12)	(3)	84	53	7
Net income (loss)	$ 231	$ 2,845	$ 785	$ 26	$ 34	$ 65	$ (8)	$ (60)

NON-GAAP ADJUSTMENTS (a)

	Q4FY20	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Cost of revenue								
Stock-based compensation	$ 1	$ —	$ 1	$ —	$ 1	$ 2	$ 1	$ 2
Amortization of intangible assets	7	8	8	7	7	9	8	6
Other	—	—	—	—	1	(1)	—	—
Total gross profit adjustment	8	8	9	7	9	10	9	8
Operating expenses								
Stock-based compensation	27	36	28	26	32	35	37	48
Amortization of intangible assets	18	20	21	20	21	19	20	20
Restructuring, transition and other costs	138	98	17	13	34	50	53	84
Litigation settlement charges (benefit)	20	—	—	—	—	—	—	(5)
Other	—	—	—	—	—	—	1	2
Total operating expense adjustment	203	154	66	59	87	104	111	149
Stock-based compensation	(2)	3	—	—	—	—	—	—
Non-cash interest expense	5	7	5	6	7	6	6	6
Gains on divestiture and sale of equity method investment	(250)	(379)	—	—	—	—	—	—
Loss from equity interest	—	9	11	11	17	24	34	26
Other	(1)	—	—	—	—	(1)	—	—
Total adjustments to GAAP income (loss) from continuing operations before income taxes	(38)	(198)	91	83	121	143	160	189
Income tax effect of non-GAAP adjustments	56	3	(13)	13	(49)	(22)	6	(45)
Total income (loss) adjustment to continuing operations, net of taxes	18	(195)	78	96	72	121	166	144
Income adjustment for discontinued operations	(82)	(2,492)	(747)	12	3	(84)	(53)	(7)
Total net income adjustment	$ (64)	$ (2,687)	$ (669)	$ 108	$ 75	$ 37	$ 113	$ 137

NON-GAAP RESULTS OF OPERATIONS (a)

	Q4FY20	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Net revenues	$ 614	$ 618	$ 608	$ 650	$ 617	$ 615	$ 612	$ 612
Cost of revenues	90	95	89	88	114	101	103	100
Gross profit	524	523	519	562	503	514	509	512
Sales and marketing	143	169	182	177	166	156	163	186
Research and development	61	66	77	94	89	101	96	100
General and administrative	65	64	77	84	80	81	82	92
Total operating expenses	269	299	336	355	335	338	341	378
Operating income	255	224	183	207	168	176	168	134
Interest expense	(45)	(44)	(41)	(43)	(44)	(46)	(46)	(46)
Other income, net	9	33	9	11	17	4	12	11
Income before income taxes	219	213	151	175	141	134	134	99
Provision for income taxes	52	54	35	41	32	32	28	21
Net income	$ 167	$ 159	$ 116	$ 134	$ 109	$ 102	$ 106	$ 78

SHARE COUNT & DILUTED NET INCOME PER SHARE (a)

	Q4FY20	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Diluted GAAP weighted-average shares outstanding	639	647	644	642	662	637	630	624
Incremental dilution	—	—	—	—	—	18	27	47
Diluted non-GAAP weighted-average shares outstanding	639	647	644	642	662	655	657	671
GAAP diluted net income per share	$ 0.36	$ 4.40	$ 1.22	$ 0.04	$ 0.05	$ 0.10	$ (0.01)	$ (0.10)
Non-GAAP adjustments per share	$ (0.10)	$ (4.15)	$ (1.04)	$ 0.17	$ 0.11	$ 0.05	$ 0.17	$ 0.21
Non-GAAP diluted net income per share	$ 0.26	$ 0.25	$ 0.18	$ 0.21	$ 0.16	$ 0.16	$ 0.16	$ 0.12

(a) Amounts may not add due to rounding.

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

GAAP RESULTS OF OPERATIONS (a)

	FY20	FY19
Net revenues	$ 2,490	$ 2,456
Cost of revenues	393	455
Gross profit	2,097	2,001
Sales and marketing	701	712
Research and development	328	420
General and administrative	368	410
Amortization of intangible assets	79	80
Restructuring, transition and other costs	266	221
Total operating expenses	1,742	1,843
Operating income	355	158
Interest expense	(196)	(208)
Other income (expense), net	660	(57)
Income (loss) from continuing operations before income taxes	819	(107)
Income tax expense	241	3
Income (loss) from continuing operations	578	(110)
Income from discontinued operations	3,309	141
Net income	$ 3,887	$ 31

NON-GAAP ADJUSTMENTS (a)

	FY20	FY19
Cost of revenue		
Stock-based compensation	$ 2	$ 6
Amortization of intangible assets	30	30
Other	—	—
Total gross profit adjustment	32	36
Operating expenses		
Stock-based compensation	117	152
Amortization of intangible assets	79	80
Restructuring, transition and other costs	266	221
Litigation settlement charges (benefit)	20	(5)
Other	—	3
Total operating expense adjustment	482	451
Stock-based compensation	1	—
Non-cash interest expense	23	25
Gains on divestiture and sale of equity method investment	(629)	—
Loss from equity interest	31	101
Other	(1)	—
Total adjustments to GAAP income (loss) from continuing operations before income taxes	(61)	614
Income tax effect of non-GAAP adjustments	59	(110)
Total income (loss) adjustment to continuing operations, net of taxes	(2)	504
Income adjustment for discontinued operations	(3,309)	(141)
Total net income adjustment	$ (3,311)	$ 363

NON-GAAP RESULTS OF OPERATIONS (a)

	FY20	FY19
Net revenues	$ 2,490	$ 2,456
Cost of revenues	362	418
Gross profit	2,128	2,038
Sales and marketing	671	671
Research and development	298	386
General and administrative	290	335
Total operating expenses	1,259	1,392
Operating income	869	646
Interest expense	(173)	(182)
Other income, net	62	44
Income before income taxes	758	508
Provision for income taxes	182	113
Net income	$ 576	$ 395

SHARE COUNT & DILUTED NET INCOME PER SHARE (a)

	FY20	FY19
Diluted GAAP weighted-average shares outstanding	643	632
Incremental dilution	—	29
Diluted non-GAAP weighted-average shares outstanding	643	661
GAAP diluted net income per share	$ 6.05	$ 0.05
Non-GAAP adjustments per share	$ (5.15)	$ 0.55
Non-GAAP diluted net income per share	$ 0.90	$ 0.60

(a) Amounts may not add due to rounding.

(Dollars in millions, unaudited)

STOCK-BASED COMPENSATION EXPENSE

	Q4FY20	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Cost of revenues	$ 1	$ —	$ 1	$ —	$ 1	$ 2	$ 1	$ 2
Sales and marketing	6	10	6	7	10	10	11	11
Research and development	9	6	8	7	9	9	8	8
General and administrative	12	20	14	12	13	16	18	29
Restructuring, transition and other costs	14	6	—	—	—	—	—	—
Other income (expense), net	(2)	3	—	—	—	—	—	—
Total stock-based compensation from continuing operations	40	45	29	26	33	37	38	50
Discontinued operations	2	75	41	54	54	18	59	63
Total stock-based compensation expense	$ 42	$ 120	$ 70	$ 80	$ 87	$ 55	$ 97	$ 113

(Dollars in millions, unaudited)

REPORTED EBITDA (NON-GAAP) (a)

	Q4FY20	Q3FY20	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19
Net income (loss)	$ 231	$ 2,845	$ 785	$ 26	$ 34	$ 65	$ (8)	$ (60)
Adjustments:								
Income from discontinued operations	(82)	(2,492)	(747)	12	3	(84)	(53)	(7)
Net interest expense	26	13	38	39	38	41	42	45
Income tax expense (benefit)	108	57	22	54	(17)	10	34	(24)
Depreciation and amortization	52	56	60	63	65	64	62	58
EBITDA (Non-GAAP)	335	479	158	194	123	96	77	12
Adjustments to EBITDA:								
Stock-based compensation	26	39	29	26	33	37	38	50
Restructuring, transition and other costs	138	98	17	13	34	50	53	84
Litigation settlement charges (benefit)	20	—	—	—	—	—	—	(5)
Gains on divestiture and sale of equity method investment	(250)	(379)	—	—	—	—	—	—
Loss from equity interest	—	9	11	11	17	24	34	26
Other cost of revenues and operating expense	—	—	—	—	1	(1)	1	2
Other non-operating expense, net (b)	12	6	—	(2)	(3)	5	—	(4)
Reported EBITDA (Non-GAAP)	$ 282	$ 252	$ 214	$ 243	$ 205	$ 212	$ 202	$ 166

REPORTED EBITDA AND ADJUSTED DEBT COVENANT EBITDA (NON-GAAP) (a)

	FY20	FY19
Net income (loss)	$ 3,887	$ 31
Adjustments:		
Income from discontinued operations	(3,309)	(141)
Net interest expense	116	166
Income tax expense (benefit)	241	3
Depreciation and amortization	231	249
EBITDA (Non-GAAP)	1,166	308
Adjustments to EBITDA:		
Stock-based compensation	120	158
Restructuring, transition and other costs	266	221
Litigation settlement charges (benefit)	20	(5)
Gains on divestiture and sale of equity method investment	(629)	—
Loss from equity interest	31	101
Other cost of revenues and operating expense	—	3
Other non-operating expense, net (b)	16	(2)
Reported EBITDA (Non-GAAP)	$ 991	$ 785
Adjustments to Reported EBITDA:		
Other non-operating expense, net (b)	(16)	
EBITDA from ID Analytics (c)	(15)	
Debt covenant specified unrealized cost savings (d)	355	
Adjusted Debt Covenant EBITDA (Non-GAAP)	$ 1,315	N/A

(a) Amounts may not add due to rounding.

(b) Other non-operating expense, net is equal to total non-operating expense, net excluding net interest expense, gains on divestiture and sale of equity method investment, and loss from equity method investment.

(c) EBITDA from ID Analytics consists of revenue of $46 million, net of cost of revenue of $8 million, and operating expenses excluding depreciation and amortization of $23 million.

(d) Debt covenant specified unrealized cost savings includes unrealized cost savings (including costs to achieve such savings) related to transitions arising from acquisitions, divestitures, or specified other restructuring initiatives to be completed within a specified time frame.

NORTONLIFELOCK INC.
Explanation of Non-GAAP Measures and Other Items

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, contract termination costs, and assets write-offs, 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 (the Broadcom sale). 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.

Gains on divestiture and sale of equity method investment: We periodically recognize gains on divestitures. In the third quarter of fiscal 2020, we recognized a gain of $379 million related to the sale of our DigiCert equity interest. In the fourth quarter of fiscal 2020, we recognized a gain of $250 million related to the divestiture of our ID Analytics solutions. 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. In June 2019, the U.S. Court of Appeals for the Ninth Circuit Court 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 $23 million for continuing operation in fiscal 2020, which has been excluded from our non-GAAP tax provision. 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 November 4, 2019, we completed the Broadcom sale. In January 2016, we completed the sale of assets related to our Veritas operations. The results of our divested operations that were subject to these divestitures are presented as discontinued operations in our statements of operations and thus have been excluded from non-GAAP net income 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.

Consumer reported billings: We define consumer reported billings as total revenue plus the change in adjusted contract liabilities excluding amounts related to our ID Analytics solutions. ID Analytics solutions were divested in the fourth quarter of fiscal 2020. We are presenting consumer reported billings to provide readers with a better understanding of the impact from the divestiture of ID Analytics solutions on the historical performance of our consumer business and to assist readers in analyzing our performance in future periods. This metric is subject to the same limitations as reported billings discussed above.

Bookings: Bookings are defined as customer orders received that are expected to generate net revenues in the future. We present the operational metric of bookings because it reflects customers' demand for our products and services and to assist readers in analyzing our performance in future periods.

Reported Adjusted EBITDA: We define reported adjusted EBITDA as net income excluding income from discontinued operations, net interest expense, provision for income taxes, depreciation and amortization, stock-based compensation, restructuring, transition and other costs, litigation settlements, gains on divestitures and sales of equity method investments, loss from equity method investments, and certain other net non-operating expenses. We present reported adjusted EBITDA as a supplemental measure of our operating performance because it eliminates the impact of certain items that we do not consider indicative of our core operations. Also, reported EBITDA is a measure frequently used by securities analysts, investors and other interested parties in their evaluation of the operation performance of companies similar to ours. Reported adjusted EBITDA is not a measure of financial condition or profitability under GAAP, has limitations, and should not be considered as an alternative to cash flows from operating activities, as a measure of liquidity or as an alternative to operating income or net income as indicators of operating performance. Some of the limitations of this measure it does not: reflect our capital expenditures or future requirements for capital expenditures or other contractual commitments; changes in, or cash requirements for, our working capital needs; net interest expense; cash requirements for income taxes. Moreover, although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and this measure does not reflect any cash requirements for these replacements.

Adjusted debt covenant EBITDA: Adjusted debt covenant EBITDA is defined by our credit agreement governing our credit facility as net income excluding the same items excluded from net income in Reported Adjusted EBITDA except for certain net non-operating expenses and further adjusted for EBITDA from the divested ID Analytics and specified unrealized cost savings. Unrealized cost savings represent estimates of future results and include expected costs to achieve such savings and are related to transitions arising from acquisitions, divestitures, or specified other restructuring initiatives to be completed within a specified time frame. Under the agreement governing our credit facility, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is tied to a ratio based on adjusted debt covenant EBITDA in addition to other debt covenants under the agreement. We present Adjusted debt covenant EBITDA as a supplemental measure to allow investors and interested parties to evaluate our debt covenant compliance. Adjusted debt covenant EBITDA should not be considered as a measure of financial performance under GAAP, as it is assessed for the purpose of determining debt covenant compliance. Adjusted debt covenant EBITDA may be defined differently at other companies or in other financing arrangements, thereby diminishing its utility or comparability. Accordingly, it has limitations as an analytical tool. Adjusted debt covenant EBITDA should not be considered as an alternative to net income or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity.

Free cash flow: Free cash flow is defined as cash flows from operating activities less purchases of property and equipment. Free cash flow is not a measure of financial condition under GAAP and does not reflect our future contractual commitments and the total increase or decrease of our cash balance for a given period, and thus should not be considered as an alternative to cash flows from operating activities or as a measure of liquidity.

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 revenues: Consumer revenues exclude revenues from our ID Analytics solutions, which was divested in the fourth quarter of fiscal 2020. We are presenting consumer revenues to provide readers with a better understanding of the impact from the divestiture of ID Analytics solutions on our historical results and to assist readers in analyzing results in future periods.

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 equipment 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.

Annual retention rate: Annual retention rate is defined as the number of direct customers who have more than a one-year tenure as of the end of the most recently completed fiscal period divided by the total number of direct customers as of the end of the period from one year ago. We monitor annual retention rate to evaluate the effectiveness of our strategies to improve renewals of subscriptions.