
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 July 3, 2020

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:

Not applicable

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 July 30, 2020 was 591,002,949 shares.

NORTONLIFELOCK INC.
FORM 10-Q
Quarterly Period Ended July 3, 2020
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"NortonLifeLock," "we," "us," "our," and "the Company" refer to NortonLifeLock Inc. and all of its subsidiaries. NortonLifeLock, the NortonLifeLock Logo, the Checkmark Logo, Norton, LifeLock, and the LockMan Logo are trademarks or registered trademarks of NortonLifeLock Inc. or its affiliates in the United States (U.S.) and other countries. Other names may be trademarks of their respective owners.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	July 3, 2020	April 3, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,073	\$ 2,177
Short-term investments	58	86
Accounts receivable, net	102	111
Other current assets	364	435
Assets held for sale	353	270
Total current assets	1,950	3,079
Property and equipment, net	88	238
Operating lease assets	62	88
Intangible assets, net	1,042	1,067
Goodwill	2,588	2,585
Other long-term assets	675	678
Total assets	\$ 6,405	\$ 7,735
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 60	\$ 87
Accrued compensation and benefits	71	115
Current portion of long-term debt	763	756
Contract liabilities	1,028	1,049
Current operating lease liabilities	26	28
Other current liabilities	600	587
Total current liabilities	2,548	2,622
Long-term debt	2,841	3,465
Long-term contract liabilities	30	27
Deferred income tax liabilities	170	149
Long-term income taxes payable	1,191	1,310
Long-term operating lease liabilities	61	73
Other long-term liabilities	67	79
Total liabilities	6,908	7,725
Commitments and contingencies (Note 17)		
Stockholders' equity (deficit):		
Common stock and additional paid-in capital, \$0.01 par value: 3,000 shares authorized; 591 and 589 shares issued and outstanding as of July 3, 2020 and April 3, 2020, respectively	2,713	3,356
Accumulated other comprehensive loss	(4)	(16)
Accumulated deficit	(3,212)	(3,330)
Total stockholders' equity (deficit)	(503)	10
Total liabilities and stockholders' equity (deficit)	\$ 6,405	\$ 7,735

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	
	July 3, 2020	July 5, 2019
Net revenues	\$ 614	\$ 650
Cost of revenues	86	96
Gross profit	528	554
Operating expenses:		
Sales and marketing	145	184
Research and development	65	101
General and administrative	53	96
Amortization of intangible assets	18	20
Restructuring and other costs	127	13
Total operating expenses	408	414
Operating income	120	140
Interest expense	(40)	(49)
Other income, net	19	1
Income from continuing operations before income taxes	99	92
Income tax expense (benefit)	(50)	54
Income from continuing operations	149	38
Loss from discontinued operations	(31)	(12)
Net income	\$ 118	\$ 26
Income (loss) per share - basic:		
Continuing operations	\$ 0.25	\$ 0.06
Discontinued operations	\$ (0.05)	\$ (0.02)
Net income per share - basic	\$ 0.20	\$ 0.04
Income (loss) per share - diluted:		
Continuing operations	\$ 0.24	\$ 0.06
Discontinued operations	\$ (0.05)	\$ (0.02)
Net income per share - diluted	\$ 0.19	\$ 0.04
Weighted-average shares outstanding:		
Basic	590	619
Diluted	614	642

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

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

	Three Months Ended	
	July 3, 2020	July 5, 2019
Net income	\$ 118	\$ 26
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments	11	(7)
Net unrealized gain on available-for-sale securities	1	1
Other comprehensive income from equity method investee	—	1
Other comprehensive income (loss), net of taxes	12	(5)
Comprehensive income	\$ 130	\$ 21

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

NORTONLIFELOCK INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited, in millions, except per share amounts)

Three months ended July 3, 2020	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance as of April 3, 2020	589	\$ 3,356	\$ (16)	\$ (3,330)	\$ 10
Net income	—	—	—	118	118
Other comprehensive income	—	—	12	—	12
Common stock issued under employee stock incentive plans	3	2	—	—	2
Shares withheld for taxes related to vesting of restricted stock units	(1)	(17)	—	—	(17)
Cash dividends declared (\$0.125 per share of common stock) and dividend equivalents accrued	—	(72)	—	—	(72)
Stock-based compensation	—	25	—	—	25
Extinguishment of convertible debt	—	(581)	—	—	(581)
Balance as of July 3, 2020	591	\$ 2,713	\$ (4)	\$ (3,212)	\$ (503)

Three months ended July 5, 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	—	—	—	26	26
Other comprehensive loss	—	—	(5)	—	(5)
Common stock issued under employee stock incentive plans	16	37	—	—	37
Shares withheld for taxes related to vesting of restricted stock units	(3)	(57)	—	—	(57)
Repurchases of common stock	(26)	(190)	—	(351)	(541)
Cash dividends declared (\$0.075 per share of common stock) and dividend equivalents accrued	—	—	—	(47)	(47)
Stock-based compensation	—	99	—	—	99
Balance as of July 5, 2019	617	\$ 4,701	\$ (12)	\$ 561	\$ 5,250

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

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

	Three Months Ended	
	July 3, 2020	July 5, 2019
OPERATING ACTIVITIES:		
Net income	\$ 118	\$ 26
Adjustments:		
Amortization and depreciation	46	158
Impairments of current and long-lived assets	85	3
Stock-based compensation expense	25	80
Deferred income taxes	20	(30)
Gain on extinguishment of debt	(20)	—
Loss from equity interest	—	11
Non-cash operating lease expense	6	12
Other	24	1
Changes in operating assets and liabilities:		
Accounts receivable, net	5	270
Accounts payable	(28)	(21)
Accrued compensation and benefits	(39)	(46)
Contract liabilities	(29)	(161)
Income taxes payable	(88)	72
Other assets	62	5
Other liabilities	(17)	(55)
Net cash provided by operating activities	170	325
INVESTING ACTIVITIES:		
Purchases of property and equipment	(1)	(49)
Proceeds from maturities and sales of short-term investments	29	92
Other	(5)	(5)
Net cash provided by investing activities	23	38
FINANCING ACTIVITIES:		
Repayments of debt and related equity component	(1,179)	—
Net proceeds from sales of common stock under employee stock incentive plans	2	37
Tax payments related to restricted stock units	(23)	(52)
Dividends and dividend equivalents paid	(105)	(51)
Repurchases of common stock	—	(559)
Net cash used in financing activities	(1,305)	(625)
Effect of exchange rate fluctuations on cash and cash equivalents	8	3
Change in cash and cash equivalents	(1,104)	(259)
Beginning cash and cash equivalents	2,177	1,791
Ending cash and cash equivalents	\$ 1,073	\$ 1,532

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

NORTONLIFELOCK INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Description of business and Significant Accounting Policies

Business

NortonLifeLock, Inc. is a leading provider of Cyber Safety solutions for consumers. Our NortonLifeLock branded solutions help customers protect their devices, online privacy, identity and home networks.

Basis of presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America 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 included in our Annual Report on Form 10-K for the fiscal year ended April 3, 2020. The results of operations for the three months ended July 3, 2020 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-month periods in this report relate to fiscal periods ended July 3, 2020 and July 5, 2019. The three months ended July 3, 2020 consisted of 13 weeks, whereas the three months ended July 5, 2019 consisted of 14 weeks. Our 2021 fiscal year consists of 52 weeks and ends on April 2, 2021.

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, valuation of business combinations including acquired intangible assets and goodwill, loss contingencies, the recognition and measurement of current and deferred income taxes, including the measurement of uncertain tax positions, and valuation of assets and liabilities and results of operations of our discontinued operations. 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 from such estimates and assumptions due to risks and uncertainties, including uncertainty in the current economic environment due to the COVID-19 pandemic, 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 three months ended July 3, 2020, except for those noted in Note 2, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended April 3, 2020.

Note 2. Recent Accounting Standards

Recently adopted authoritative guidance

Credit Losses. In June 2016, the Financial Accounting Standards Board (FASB) issued new authoritative guidance on credit losses which changes the impairment model for most financial assets and certain other instruments. On April 4, 2020, the first day of our fiscal 2021, we adopted the new guidance using the modified retrospective transition method. Upon adoption, we utilized a new forward-looking “expected loss” model to replace the incurred loss impairment model for our accounts receivable and other financial assets. Additionally, for available-for-sale debt securities with unrealized losses, we discontinued using the concept of “other than temporary” impairment and recognized the estimated credit loss as allowances. The cumulative effect from the adoption of this guidance was immaterial to our Condensed 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. On April 4, 2020, we adopted the new guidance prospectively. The adoption of this guidance did not have a material impact on our Condensed Consolidated Financial Statements.

Recently issued authoritative guidance not yet adopted

Income taxes. In December 2019, the FASB issued new guidance that simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The guidance also clarifies and amends existing guidance to improve consistent application. The standard will be effective for us in our first quarter of fiscal 2022, with early adoption permitted. We are currently evaluating the adoption date and the impact of the adoption of this guidance on our Condensed 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 November 4, 2019, we completed the sale of certain of our Enterprise Security assets and certain liabilities to Broadcom Inc. (the Broadcom sale). As a result, the majority of 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.

In connection with the Broadcom sale, we entered into a transition services agreement under which we provided assistance to Broadcom including, but not limited to, business support services and information technology services. During the three months ended July 3, 2020, the transition services were completed. Dedicated direct costs, net of charges to Broadcom, for these transition services were \$8 million during the three months ended July 3, 2020 and were presented as part of Other income, net in the Condensed Consolidated Statements of Operations.

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

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Net revenues	\$ —	\$ 597
Gross profit	\$ —	\$ 421
Operating income (loss)	\$ (42)	\$ 17
Income (loss) before income taxes	\$ (41)	\$ 16
Income tax expense (benefit)	\$ (10)	\$ 28
Loss from discontinued operations	\$ (31)	\$ (12)

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

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Amortization and depreciation	\$ —	\$ 94
Stock-based compensation expense	\$ 1	\$ 54
Purchases of property and equipment	\$ —	\$ 21

Note 4. Revenues

Contract liabilities

During the three months ended July 3, 2020, we recognized \$442 million from the contract liabilities balance at April 3, 2020. During the three months ended July 5, 2019, we recognized \$471 million from the contract liabilities balance at March 29, 2019.

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 July 3, 2020, we had \$758 million of remaining performance obligations, which does not include customer deposit liabilities of \$299 million, of which we expect to recognize approximately 96% as revenue over the next twelve months.

Note 5. Goodwill and Intangible Assets

Goodwill

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

(In millions)	
Balance as of April 3, 2020	\$ 2,585
Translation adjustments	3
Balance as of July 3, 2020	\$ 2,588

Intangible assets, net

(In millions)	July 3, 2020			April 3, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 505	\$ (248)	\$ 257	\$ 505	\$ (230)	\$ 275
Developed technology	133	(92)	41	133	(85)	48
Total finite-lived intangible assets	638	(340)	298	638	(315)	323
Indefinite-lived trade names	744	—	744	744	—	744
Total intangible assets	\$ 1,382	\$ (340)	\$ 1,042	\$ 1,382	\$ (315)	\$ 1,067

Amortization expense for purchased intangible assets is summarized below:

(In millions)	Three Months Ended		Statements of Operations Classification
	July 3, 2020	July 5, 2019	
Customer relationships and other	\$ 18	\$ 20	Operating expenses
Developed technology	7	7	Cost of revenues
Total	\$ 25	\$ 27	

As of July 3, 2020, future amortization expense related to intangible assets that have finite lives is as follows by fiscal year:

(In millions)	July 3, 2020
Remainder of 2021	\$ 73
2022	92
2023	72
2024	60
2025	1
Total	\$ 298

Note 6. Supplementary Information (in millions)
Cash and cash equivalents:

	July 3, 2020	April 3, 2020
Cash	\$ 500	\$ 483
Cash equivalents	573	1,694
Total cash and cash equivalents	\$ 1,073	\$ 2,177

Other current assets:

	July 3, 2020	April 3, 2020
Prepaid expenses	\$ 81	\$ 110
Income tax receivable and prepaid income taxes	148	150
Other tax receivable	63	88
Other	72	87
Total other current assets	\$ 364	\$ 435

Property and equipment, net:

	July 3, 2020	April 3, 2020
Land	\$ 1	\$ 7
Computer hardware and software	533	746
Office furniture and equipment	67	88
Buildings	15	108
Leasehold improvements	63	128
Construction in progress	1	1
Total property and equipment, gross	680	1,078
Accumulated depreciation and amortization	(592)	(840)
Total property and equipment, net	\$ 88	\$ 238

During the three months ended July 3, 2020, we reclassified \$83 million of land, buildings, furniture and fixtures, and leasehold improvements, which were previously reported as property and equipment, net to assets held for sale in the Condensed Consolidated Balance Sheets. The fair value of the properties held for sale less costs to sell exceed their carrying value. On July 27, 2020, we completed the sale of these assets for cash consideration of \$120 million.

Other long-term assets:

	July 3, 2020	April 3, 2020
Non-marketable equity investments	\$ 188	\$ 187
Long-term income tax receivable and prepaid income taxes	38	38
Deferred income tax assets	389	387
Other	60	66
Total other long-term assets	\$ 675	\$ 678

Short-term contract liabilities:

	July 3, 2020	April 3, 2020
Deferred revenue	\$ 729	\$ 709
Customer deposit liabilities	299	340
Total short-term contract liabilities	\$ 1,028	\$ 1,049

Other current liabilities:

	July 3, 2020	April 3, 2020
Income taxes payable	\$ 232	\$ 195
Other taxes payable	110	141
Other	258	251
Total other current liabilities	\$ 600	\$ 587

Long-term income taxes payable:

	July 3, 2020	April 3, 2020
Deemed repatriation tax payable	\$ 615	\$ 615
Uncertain tax positions (including interest and penalties)	576	695
Total long-term income taxes payable	\$ 1,191	\$ 1,310

Other income, net:

	Three Months Ended	
	July 3, 2020	July 5, 2019
Interest income	\$ 2	\$ 10
Loss from equity interest	—	(11)
Foreign exchange gain (loss)	1	(1)
Gain on early extinguishment of debt	20	—
Other	(4)	3
Other income, net	\$ 19	\$ 1

Supplemental cash flow information:

	Three Months Ended	
	July 3, 2020	July 5, 2019
Income taxes paid, net of refunds	\$ 2	\$ 36
Interest expense paid	\$ 45	\$ 48
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 9	\$ 18
Non-cash operating activities:		
Operating lease assets obtained in exchange for operating lease liabilities	\$ 2	\$ 13
Reduction of operating lease assets as a result of lease terminations and modifications	\$ 23	\$ —
Non-cash investing and financing activities:		
Purchases of property and equipment in current liabilities	\$ —	\$ 14

Note 7. 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)	July 3, 2020			April 3, 2020		
	Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
Assets:						
Money market funds	\$ 573	\$ 573	\$ —	\$ 1,346	\$ 1,346	\$ —
Corporate bonds	58	—	58	86	—	86
Total	\$ 631	\$ 573	\$ 58	\$ 1,432	\$ 1,346	\$ 86

The following table presents the contractual maturities of our investments in debt securities as of July 3, 2020:

(In millions)	Fair Value
Due in one year or less	\$ 35
Due after one year through five years	23
Total	\$ 58

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 and long-term debt.

Non-marketable equity investments

As of July 3, 2020 and April 3, 2020, the carrying value of our non-marketable equity investments was \$188 million and \$187 million, respectively.

Current and long-term debt

As of July 3, 2020 and April 3, 2020, the total fair value of our current and long-term fixed rate debt was \$3,149 million and \$3,634 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 8. Leases

We lease certain of our facilities, equipment, and data center co-locations under operating leases that expire on various dates through fiscal 2028. Our leases generally have terms that range from 1 year to 10 years for our facilities, 1 year to 5 years for equipment, and 1 year to 5 years for data center co-locations. Some of our leases contain renewal options, escalation clauses, rent concessions, and leasehold improvement incentives.

The following summarizes our lease costs:

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Operating lease costs	\$ 4	\$ 12
Short-term lease costs	1	2
Variable lease costs	3	6
Total lease costs	\$ 8	\$ 20

Other information related to our operating leases as of July 3, 2020 was as follows:

Weighted-average remaining lease term	4.1 years
Weighted-average discount rate	4.14 %

See Note 6 for additional cash flow information related to our operating leases.

As of July 3, 2020, the maturities of our lease liabilities by fiscal year are as follows:

(In millions)	
Remainder of 2021	\$ 22
2022	25
2023	18
2024	15
2025	9
Thereafter	6
Total lease payments	95
Less: Imputed interest	(8)
Present value of lease liabilities	\$ 87

Note 9. Debt

The following table summarizes components of our debt:

(In millions, except percentages)	July 3, 2020	April 3, 2020	Effective Interest Rate
4.2% Senior Notes due September 15, 2020	\$ 750	\$ 750	4.25 %
New 2.5% Convertible Senior Notes due April 1, 2022	250	250	2.63 %
3.95% Senior Notes due June 15, 2022	400	400	4.05 %
2.0% Convertible Senior Notes due August 15, 2022	—	625	2.66 %
New 2.0% Convertible Senior Notes due August 15, 2022	625	625	2.62 %
Term Loan due November 4, 2024	500	500	LIBOR plus ⁽¹⁾
5.0% Senior Notes due April 15, 2025	1,100	1,100	5.23 %
Total principal amount	3,625	4,250	
Less: unamortized discount and issuance costs	(21)	(29)	
Total debt	3,604	4,221	
Less: current portion	(763)	(756)	
Total long-term debt	\$ 2,841	\$ 3,465	

(1) The term loan bears interest at a rate equal to the London Interbank Offered Rate (LIBOR) plus a margin based either on the current debt rating of our non-credit-enhanced, senior unsecured long-term debt or consolidated adjusted leverage as defined in the underlying loan agreement. The interest rate for the outstanding term loan is as follows:

	July 3, 2020	April 3, 2020
Term Loan due November 4, 2024	1.69 %	2.88 %

As of July 3, 2020, the future contractual maturities of debt by fiscal year are as follows:

(In millions)	
Remainder of 2021	\$ 756
2022	275
2023	1,050
2024	25
2025	419
Thereafter	1,100
Total future maturities of debt	\$ 3,625

Repayments of Convertible Senior Notes

In May 2020, we settled the \$625 million principal and conversion rights of the 2.0% Convertible Senior Note in cash. The aggregate settlement amount of \$1,179 million was based on \$19.25 per underlying share into which the 2.0% Convertible Notes were convertible. In addition, we paid \$3 million of accrued and unpaid interest through the date of settlement. The repayments resulted in an adjustment to stockholders' equity of \$581 million and a gain on extinguishment of \$20 million.

As of July 3, 2020 and April 3, 2020, the Convertible Senior Notes consisted of the following:

(In millions)	July 3, 2020		April 3, 2020		
	New 2.5% Convertible Notes	New 2.0% Convertible Notes	New 2.5% Convertible Notes	New 2.0% Convertible Notes	2.0% Convertible Notes
Liability components:					
Principal	\$ 250	\$ 625	\$ 250	\$ 625	\$ 625
Unamortized discount and issuance costs	(1)	(8)	(1)	(9)	(6)
Net carrying amount	\$ 249	\$ 617	\$ 249	\$ 616	\$ 619
Equity component net of tax	\$ 43	\$ 56	\$ 43	\$ 56	\$ 12

Based on the closing price of our common stock of \$20.01 on July 2, 2020, the if-converted value of the New 2.5% Convertible Notes exceeded the principal amount by approximately \$48 million. Based on the closing price of our common stock of \$20.01 on July 2, 2020, the if-converted value of the New 2.0% Convertible Notes is less than the principal amount.

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

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Contractual interest expense	\$ 6	\$ 10
Amortization of debt discount and issuance costs	\$ 1	\$ 4
Payments in lieu of conversion price adjustments ⁽¹⁾	\$ 2	\$ —

(1) Payments in lieu of conversion price adjustments include \$2 million paid to holders of the Convertible Senior Notes because our dividend of \$0.125 per share to our common stockholders that was paid in June 2020 exceeded the amounts defined in the Convertible Senior Notes agreements.

Revolving credit facility

We have a revolving line of credit of \$1,000 million through November 2024. Borrowings under the revolving line of credit bear interest at a floating rate based on our debt ratings and our consolidated leverage ratios. The unused revolving line of credit is subject to a commitment fee ranging from 0.125% to 0.30% per annum. As of July 3, 2020 and April 3, 2020, there were no borrowings outstanding under our revolving credit facilities.

Debt covenant compliance

Our term loan and revolving credit facility 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 indebtedness, liens, investments, stock repurchases, and dividends (with exceptions permitting our regular quarterly dividend and other specific capital returns). As of July 3, 2020, 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.

We enter into foreign currency forward contracts to hedge foreign currency balance sheet exposure. These forward contracts are not designated as hedging instruments. As of July 3, 2020 and July 5, 2019, the fair value of these contracts was insignificant. The related gain recognized in Other income, net in our Condensed Consolidated Statements of Operations was as follows:

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Foreign exchange forward contracts gain	\$ 10	\$ —

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 July 3, 2020 and July 5, 2019.

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

(In millions)	July 3, 2020	April 3, 2020
Foreign exchange forward contracts purchased	\$ 317	\$ 362
Foreign exchange forward contracts sold	\$ 100	\$ 57

Note 11. Restructuring and Other Costs

Our restructuring and other costs consist primarily of severance, contract cancellations, separation, 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. Separation costs primarily consist of consulting costs incurred in connection with our divestitures.

November 2019 Plan

In November 2019, our Board of Directors approved a restructuring plan (the November 2019 Plan) in connection with the strategic decision to divest our Enterprise Security business. Actions under this plan include the reduction of our workforce by approximately 3,100 employees, as well as asset write-offs and impairments, contract terminations, facilities closures, and the sale of underutilized facilities. As of July 3, 2020, we estimate that we will incur total costs of \$550 million, excluding stock-based

compensation expense, in connection with the November 2019 Plan, of which up to \$225 million is expected to consist of cash expenditures for severance and termination benefits and up to \$110 million is expected to consist of cash expenditures for contract terminations. Non-cash costs are estimated to be up to \$240 million related to asset write-offs and other restructuring costs. These actions are expected to be substantially completed by September 2020. As of July 3, 2020, we have incurred costs of \$463 million under the November 2019 Plan.

In connection with the Broadcom sale, our Board of Directors also approved an equity-based severance program under which certain equity awards held by certain terminated employees were accelerated. As of July 3, 2020, we have incurred \$124 million of stock-based compensation related to our equity-based severance program. See Note 14 for more information on the impact of this program.

Restructuring and other costs summary

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

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Severance and termination benefit costs	\$ 14	\$ 12
Contract cancellation charges	48	—
Stock-based compensation charges	7	—
Asset write-offs and impairment	55	—
Other exit and disposal costs	3	1
Total restructuring and other costs	\$ 127	\$ 13

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

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Severance and termination benefit costs	\$ 37	\$ 12
Separation costs	1	—
Total restructuring and other costs	\$ 38	\$ 12

Restructuring summary

Our activities related to our November 2019 Plan are presented in the table below:

(In millions)	Liability Balance as of April 3, 2020	Net Charges	Cash Payments	Non-Cash Items	Liability Balance as of July 3, 2020
Severance and termination benefit costs	\$ 35	\$ 51	\$ (32)	\$ —	\$ 54
Contract cancellation charges	7	48	(4)	(35)	16
Stock-based compensation charges	—	7	—	(7)	—
Asset write-offs and impairments	—	55	—	(55)	—
Other exit and disposal costs	—	3	(3)	—	—
Total	\$ 42	\$ 164	\$ (39)	\$ (97)	\$ 70

The restructuring liabilities are included in Other current liabilities in our Condensed Consolidated Balance Sheets.

Note 12. Income Taxes

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

(In millions, except percentages)	Three Months Ended	
	July 3, 2020	July 5, 2019
Income from continuing operations before income taxes	\$ 99	\$ 92
Income tax expense (benefit)	\$ (50)	\$ 54
Effective tax rate	(51)%	59 %

Our effective tax rate for income from continuing operations for the three months ended July 3, 2020 differs from the federal statutory income tax rate primarily due to a tax benefit related to a favorable tax ruling, the benefits of lower-taxed international earnings, and the research and development tax credit, partially offset by state taxes and various permanent differences.

Our effective tax rate for the three months ended July 5, 2019 differs from the federal statutory income tax rate primarily due to tax expense related to the Ninth Circuit's holding in Altera Corp. v. Commissioner (which the Supreme Court declined to review

in June 2020), various permanent differences, and state taxes, partially offset by the benefits of lower-taxed international earnings and the research and development tax credit.

The aggregate changes in the balance of gross unrecognized tax benefits for the three months ended July 3, 2020 were as follows:

(In millions)	
Balance as of April 3, 2020	\$ 724
Lapse of statute of limitations	(12)
Increase related to prior period tax positions	5
Decrease related to prior period tax positions	(49)
Increase related to current year tax positions	4
Balance as of July 3, 2020	<u>\$ 672</u>

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

Preferred stock

On May 22, 2020, we filed a Certificate of Elimination of Series A Junior Preferred Stock (the "Junior Preferred Stock") with the Secretary of State of the State of Delaware, to remove the Certificate of Designations of the Junior Preferred Stock from our Amended and Restated Certificate of Incorporation. The Certificate of Elimination became effective upon filing. No shares of the Junior Preferred Stock were issued or outstanding upon filing of the Certificate of Elimination.

Dividends

On August 6, 2020, we announced that our Board of Directors declared a cash dividend of \$0.125 per share of common stock to be paid in September 2020. All shares of common stock issued and outstanding and all restricted stock units (RSUs) and performance-based restricted stock units (PRUs) as of the record date will be entitled to the dividend and dividend equivalent rights (DERs), respectively, which will be paid out if and when the underlying shares are released. Any future dividends and DERs will be subject to the approval of our Board of Directors.

Stock repurchase program

Under our stock repurchase program, we may purchase shares of our outstanding common stock through open market and through accelerated stock repurchase transactions. As of July 3, 2020, we had \$578 million remaining under the authorization to be completed in future periods with no expiration date.

No shares were repurchased during three months ended July 3, 2020. The following table summarizes activity related to this program for the three months ended July 5, 2019 :

(In millions, except per share amounts)		Three Months Ended July 5, 2019
Number of shares repurchased		25
Average price per share	\$	21.85
Aggregate purchase price	\$	541

In addition, repurchases of 1 million shares executed during fiscal 2019 settled during the three months ended July 5, 2019.

Accumulated other comprehensive loss

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

(In millions)	Foreign Currency Translation Adjustments	Unrealized Gain on Available-For-Sale Securities	Total
Balance as of April 3, 2020	\$ (16)	\$ —	\$ (16)
Other comprehensive income before reclassifications	11	1	12
Balance as of July 3, 2020	<u>\$ (5)</u>	<u>\$ 1</u>	<u>\$ (4)</u>

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	
	July 3, 2020	July 5, 2019
Sales and marketing	\$ 4	\$ 7
Research and development	6	7
General and administrative	8	12
Restructuring and other costs	7	—
Other income, net	(1)	—
Total stock-based compensation from continuing operations	24	26
Discontinued operations	1	54
Total stock-based compensation expense	\$ 25	\$ 80
Income tax benefit for stock-based compensation expense	\$ (6)	\$ (15)

As of July 3, 2020, the total unrecognized stock-based compensation costs related to our unvested stock-based awards was \$66 million, which will be recognized over an estimated weighted-average amortization period of 1.2 years.

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)	Three Months Ended	
	July 3, 2020	July 5, 2019
Restricted stock units (RSUs):		
Weighted-average fair value per award granted	\$ 20.86	\$ 19.39
Awards granted	— (1)	12
Total fair value of awards released	\$ 56	\$ 174
Outstanding and unvested	4	22
Performance-based restricted stock units (PRUs):		
Weighted-average fair value per award granted	\$ —	\$ 19.21
Awards granted	—	2
Total fair value of awards released	\$ 3	\$ 26
Outstanding and unvested at target payout	1	3
Stock options:		
Weight-average fair value per award granted	\$ —	\$ 4.76
Awards granted	—	2
Total intrinsic value of stock options exercised	\$ 3	\$ 71
Outstanding	1	8
Exercisable	— (1)	6

(1) The number of shares is less than 1 million.

Dividend equivalent rights (DERs)

Our RSUs and PRUs contain DERs that entitles the recipient of an award to receive cash dividend payments if and when the underlying shares are released. The amount of DERs equals the amount of cumulated dividends on the issued number of common stock that would have been payable since the date the associated award was granted. As of July 3, 2020 and April 3, 2020, current dividends payable related to DER was \$47 million and \$62 million, respectively, recorded as part of Other current liabilities in the Condensed Consolidated Balance Sheets, and long-term dividends payable related to DER was \$10 million and \$31 million, respectively, recorded as part of Other long-term liabilities.

Stock-based award modifications

In connection with the Broadcom sale, during the three months ended July 3, 2020 and fiscal 2020, we entered into severance and retention arrangements with certain executives. Pursuant to these agreements, these executives are entitled to receive vesting of 50% of their unvested equity, subject to a service condition, and the remaining unvested equity may be earned at levels of 0% to 150%, subject to market and service conditions. In addition, during the three months ended July 3, 2020 and fiscal 2020, we entered into severance and retention arrangements with certain other employees in connection with restructuring activities and the Broadcom sale, which accelerated either a portion or all of the vesting of their stock-based awards.

During the three months ended July 3, 2020, we recognized \$13 million of expense associated with these modifications, of which \$3 million was recognized in General and administrative expense, \$1 million in Sales and marketing expense, \$2 million in Research and development expense, and \$7 million in continuing operations restructuring costs.

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.

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

(In millions, except per share amounts)	Three Months Ended	
	July 3, 2020	July 5, 2019
Income from continuing operations	\$ 149	\$ 38
Loss from discontinued operations	(31)	(12)
Net income	\$ 118	\$ 26
Income (loss) per share - basic:		
Continuing operations	\$ 0.25	\$ 0.06
Discontinued operations	\$ (0.05)	\$ (0.02)
Net income per share - basic	\$ 0.20	\$ 0.04
Income (loss) per share - diluted:		
Continuing operations	\$ 0.24	\$ 0.06
Discontinued operations	\$ (0.05)	\$ (0.02)
Net income per share - diluted	\$ 0.19	\$ 0.04
Weighted-average shares outstanding - basic	590	619
Dilutive potentially issuable shares:		
Convertible debt	20	10
Employee equity awards	4	13
Weighted-average shares outstanding - diluted	614	642
Anti-dilutive shares excluded from diluted net income per share calculation:		
Employee equity awards	1	5

Under the treasury stock method, our convertible debt instruments will generally have a dilutive impact on net income per share when our average stock price for the period exceeds the conversion prices for the convertible debt instruments. The conversion price of each convertible debt applicable in the periods presented is as follows:

	Three Months Ended	
	July 3, 2020	July 5, 2019
2.5% Convertible Senior Notes due April 1, 2022	N/A	\$ 16.77
2.0% Convertible Senior Notes due August 15, 2022	\$ 10.23	\$ 20.41
New 2.5% Convertible Senior Notes due April 1, 2022	\$ 16.77	N/A
New 2.0% Convertible Senior Notes due August 15, 2022	\$ 20.41	N/A

Note 16. Segment and Geographic Information

We operate as 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 following table summarizes net revenues for our major solutions:

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Consumer security	\$ 363	\$ 381
Identity and information protection	251	255
ID Analytics	—	14
Total net revenues	\$ 614	\$ 650

From time to time, changes in our product hierarchy cause changes to the product categories above. When changes occur, we recast historical amounts to match the current product hierarchy. Consumer security products include our Norton 360 Security offerings, Norton Security, Norton Secure VPN, and other consumer security solutions. Identity and information protection products include our Norton 360 with LifeLock offerings, LifeLock identity theft protection and other information protection solutions. Our ID Analytics solutions were divested on January 31, 2020.

Geographic 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	
	July 3, 2020	July 5, 2019
Americas	\$ 448	\$ 479
EMEA	96	97
APJ	70	74
Total net revenues	\$ 614	\$ 650

Note: 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 \$456 million during the three months ended July 3, 2020 and July 5, 2019, respectively. No other individual country accounted for more than 10% of revenues.

The table below represents cash, cash equivalents and short-term investments held in the U.S. and internationally in various foreign subsidiaries.

(In millions)	July 3, 2020	April 3, 2020
U.S.	\$ 412	\$ 1,345
International	719	918
Total cash, cash equivalents and short-term investments	\$ 1,131	\$ 2,263

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)	July 3, 2020	April 3, 2020
U.S.	\$ 49	\$ 174
Ireland	34	34
Other countries ⁽¹⁾	5	30
Total property and equipment, net	\$ 88	\$ 238

(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, at the end of each period presented, are as follows:

(In millions)	July 3, 2020	April 3, 2020
U.S.	\$ 36	\$ 40
India	11	11
Japan	8	10
Other countries ⁽¹⁾	7	27
Total operating lease assets	\$ 62	\$ 88

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

Significant customers

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

	July 3, 2020	April 3, 2020
Customer A	45 %	39 %

Note 17. Commitments and Contingencies**Purchase obligations**

As of July 3, 2020, we had purchase obligations of \$466 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 July 3, 2020 according to the contract terms.

Deemed repatriation taxes

As of July 3, 2020, we are required to pay a one-time transition tax of \$683 million on untaxed foreign earnings of our foreign subsidiaries due in installments through July 2025 as a result of the Tax Cuts and Jobs 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 and the sale of our Enterprise Security business to Broadcom, we assigned several leases to Veritas Technologies LLC or Broadcom and/or their 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, Broadcom, or their 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 against certain of our former officers. Defendants filed answers on November 7, 2019. A trial date has been set for June 14, 2021.

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 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 contract 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 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. On October 21, 2019, the DOJ moved for a Prejudgment Writ of Sequestration for the Company to set aside \$1,090 million to pay a judgment, should the United States prevail in this litigation, under the Federal Debt Collection Procedures Act. The Writ was sought in response to the Company's announcement of its plans to distribute the after-tax proceeds of the sale of the Symantec enterprise business to Broadcom to its shareholders via a special dividend. The Court denied the Writ on December 12, 2019, on the basis of the Government's failure to establish the "probable validity" of the debt, the amount sought to be sequestered, and the Company's available cash, cash equivalents and short-term investments. The Court permitted the DOJ limited discovery of facts relevant to the Company's financial state and financial projections and the option to renew its motion if appropriate and supported by the analysis of its own financial expert. That discovery period has now closed. On March 30, 2020, the Court issued an Order granting in part and denying in part our motion for summary judgment and granting in part and denying in part the United States' motion for partial summary judgment. On May 5, 2020, the Court ordered the parties to mediation with the mediation period to conclude on July 31, 2020, at which time the parties were to provide a status update to the Court. No trial date has been set.

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.

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 our acquisition of LifeLock, the LifeLock Defendants made false and misleading statements in violation of Sections 10(b) and 20(a) of the Securities Exchange Act. In fiscal 2020, we settled this lawsuit and recorded a charge of \$20 million in General and administrative expenses. The United States District Court for the District of Arizona approved the settlement on July 21, 2020.

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.

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, divestitures, 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; anticipated tax rates, benefits and expenses; 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 leading provider of Cyber Safety solutions for consumers. Our NortonLifeLock branded solutions help consumers protect their devices, online privacy, identity, and home networks.

Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The first quarter of fiscal 2021 consisted of 13 weeks, whereas the first quarter of fiscal 2020 consisted of 14 weeks. Our 2021 fiscal year consists of 52 weeks and ends on April 2, 2021.

Key financial metrics

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

	Three Months Ended	
	July 3, 2020	July 5, 2019
(In millions, except for per share amounts)		
Net revenues	\$ 614	\$ 650
Operating income	\$ 120	\$ 140
Income from continuing operations	\$ 149	\$ 38
Loss from discontinued operations	\$ (31)	\$ (12)
Net income	\$ 118	\$ 26
Net income per share from continuing operations - diluted	\$ 0.24	\$ 0.06
Net loss per share from discontinued operations - diluted	\$ (0.05)	\$ (0.02)
Net income per share - diluted	\$ 0.19	\$ 0.04
Cash provided by operating activities	\$ 170	\$ 325
	As Of	
	July 3, 2020	April 3, 2020
(In millions)		
Cash, cash equivalents and short-term investments	\$ 1,131	\$ 2,263
Contract liabilities	\$ 1,058	\$ 1,076

- Net revenues decreased \$36 million, primarily due to the favorable impact of the additional week in the first quarter of fiscal 2020.

- Operating income decreased \$20 million, primarily due to lower revenue and higher costs recognized in connection with our restructuring plans, partially offset by lower compensation expense and outside services expense that we achieved as a result of our cost reduction programs.
- Income from continuing operations increased \$111 million, primarily due to higher income tax benefit.
- Loss from discontinued operations, net of tax, increased \$19 million, primarily due to higher severance costs as a result of the sale of certain of our Enterprise Security assets and liabilities to Broadcom Inc. (Broadcom sale) in November 2019.
- Net income and net income per share increased, primarily due to higher income from our continuing operations for the reasons discussed above.
- Cash, cash equivalents and short-term investments decreased by \$1,132 million compared to April 3, 2020, primarily due to repayment of debt and to a lesser extent, dividend payments and dividend equivalents, partially offset by net cash provided by operating activities. In May 2020, we settled the principal and conversion rights of \$625 million of our 2.0% Convertible Notes for \$1,179 million in cash.
- Contract liabilities were relatively flat compared to April 3, 2020.

COVID-19 UPDATE

The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. Federal and state governments have implemented measures to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, and closure of non-essential businesses. These events have caused a deterioration of the U.S. and global economies, creating a challenging macroeconomic environment.

To protect the health and well-being of our employees, partners and third-party service providers, we have implemented a near company-wide work-from-home requirement for most employees until further notice, made substantial modifications to employee travel policies, and cancelled or shifted our conferences and other marketing events to virtual-only for the foreseeable future. While we continue to monitor the situation and may adjust our current policies as more information and public health guidance become available, such precautionary measures could negatively affect our customer success efforts, sales and marketing efforts, or create operational or other challenges, such as a reduction in employee productivity because of the work from home requirement, any of which could harm our business and results of operations. Further, if the COVID-19 pandemic has a substantial impact on our employees, partners or third-party service providers' health, attendance or productivity, our results of operations and overall financial performance may be adversely impacted. Additionally, if employees, partners or third-party services providers return to work during the COVID-19 pandemic, the risk of inadvertent transmission of COVID-19 through human contact could still occur and result in litigation. Although we have not yet experienced a material increase in customer cancellations or a material reduction in our retention rate in 2020, a prolonged economic downturn could adversely affect demand for our offerings, retention rates and harm our business and results of operations, particularly in light of the fact that our solutions are discretionary purchases and thus may be more susceptible to macroeconomic pressures, as well impact the value of our common stock, our ability to refinance our debt, and our access to capital.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately forecasted at this time, such as the severity and transmission rate of the disease, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers, partners and third-party service providers. For more information on the risks associated with the COVID-19 pandemic, please see "Risk Factors" in Part II, Item 1A below.

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 April 3, 2020. 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 three months ended July 3, 2020.

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	
	July 3, 2020	July 5, 2019
Net revenues	100 %	100 %
Cost of revenues	14	15
Gross profit	86	85
Operating expenses:		
Sales and marketing	24	28
Research and development	11	16
General and administrative	9	15
Amortization of intangible assets	3	3
Restructuring and other costs	21	2
Total operating expenses	66	64
Operating income	20	22
Interest expense	(7)	(8)
Other income, net	3	—
Income from continuing operations before income taxes	16	14
Income tax expense (benefit)	(8)	8
Income from continuing operations	24	6
Loss from discontinued operations	(5)	(2)
Net income	19 %	4 %

Percentages may not add due to rounding.

Net revenues

(In millions, except for percentages)	Three Months Ended		
	July 3, 2020	July 5, 2019	Change in %
Net revenues	\$ 614	\$ 650	(6) %

Net revenues decreased \$36 million, primarily due to approximately \$44 million revenue from the additional week in the first quarter of fiscal 2020.

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 non-GAAP supplemental key performance metrics for our consumer solutions:

(In millions, except for per user amounts)	Three Months Ended	
	July 3, 2020	July 5, 2019
Direct customer revenues	\$ 552	\$ 577 (1)
Average direct customer count	20.4	20.2
Direct customer count (at quarter end)	20.6	20.1
Direct average revenue per user (ARPU)	\$ 9.03	\$ 8.83 (2)

(1) Direct customer revenues in the first quarter of fiscal 2020 excludes \$14 million of revenue from ID Analytics, which was divested in the fourth quarter of fiscal 2020. This amount includes the impact of the extra week on direct customer revenue, which we estimated to be approximately \$41 million.

(2) ARPU in the first quarter of fiscal 2020 was normalized to exclude the impact of the extra week on direct customer revenue, which we estimated to be approximately \$41 million. Excluding this adjustment, ARPU would have been \$9.51 in the first quarter of fiscal 2020.

We define direct customer revenues as revenues from sales of our consumer solutions to direct customers, which we define as active paid users who have a direct billing relationship with the Company at the end of the reported period. Users with multiple products or entitlements are counted for based on which solutions they are subscribed. We exclude users on free trials and promotions and users who have indirectly purchased our product or services through partners unless such users convert or

renew their subscription directly with us. For the first quarter of fiscal 2021 and 2020, partner revenues were \$62 million and \$59 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. Non-GAAP estimated direct customer revenues and ARPU have limitations as analytical tools and should not be considered in isolation or as a substitute for GAAP estimated direct customer revenues or other GAAP measures. 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	
	July 3, 2020	July 5, 2019
Americas	73 %	74 %
EMEA	16 %	15 %
APJ	11 %	11 %

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

Percentage of revenue by geographic region in the first quarter of fiscal 2021 was similar to the corresponding period in the prior year.

Cost of revenues

(In millions, except for percentages)	Three Months Ended		
	July 3, 2020	July 5, 2019	Change in %
Cost of revenues	\$ 86	\$ 96	(10) %

Our cost of revenues decreased \$10 million primarily due to decreases in technical support costs and royalty charges, partially offset by an increase in commissions reflecting higher investments in affiliate marketing programs.

Operating expenses

(In millions, except for percentages)	Three Months Ended		
	July 3, 2020	July 5, 2019	Change in %
Sales and marketing	\$ 145	\$ 184	(21) %
Research and development	65	101	(36) %
General and administrative	53	96	(45) %
Amortization of intangible assets	18	20	(10) %
Restructuring and other costs	127	13	877 %
Total operating expenses	\$ 408	\$ 414	(1) %

Sales and marketing expense decreased \$39 million, primarily due to a \$60 million decrease in compensation expense and allocated corporate costs, reflecting our cost reduction initiatives, partially offset by a \$16 million increase in advertising and promotional expense reflecting our higher investments in direct marketing programs.

Research and development expense decreased \$36 million, primarily due to a \$35 million decrease in compensation expense and allocated corporate shared costs, reflecting our cost reduction initiatives.

General and administrative expense decreased \$43 million, primarily due to a \$34 million decrease in compensation expense and allocated corporate shared costs, and an \$8 million decrease in outside services expense, reflecting our cost reduction initiatives.

Restructuring and other costs increased \$114 million, primarily due to \$48 million in contract cancellation charges, \$55 million in assets write-offs and impairments, and \$7 million in stock-based compensation associated with our restructuring plan approved in November 2019.

Non-operating expense, net

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Interest expense	\$ (40)	\$ (49)
Interest income	2	10
Loss from equity interest	—	(11)
Foreign exchange gain (loss)	1	(1)
Gain on extinguishment of debt	20	—
Other	(4)	3
Total non-operating expense, net	<u>\$ (21)</u>	<u>\$ (48)</u>

Non-operating expense, net, decreased \$27 million, primarily due to the gain on extinguishment of debt due to the repayment of our 2.0% Convertible Notes in the first quarter of fiscal 2021, the absence of loss from equity interest, which was divested in October 2019, and lower interest expense as a result of debt repayments. These decreases were partially offset by lower interest income as a result of lower investments in money market funds and short-term investments in the first quarter of fiscal 2021 compared to the prior year period, and net transition service expense of \$8 million in connection with the Broadcom sale.

Provision for income taxes

(In millions, except for percentages)	Three Months Ended	
	July 3, 2020	July 5, 2019
Income from continuing operations before income taxes	\$ 99	\$ 92
Income tax expense (benefit)	\$ (50)	\$ 54
Effective tax rate	(51)%	59 %

Our effective tax rate for income from continuing operations for the first quarter of fiscal 2021 differs from the federal statutory income tax rate primarily due to a tax benefit related to a favorable tax ruling, the benefits of lower-taxed international earnings, and the research and development tax credit, partially offset by state taxes and various permanent differences.

Our effective tax rate for income from continuing operations for the first quarter of fiscal 2020 differs from the federal statutory income tax rate primarily due to tax expense related to the Ninth Circuit's holding in *Altera Corp. v. Commissioner* (which the Supreme Court declined to review in June 2020), 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 \$90 million.

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.

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 July 3, 2020, we had cash, cash equivalents and short-term investments of \$1,131 million, of which \$719 million 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 \$1,000 million which expires in November 2024.

Our principal cash requirements are primarily to meet our working capital needs, support on-going business activities, including payment of taxes and cash dividends, funding capital expenditures, servicing existing debt, repurchasing shares of our common stock, and investing in business acquisitions.

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 shares of our common stock.

Divestiture of Enterprise Security business

In fiscal 2020, we completed the sale of certain assets and the assumption of certain liabilities of our Enterprise Security business to Broadcom. In the three months ended July 3, 2020, we paid approximately \$1 million of U.S. and foreign income taxes as a result of the transaction and we expect to pay additional income taxes of \$73 million in fiscal 2021 as a result of the transactions.

Debt

In May 2020, we settled the \$625 million principal and conversion rights of our 2.0% Convertible Notes for \$1,179 million in cash.

Sale of certain assets

On July 27, 2020, we completed the sale of certain assets, which were previously classified as held for sale, for cash consideration of \$120 million.

Cash flows

The following summarizes our cash flow activities:

(In millions)	Three Months Ended	
	July 3, 2020	July 5, 2019
Net cash provided by (used in):		
Operating activities	\$ 170	\$ 325
Investing activities	\$ 23	\$ 38
Financing activities	\$ (1,305)	\$ (625)

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 quarter of fiscal 2021 reflected net income of \$118 million, adjusted by non-cash items, consisting primarily of impairments of current and long-lived assets of \$85 million, amortization and depreciation of \$46 million, stock-based compensation expense of \$25 million, deferred income taxes of \$20 million and gain on extinguishment of debt of \$20 million. Our cash flows for the first quarter of fiscal 2020 reflected net income of \$26 million adjusted by non-cash items, consisting primarily of amortization and depreciation of \$158 million, stock-based compensation expense of \$80 million and deferred income tax benefits of \$30 million.

Changes in operating assets and liabilities in the first quarter of fiscal 2021 consisted primarily of the following:

Accounts receivable decreased \$5 million, compared to \$270 million in the first quarter of fiscal 2020, primarily due to the absence of Enterprise Security billings after the close of the Broadcom sale and collection of those receivables thereafter.

Contract liabilities decreased \$29 million, compared to \$161 million in the first quarter of fiscal 2020, primarily due to the absence of Enterprise Security billings after the close of the Broadcom sale.

Income tax payable decreased by \$88 million, compared to an increase of \$72 million in the first quarter of fiscal 2020, primarily due to a decrease in unrecognized tax benefits as a result of a favorable tax ruling.

Cash from investing activities

Our investing activities in the first quarter of fiscal 2021 consisted primarily of proceeds from maturities and sales of short-term investments of \$29 million. Our investing activities in the first quarter of fiscal 2020 consisted primarily of proceeds from maturities and sales of short-term investments of \$92 million, partially offset by capital expenditures of \$49 million.

Cash from financing activities

Our cash flows from financing activities in the first quarter of fiscal 2021 consisted primarily of repayments of convertible debt of \$1,179 million and payment of dividends and dividend equivalents of \$105 million. Our financing activities in the first quarter of fiscal 2020 consisted primarily of common stock repurchases of \$559 million, payment of dividends and dividend equivalents of \$51 million and tax withholding payments related to restricted stock units of \$52 million.

Cash requirements

Debt - As of July 3, 2020, our total outstanding principal amount of indebtedness is summarized as follows. See Note 9 to the Condensed Consolidated Financial Statements for further information on our debt.

(In millions)	July 3, 2020
Senior Term Loan	\$ 500
Senior Notes	2,250
Convertible Senior Notes	875
Total debt	\$ 3,625

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

Debt covenant compliance. The credit agreement we entered into in November 2019 contains customary representations and warranties, non-financial covenants for financial reporting, and affirmative and negative covenants, including compliance with specified financial ratios. As of July 3, 2020, we were in compliance with all debt covenants.

Dividends. On August 6, 2020, we announced the declaration of a cash dividend of \$0.125 per share of common stock to be paid in September 2020. Any future dividends and dividend equivalents 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 July 3, 2020, the remaining balance of our stock repurchase authorization was \$578 million 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.

Restructuring. Under our restructuring plan approved by our Board of Directors in November 2019, we have incurred and expect to incur cash expenditures for severance and termination benefits and contract terminations. As of July 3, 2020, we estimate that we will incur total costs of \$550 million in connection with the November 2019 Plan, excluding stock-based compensation expense, of which up to \$225 million is expected to consist of cash expenditures for severance and termination benefits and up to \$110 million is expected to consist of cash expenditures for contract terminations, and up to \$240 million is expected to consist of asset write-offs and other restructuring costs. During the first three months of fiscal 2021, we made \$39 million in cash payments related to the November 2019 Plan. These actions are expected to be substantially completed by September 2020. See Note 11 to the Condensed Consolidated Financial Statements for additional cash flow information associated with our restructuring activities.

Contractual obligations

The following is a schedule of our significant contractual obligations as of July 3, 2020, 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	\$ 3,625	\$ 763	\$ 1,325	\$ 1,537	\$ —
Interest payments on debt ⁽¹⁾	412	116	172	124	—
Purchase obligations ⁽²⁾	466	382	53	28	3
Deemed repatriation taxes ⁽³⁾	683	68	136	299	180
Operating leases ⁽⁴⁾	95	29	40	22	4
Total	\$ 5,281	\$ 1,358	\$ 1,726	\$ 2,010	\$ 187

- (1) Interest payments were calculated based on the contractual terms of the related Senior Notes, Convertible Senior Notes and Term Loans. Interest on variable rate debt was calculated using the interest rate in effect as of July 3, 2020. See Note 9 to the Condensed Consolidated Financial Statements for further information on the Senior Notes, Convertible Senior Notes and Term loans.
- (2) 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.
- (3) These amounts represent the transition tax on previously untaxed foreign earnings of foreign subsidiaries under the Tax Cuts and Jobs Act which may be paid in installments through July 2025.
- (4) We have entered into various non-cancelable operating lease agreements that expire on various dates through fiscal 2028. See Note 8 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 July 3, 2020, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, \$576 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. In connection with the sale of Veritas and the sale of our Enterprise Security business to Broadcom, we assigned several leases to Veritas Technologies LLC or Broadcom and/or their related subsidiaries. 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 three months of fiscal 2021, 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 April 3, 2020.

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 controls over financial reporting or in other factors during the first quarter of fiscal 2021, that have materially affected, or are reasonably likely to materially affect, our internal controls 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.

RISKS RELATED TO OUR BUSINESS STRATEGY AND INDUSTRY

The COVID-19 pandemic has affected how we are operating our business, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.

The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. Federal and state governments have implemented measures to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, and closure of non-essential businesses. To protect the health and well-being of our employees, partners and third-party service providers, we have implemented a near company-wide work-from-home requirement for most employees until further notice, made substantial modifications to employee travel policies, and cancelled or shifted our conferences and other marketing events to virtual-only for the foreseeable future. While we continue to monitor the situation and may adjust our current policies as more information and public health guidance become available, such precautionary measures could negatively affect our customer success efforts, sales and marketing efforts, or create operational or other challenges, such as a reduction in employee productivity because of the work from home requirement, any of which could harm our business and results of operations. Further, if the COVID-19 pandemic has a substantial impact on our employees, partners or third-party service providers' health, attendance or productivity, our results of operations and overall financial performance may be adversely impacted. Additionally, if employees, partners or third-party services providers return to work during the COVID-19 pandemic, the risk of inadvertent transmission of COVID-19 through human contact could still occur and result in litigation.

The U.S. and global economies have reacted negatively in response to worldwide concerns due to the economic impacts of the COVID-19 pandemic, and on June 8, 2020, the National Bureau of Economic Research announced that the U.S. was in a recession. Although we have not yet experienced a material increase in customers cancellations or a material reduction in our retention rate in 2020, we may experience such an increase or reduction in the future, especially in the event of a prolonged recession as a result of the COVID-19 pandemic. A prolonged recession could result adversely affect demand for our offerings, retention rates and harm our business and results of operations, particularly in light of the fact that our solutions are discretionary purchases and thus may be more susceptible to macroeconomic pressures, as well impact the value of our common stock, ability to refinance our debt, and our access to capital.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately forecasted at this time, such as the severity and transmission rate of the disease, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers, partners and third-party service providers. If we are not able to respond to and manage the impact of such events effectively and if the macroeconomic conditions of the general economy or the industries in which we operate do not improve, or deteriorate further, our business, operating results, financial condition and cash flows could be adversely affected.

If we are unable to develop new and enhanced solutions, or if we are unable to continually improve the performance, features, and reliability of our existing solutions, 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 evolving threats to consumers, 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, and as we focus on organic growth through internal innovation. Following the Broadcom sale (as defined below), our resources for research and development have decreased, which could put us at a competitive disadvantage. Nevertheless, we believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position, which include, for example, decreasing our reliance on third parties for our Engine-Related Services. 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. 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. Additionally, we must continually address the challenges of dynamic and accelerating market trends and competitive developments. Customers may require features and capabilities that our current solutions do not have. Our failure to develop new solutions and improve our existing solutions to 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 involve 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 and regulatory standards and technological developments by our competitors and customers;
- Rapidly changing customer preferences;
- 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.

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 frequent technological developments, changes in industry and regulatory 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) and Operating Systems. 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. 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 full featured solutions like ours. 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, 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. We also face competition from many smaller companies that specialize in particular segments of the market in which we compete.

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, we may need to lower prices in order to compete successfully. Similarly, if there is pressure by competitors to raise prices, our ability to acquire new customers and retain existing customers may be diminished. Any such changes may reduce revenue and margins and could adversely affect our financial results.

Additionally, our business may be affected by changes in the macroeconomic environment. Our solutions are discretionary purchases, and customers may reduce or eliminate their discretionary spending on our solutions during a difficult macroeconomic environment. Although we have not yet experienced a material increase in customers cancellations or a material reduction in our retention rate in 2020, we may experience such an increase or reduction in the future, especially in the event of a prolonged recession or a worsening of current conditions as a result of the COVID-19 pandemic. In addition, during a recession, consumers may experience a decline in their credit or disposable income, which may result in less demand for our

solutions. As a result, we may have to lower our prices or make other changes to our pricing model to address these dynamics, any of which could adversely affect our business and financial results.

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.

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, and OEM partners that incorporate our products into, or bundle our products with, their products. These channels involve a number of risks, including:

- Our resellers, distributors and OEMs 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 and 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;
- Our resellers, distributors and OEMs may encounter issues or have violations of 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;
- Any consolidation of electronics retailers can increase their negotiating power with respect to software providers such as us and any decline in the number of physical retailers could decrease the channels of distribution for us;
- The continued consolidation of online sales through a small number of larger channels has been increasing, which could reduce the channels available for online distribution of our solutions; and
- Sales through our partners are subject to changes in general economic conditions, strategic direction, competitive risks, and other issues that could result in a reduction of 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. 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 adversely affect our operating results.

Our revenue and operating results depend significantly on our ability to retain our existing customers, and add new customers, and any decline in our retention rates or failure to add new customers will harm our future revenue and operating results.

Our revenue and operating results depend significantly on our ability to retain our existing customers and add new customers. We sell our solutions to our customers on a monthly or annual subscription basis. Customers may cancel their membership with us at any time without penalty. We therefore may be unable to retain our existing customers on the same or on more profitable terms, if at all. In addition, we may not be able to predict or anticipate accurately future trends in customer retention or effectively respond to such trends. Our customer retention rates may decline or fluctuate due to a variety of factors, including the following:

- our customers' levels of satisfaction or dissatisfaction with our solutions;
- the quality, breadth, and prices of our solutions;
- our general reputation and events impacting that reputation;
- the services and related pricing offered by our competitors;
- disruption by new services or changes in law or regulations that impact the need for efficacy of our products and services;
- our customer service and responsiveness to any customer complaints;
- customer dissatisfaction if they do not receive the full benefit of our services due to their failure to provide all relevant data;
- customer dissatisfaction with the methods or extent of our remediation services;
- our guarantee may not meet our customers' expectations; and
- changes in our target customers' spending levels as a result of general economic conditions or other factors.

If we do not retain our existing customers and add new customers, our revenue may grow more slowly than expected or decline, and our operating results and gross margins will be harmed. In addition, our business and operating results may be harmed if we are unable to increase our retention rates.

We also must continually add new customers both to replace customers who cancel or elect not to renew their agreements with us and to grow our business beyond our current customer base. If we are unable to attract new customers in numbers greater than the percentage of customers who cancel or elect not to renew their agreements with us, our customer base will decrease, and our business, operating results, and financial condition could be adversely affected.

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 sale of certain of our enterprise security assets to Broadcom Inc. (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 and the winding down of divested 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 and divested 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. Further, 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. Please see “Risks Related to the Broadcom sale,” below, for additional information regarding our divestiture risks.

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.

RISKS RELATED TO THE BROADCOM SALE

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 that resulted from the completion of the transaction, included the loss of employees, and 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.

We are dependent upon Broadcom for certain engineering and threat response services, which are critical to our products and business. We could lose our access to these or other data sources, including threat intelligence, which could cause us competitive harm and have a material adverse effect on our business, operating results, and financial condition.

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, substantially to the same extent and in substantially the same manner, as has 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 and financial condition could be materially and adversely affected. Furthermore, we cannot provide assurance that we will be able to obtain data from alternative or additional sources if our current sources become unavailable, and if we are able to obtain alternative sources, we could be unable to integrate or deploy them in time, which could cause us competitive harm and have a material adverse effect on our business. Additionally, in connection with the Broadcom sale, we lost many industry-specific engineers and other capabilities, including certain threat intelligence data which were historically provided by our former Enterprise Security business, the lack of which could have a negative impact on our business and products.

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

In November 2019, our Board of Directors approved a restructuring plan (the November 2019 Plan) in connection with the strategic decision to divest our Enterprise Security business. Actions under this plan include the reduction of our workforce by approximately 3,100 employees, as well as asset write-offs, contract terminations, facilities closures, and the sale of underutilized facilities. We estimate that we will incur total costs of \$550 million in connection with the November 2019 Plan, excluding stock-based compensation expense, of which up to \$225 million is expected to consist of cash expenditures for severance and termination benefits and up to \$110 million is expected to consist of cash expenditures for contract terminations. Non-cash costs are estimated to be up to \$240 million related to asset write-offs and other restructuring costs. These actions are expected to be substantially completed by September 2020. 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 assure you 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 if we do not maintain adequate control of our costs and expenses, our results of operations will suffer.

If we are unsuccessful at executing the transition of the Enterprise Security Business assets from the Broadcom sale, 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 Broadcom sale, which comprised an operating segment. These transitions have involved significant turnover in executive management and other key personnel and changes in our strategic direction, as well as resulted in the relocation of our headquarters to Tempe, Arizona. 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 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.

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.

RISKS RELATED TO OUR OPERATIONS

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, e-commerce, finance, and other personnel. Our officers and other key personnel are “at will” employees 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. In connection with the Broadcom sale, we experienced employee attrition and related difficulties and these difficulties and loss of certain expertise and capabilities may continue or increase.

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. 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.

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, pandemics, such as the recent COVID-19 pandemic 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, an act of terrorism, a pandemic, such as the ongoing COVID-19 pandemic, and similar events could result in a decision to close the facilities without adequate notice or other unanticipated problems, which in turn, could result in lengthy interruptions in the delivery of our products and services, which could negatively impact our sales and operating results.

Furthermore, our business administration, human resources, compliance efforts, 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, such as the ongoing COVID-19 pandemic, 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.

In light of the ongoing COVID-19 pandemic, we have implemented a near company-wide work-from-home requirement for most employees until further notice. While we have not experienced any material disruptions to date, there can be no assurance that our technological systems or infrastructure is or will be equipped to facilitate effective remote working arrangements and effectively operate in full compliance with all laws and regulations for our employees in the short or long term.

Our international operations involve risks that could increase our expenses, adversely affect our operating results, and require increased time and attention of our management.

We derive a portion of our revenues from customers located outside of the U.S., and we have significant operations outside of the U.S., including engineering, sales and customer support. Our international operations are subject to risks in addition to those faced by our domestic operations, including:

- Potential loss of proprietary information due to misappropriation or laws that may be less protective of our intellectual property rights than U.S. laws or that may not be adequately enforced;
- Requirements of foreign laws and other governmental controls, including tariffs, trade barriers and labor restrictions, and related laws that reduce the flexibility of our business operations;
- Potential changes in trade relations arising from policy initiatives or other political factors;
- Regulations or restrictions on the use, import, or export of encryption technologies that could delay or prevent the acceptance and use of encryption products and public networks for secure communications;
- Local business and cultural factors that differ from our normal standards and practices, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anti-corruption laws and regulations;
- Central bank and other restrictions on our ability to repatriate cash from our international subsidiaries or to exchange cash in international subsidiaries into cash available for use in the U.S.;
- Fluctuations in currency exchange rates, economic instability, and inflationary conditions could make our solutions more expensive or could increase our costs of doing business in certain countries;
- Limitations on future growth or inability to maintain current levels of revenues from international sales if we do not invest sufficiently in our international operations;
- Difficulties in staffing, managing, and operating our international operations;
- Difficulties in coordinating the activities of our geographically dispersed and culturally diverse operations;
- Costs and delays associated with developing software and providing support in multiple languages; and

- Political unrest, war, or terrorism, or regional natural disasters, particularly in areas in which we have facilities.

A significant portion of our transactions outside of the U.S. is denominated in foreign currencies. Accordingly, our revenues and expenses will continue to be subject to fluctuations in foreign currency rates. We have in the past and expect in the future to be affected by fluctuations in foreign currency rates, especially if international sales grow as a percentage of our total sales or our operations outside the U.S. continue to increase and foreign currency rates continue to experience increased volatility due to the COVID-19 pandemics.

RISKS RELATED TO OUR SOLUTIONS

Our solutions, systems, and website and the data on these sources may be subject to intentional disruption that could materially harm to 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 the global civilian cyber intelligence threat network. This risk may be increased during the current COVID-19 pandemic as more individuals are work from home and utilize home networks for the transmission of sensitive information. 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 engage in a number of measures aimed to protect against security breaches and to minimize problems if a data breach were to occur, our information technology systems and infrastructure may be vulnerable to damage, compromise, disruption, and shutdown due to attacks or breaches by hackers or due to other circumstances, such as error or malfeasance by employees or third party service providers or technology malfunction. The occurrence of any of these events, as well as a failure to promptly remedy these events should they occur, could compromise our systems, and the information stored in our systems could be accessed, publicly disclosed, lost, stolen, or damaged. Any such circumstance could adversely affect our ability to attract and maintain customers as well as strategic partners, cause us to suffer negative publicity, and subject us to legal claims and liabilities or regulatory penalties. In addition, unauthorized parties might alter information in our databases, which would adversely affect both the reliability of that information and our ability to market and perform our services. Techniques used to obtain unauthorized access or to sabotage systems change frequently, are constantly evolving and generally are difficult to recognize and react to effectively. We may be unable to anticipate these techniques or to implement adequate preventive or reactive measures. Several recent, highly publicized data security breaches at other companies have heightened consumer awareness of this issue and may embolden individuals or groups to target our systems or those of our strategic partners or enterprise customers.

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 and negatively impact our brand recognition and reputation.

Because we offer very complex solutions, errors, defects, disruptions, or other performance problems with our solutions may and have occurred. 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 solutions, including the operation of the global civilian cyber intelligence threat network, could impact our revenues or cause customers to cease doing business with us. 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 solutions to our clients in a disaster recovery scenario.

Further, our business would be harmed if any of the events of this nature caused our customers and potential customers to believe our solutions are unreliable. Our brand recognition and reputation are critical aspects of our business to retaining existing customers and attracting new customers. Furthermore, negative publicity, whether or not justified, relating to events or activities attributed to us, our employees, our strategic partners, our affiliates, or others associated with any of these parties, may tarnish our reputation and reduce the value of our brands. Damage to our reputation and loss of brand equity may reduce demand for our solutions and have an adverse effect on our business, operating results, and financial condition. Moreover, any attempts to rebuild our reputation and restore the value of our brands may be costly and time consuming, and such efforts may not ultimately be successful.

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, process, store, transmit or disclose (collectively, process) an increasingly large amount of confidential information, including personally identifiable information, credit card information and other critical data from employees and customers, in connection with the operation of our business, particularly in relation to our identity and information protection offerings.

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, the California Consumer Privacy Act of 2018 (the CCPA), came 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. 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.

LEGAL AND COMPLIANCE RISKS

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 self-reported to 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. 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.

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. LifeLock has previously entered into consent decrees and similar arrangements with the FTC and the attorney generals of 35 states as well as a settlement with the FTC relating to allegations that certain of LifeLock's advertising, marketing and security practices constituted deceptive acts or practices in violation of the FTC Act, which impose additional restrictions on our business, including prohibitions against making any misrepresentation of "the means, methods, procedures, effects, effectiveness, coverage, or scope of" our solutions. 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.

Much 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 consumer agreements do not require a signature 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. 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 employers 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 solutions, 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.

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.

RISKS RELATED TO OUR FINANCIAL RESULTS

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;
- Disruptions in our business operations or target markets caused by, among other things, terrorism or other intentional acts, outbreaks of disease, such as the COVID-19 pandemic, or earthquakes, floods, or other natural disasters;
- 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 amount and timing of commencement and termination of major marketing campaigns;
- 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 impact of acquisitions and divestitures and our ability to achieve expected synergies or attendant cost savings;
- Fluctuations in foreign currency exchange rates;
- Movements in interest rates;
- Changes in tax laws, rules, and regulations; and
- Changes in consumer protection laws and regulations.

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

Changes to our effective tax rate could increase our income tax expense and reduce (increase) our net income (loss), cash flows and working capital.

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 significant infrequently occurring events 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;
- Taxes arising in connection with the Broadcom sale;

- Taxes arising in connection to changes in our workforce, corporate entity structure or operations as they relate to tax incentives and tax rates.

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.

RISKS RELATED TO OUR LIQUIDITY AND INDEBTEDNESS

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 solutions through acquisitions in order to take advantage of business opportunities or respond to competitive pressures, which could have a material adverse effect on our solutions 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 July 3, 2020, we had an aggregate of \$3,600 million of outstanding indebtedness that will mature in calendar years 2020 through 2025, including approximately \$1 billion in aggregate principal amount of existing convertible notes, \$2,300 million of senior notes and \$500 million of outstanding term loans under our senior secured credit facility, and we may incur additional indebtedness in the future and/or enter into new financing arrangements. In addition, as of July 3, 2020, we had \$1,000 million 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 other 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 or recession 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;
- 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; and

- Conversion of our convertible notes could result in significant dilution of our common stock, which could result in significant dilution to our existing stockholders and cause the market price of our common stock to decline.

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. 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. 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. In 2017, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. If LIBOR ceases to exist, we may need to renegotiate our debt arrangements that extend beyond 2021 that utilize LIBOR as a factor in determining the interest rate, which may negatively impact the terms of such indebtedness. In addition, the overall financial markets may be disrupted as a result of the phase out or replacement of LIBOR. Disruption in the financial markets could have an adverse effect on our financial position, results of operations, and liquidity.

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.

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

Repurchase of equity securities

Under our stock repurchase programs, shares may be repurchased on the open market and through accelerated stock repurchase transactions. As of July 3, 2020, we have \$578 million remaining authorized to be completed in future periods with no expiration date. No shares were repurchased during the three months ended July 3, 2020.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed with this 10-Q
		Form	File Number	Exhibit	File Date	
10.01	FY21 Executive Annual Incentive Plan – Chief Executive Officer					X
10.02	FY21 Executive Annual Incentive Plan – Vice Presidents and Above					X
10.03	Forms of FY21 Performance Based Restricted Stock Unit Award Agreements under 2013 Equity Incentive Plan					X
10.04	Offer Letter with Natalie M. Derse dated June 19, 2020	8-K	000-17781	10.01	7/8/2020	
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed with this 10-Q
		Form	File Number	Exhibit	File Date	
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 July 3, 2020 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, (iv) Condensed Consolidated Statements of Equity (Deficit), (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)					X

† 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/ Vincent Pilette
Vincent Pilette
Chief Executive Officer

By: /s/ Natalie Derse
Natalie Derse
Chief Financial Officer

August 6, 2020



FY21 Executive Annual Incentive Plan

Chief Executive Officer

This Executive Annual Incentive Plan (the "Plan") of NortonLifeLock (the "Company") is effective as of April 4, 2020. The Board of Directors (the "Board") of the Company reserves the right to alter or cancel all or any portion of the Plan for any reason at any time.

FY21 Executive Annual Incentive Plan (FY21 EAIP)

Job Category: Chief Executive Officer

Purpose: Provide critical focus on specific, measurable corporate goals and provide performance-based compensation based upon the level of attainment of such goals.

Bonus Target: The target incentive bonus, as expressed as a percentage of the base salary, and the annual base salary are determined by the Administrator at the beginning of the fiscal year. The Bonus will be calculated based on actual base salary earnings from time of eligibility under the Plan through April 2, 2021. Payment will be subject to applicable payroll taxes and withholdings.

Bonus Payment: The annual incentive bonus will be paid once annually. Payment will be made no later than two and a half months after the end of the fiscal year. Payment made pursuant to this Plan is at the sole discretion of the Administrator of the Plan.

Metrics: One corporate performance metric, bookings will be used in the determination of the annual incentive bonus payment as determined by the Administrator and will be weighted at 100%, provided an initial operating gate, measured at non-GAAP operating profit margin, is achieved (the "Operating Gate"). If the Operating Gate is not achieved, no payment shall be made under this FY21 EAIP.

Achievement Schedule: An established threshold must be exceeded for the performance metric before the portion of the bonus applicable to the performance metric will be paid. Payout levels will be determined in accordance with the payout slopes established and approved by the Administrator. Payouts under the performance metric is capped.

Pro-ration: The calculation of the annual incentive bonus will be determined, in part, based on eligible base salary earnings for the fiscal year and, subject to the eligibility requirements below, will be pro-rated based on the number of days the participant is actively employed as a regular status employee of the Company during the fiscal year. If a participant takes a leave of absence from the Company during the fiscal year, any payments received by the participant as an income protection benefit will not be counted toward base salary earnings for the purpose of bonus calculations.

Eligibility: Participant must be a regular status employee on the day the bonuses are distributed to earn the bonus. If the Company grants an interim payment for any reason, the Participant must be a regular status employee at the end of the fiscal year in order to receive such payment. Ongoing contributions toward the Company's overall success, particularly toward year end, is of particular business importance. As such, a participant who leaves before the end of the fiscal year will not be eligible to earn the annual incentive bonus or any pro-rated portion thereof. The Plan participant must be a regular status employee of the Company at the end of the fiscal year in order to be eligible to receive the annual incentive bonus and at the time the bonuses are distributed, unless otherwise determined by the Administrator.

To be eligible to participate in the Plan in the given fiscal year, participant must be in an eligible position for at least 90 days before the end of the Plan year. Employee hired into an eligible position with less than 90 days in the Plan year will not be eligible to participate in the annual bonus plan until the next fiscal year.

Exchange Rates: The performance metric target will not be adjusted for any fluctuating currency exchange rates. However, when calculating achievement of the performance metrics, foreign exchange movements are held constant at plan rates.

Target Changes: In the event of an accretive event, such as a stock buyback, or other events that might have an effect on the plan metrics, such as acquisition, divestiture or purchase of products or technology, the Administrator may at its discretion adjust the performance metric to reflect the potential impact upon the Company's financial performance.

Exercise of Negative Discretion: Notwithstanding anything to the contrary herein, the Board or Administrator may, without the consent of Participant, exercise negative discretion so as to reduce, by up to twenty-five percent (25%), the amount of the incentive bonus to the extent it determines to be reasonable or appropriate; provided, however, that such determination is made as soon as administratively practicable following the final calculation of the performance metrics.

Forfeiture and Clawback Provisions: All benefits hereunder shall be subject to the provisions of any recoupment or clawback policy adopted by the Board or required by law, including but not limited to, any requirement to recoup or require forfeiture of Covered Amounts in the event of a financial restatement by the Company due to fraud or intentional misconduct to the extent the Covered Amounts would not have been granted, vested or paid had the financial metrics been calculated based on the Company's financial statements as restated. The Company will not be required to award Participant an additional Payment should the restated financial statements result in a higher bonus calculation.

In addition, the Board or the Administrator shall, in such circumstances as it deems appropriate, recoup or require forfeiture of any Covered Amounts in the event of (i) the Participant's act or omission resulting in a violation of the Company's Code of Conduct, Code of Ethics for Chief Executive Officer and Senior Financial Officers or other Company policy, provided that such act or omission occurs following the effective date of the applicable Code or policy, or any amendment to such Code or policy; (ii) the adjustment of quarterly or annual financial statements (whether audited or unaudited) with respect to the Company's prior and current fiscal years to correct one or more errors that have a material impact on the plan metrics; or (iii) a recommendation by the Board or Audit Committee as the result of any ongoing internal investigation.

The Covered Amounts subject to recoupment or forfeiture pursuant to the foregoing shall include the amounts received by the Participant pursuant to this Plan, including (i) any proceeds, gains or other economic benefit actually or constructively received by the Participant upon the grant or payment of the incentive bonus and (ii) any unvested or unpaid portion thereof (A) in the case of any adjustment or restatement of the Company's financial statements, during the three-year period preceding the date on which the Company determined, or if later first disclosed, that it is or will be preparing an adjustment or restatement; or (B) in the case of any fraud, misconduct, act or omission by the Participant, during the three-year period preceding the date of such fraud, misconduct, act or omission, as determined by the Board or a committee thereof.

Plan Provisions: This Plan is adopted under the Symantec Senior Executive Incentive Plan, as amended and restated on October 22, 2013 and approved by the Company's stockholders on October 22, 2013 (the "SEIP"). All capitalized terms in this Plan shall have the meaning assigned to them in the SEIP.

This Plan supersedes the FY20 Executive Annual Incentive Plan, dated March 30, 2019, which is null and void as of the adoption of this Plan.

Participation in the Plan does not guarantee participation in other or future incentive plans, nor does it guarantee continued employment for a specified term. Plan structures and participation will be determined on a year-to-year basis.

The Board reserves the right to alter or cancel all or any portion of the Plan for any reason at any time. The Plan shall be administered by the independent members of the Board (the "Administrator"), and the Administrator shall have all powers and discretion necessary or appropriate to administer and interpret the Plan.

The Board reserves the right to exercise its own judgment with regard to company performance in light of events outside the control of management and/or participant.



FY21 Executive Annual Incentive Plan

(excluding CEO)

This Executive Annual Incentive Plan (the "Plan") of NortonLifeLock (the "Company") is effective as of April 4, 2020. The Board of Directors (the "Board") of the Company reserves the right to alter or cancel all or any portion of the Plan for any reason at any time.

FY21 Executive Annual Incentive Plan (FY21 EAIP)

Job Category: Certain Company Vice Presidents and Above (excluding CEO)

Purpose: Provide critical focus on specific, measurable corporate and division goals and provide performance-based compensation based upon the level of attainment of such goals.

Bonus Target: The target incentive bonus, as expressed as a percentage of base salary, is determined based on the executive's position. Annual base salary has been established at the beginning of the fiscal year. Bonuses will be calculated based on actual base salary earnings from time of eligibility under the Plan through April 2, 2021. (Base salary earnings for the purpose of this Plan do not include any PTO accrual payments.) Payments will be subject to applicable payroll taxes and withholdings.

Bonus Payments: The annual incentive bonus will be paid once annually. Payment will be made no later than two and a half months after the end of the fiscal year. Payments made pursuant to this Plan are at the sole discretion of the Administrator of the Plan.

Bonus Pool Funding: One corporate performance metric, bookings, will be used to calculate the annual incentive bonus pool funding as determined by the Administrator and will be weighted at 100%, provided an initial operating gate, measured at non-GAAP operating profit margin, is achieved (the "Operating Gate"). If the Operating Gate is not achieved, no payment shall be made under this FY21 EAIP.

Achievement Schedule: An established threshold must be exceeded for the performance metric before the portion of the bonus applicable to the performance metric will be paid. Payout levels will be determined in accordance with the payout slopes established and approved by the Administrator. Payouts under the performance metric is capped.

The individual payout amount will be determined based on the assessment of individual performance against a set of financial, non-financial, individual, and team-based goals and will be allocated from the bonus pool as a percent of the individual's bonus target.

The Administrator and the Chief Executive Officer reserve the right to determine final payout level for the individual performance factor metric. However, only the Administrator determines the final payout level for the individual performance factor metric for the executive officers.

Pro-ration: The calculation of the annual incentive bonus will be determined, in part, based on eligible base salary earnings for the fiscal year and, subject to the eligibility requirements below, will be pro-rated based on the number of days the participant is actively employed as a regular status employee of the Company during the fiscal year. If a participant takes a leave of absence from the Company during the fiscal year, any payments received by the participant as an income protection benefit will not be counted toward base salary earnings for the purpose of bonus calculations.

Eligibility: Participants must be regular status employees on the day bonuses are distributed to earn the bonus. If the Company grants an interim payment for any reason, the Participant must be a regular status employee at the end of the fiscal year in order to receive such payment. Ongoing contributions toward the Company's overall success, particularly toward year end, is of particular business importance. As such, a participant who leaves before the end of the fiscal year will not be eligible to earn the annual incentive bonus or any pro-rated portion thereof. The Plan participant must be a regular status employee of the Company at the end of the fiscal year in order to be eligible to receive the annual incentive bonus and at the time the bonuses are distributed, unless otherwise determined by the Administrator.

To be eligible to participate in the Plan in the given fiscal year, participants must be in an eligible position for at least 90 days before the end of the Plan year. Employees hired into an eligible position with less

than 90 days in the Plan year will not be eligible to participate in the annual bonus plan until the next fiscal year.

Exchange Rates: The performance metric targets will not be adjusted for any fluctuating currency exchange rates. However, when calculating achievement of the performance metric, foreign exchange movements are held constant at plan rates.

Target Changes: In the event of an accretive event, such as a stock buyback, or other events that might have an effect on the plan metrics, such as acquisition, divestiture or purchase of products or technology, the Administrator may at its discretion adjust the performance metric to reflect the potential impact upon the Company's financial performance.

Exercise of Negative Discretion: Notwithstanding anything to the contrary herein, the Board or Administrator may, without the consent of Participant, exercise negative discretion so as to reduce, by up to twenty-five percent (25%), the amount of the incentive bonus to the extent it determines to be reasonable or appropriate; provided, however, that such determination is made as soon as administratively practicable following the final calculation of the performance metrics.

Forfeiture and Clawback Provisions: All benefits hereunder shall be subject to the provisions of any recoupment or clawback policy adopted by the Board or required by law, including but not limited to, any requirement to recoup or require forfeiture of Covered Amounts in the event of a financial restatement by the Company due to fraud or intentional misconduct to the extent the Covered Amounts would not have been granted, vested or paid had the financial metrics been calculated based on the Company's financial statements as restated. The Company will not be required to award any Participant an additional payment should the restated financial statements result in a higher bonus calculation.

In addition, the Board or the Administrator shall, in such circumstances as it deems appropriate, recoup or require forfeiture of any Covered Amounts in the event of (i) the Participant's act or omission resulting in a violation of the Company's Code of Conduct, Code of Ethics for Chief Executive Officer and Senior Financial Officers or other Company policy, provided that such act or omission occurs following the effective date of the applicable Code or policy, or any amendment to such Code or policy; (ii) the adjustment of quarterly or annual financial statements (whether audited or unaudited) with respect to the Company's prior and current fiscal years to correct one or more errors that have a material impact on the Company's non-GAAP Operating Income Margin or non-GAAP Revenue; or (iii) a recommendation by the Board or Audit Committee as the result of any ongoing internal investigation.

The Covered Amounts subject to recoupment or forfeiture pursuant to the foregoing shall include the amounts received by the Participant pursuant to this Plan, including (i) any proceeds, gains or other economic benefit actually or constructively received by the Participant upon the grant or payment of the incentive bonus and (ii) any unvested or unpaid portion thereof (A) in the case of any adjustment or restatement of the Company's financial statements (including the correction of non-GAAP Operating Income Margin or non-GAAP Revenue metrics), during the three-year period preceding the date on which the Company determined, or if later first disclosed, that it is or will be preparing an adjustment or restatement; or (B) in the case of any fraud, misconduct, act or omission by the Participant, during the three-year period preceding the date of such fraud, misconduct, act or omission, as determined by the Board or a committee thereof.

Plan Provisions: This Plan is adopted under the Symantec Senior Executive Incentive Plan, as amended and restated on October 22, 2013 and approved by the Company's stockholders on October 22, 2013 (the "SEIP"). All capitalized terms in this Plan shall have the meaning assigned to them in the SEIP.

This Plan supersedes the FY20 Executive Annual Incentive Plan, dated March 30, 2019, which is null and void as of the adoption of this Plan.

Participation in the Plan does not guarantee participation in other or future incentive plans, nor does it guarantee continued employment for a specified term. Plan structures and participation will be determined on a year-to-year basis.

The Board reserves the right to alter or cancel all or any portion of the Plan for any reason at any time. The Plan shall be administered by the independent members of the Board (the "Administrator"), and the Administrator shall have all powers and discretion necessary or appropriate to administer and interpret the Plan.

The Board reserves the right to exercise its own judgment with regard to company performance in light of events outside the control of management and/or participant.

NORTONLIFELOCK INC.

PERFORMANCE BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

RECITALS

- A. The Board has adopted the Plan for the purpose of providing incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of NortonLifeLock Inc. (the “**Company**”) and its Subsidiaries and Affiliates. The term “Company” shall include any successor to NortonLifeLock Inc., as well as its Subsidiaries and Affiliates.
- B. The Participant is to render valuable services to the Company and/or its Subsidiaries and Affiliates, and this Performance Based Restricted Stock Unit Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company’s issuance of rights in respect of Common Stock in the form of Performance Based Restricted Stock Units (each, a “**CAGR PRU**”).
- C. All capitalized terms in this Agreement shall have the meaning assigned to them in Appendix A or B attached hereto. All undefined terms shall have the meaning assigned to them in the Plan.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Performance Based Restricted Stock Units**. The Company hereby awards to the Participant CAGR PRUs under the Plan. Each CAGR PRU represents the right to receive one share of Common Stock on vesting based on achievement of the performance objectives set forth in Appendix B (each, a “**Share**”), subject to the provisions of this Agreement (including any Appendices hereto). The number of Shares subject to this Award, the applicable vesting schedule for the CAGR PRUs and the Shares, the dates on which those vested Shares shall be issued to Participant and the remaining terms and conditions governing this Award shall be as set forth in this Agreement (including any Appendices hereto).

AWARD SUMMARY

Award Date and Number of Shares

As set forth in the Notice of Grant of Award (the “**Notice of Grant**”).

Subject to Award:

Vesting Schedule:

The Shares shall vest pursuant to the schedule set forth on Appendix B hereto.

Subject to the provisions of Appendix B hereto, the Shares that may be earned on each applicable vesting date shall vest on that date only if the employment of the Participant has not Terminated as of such date, and no additional Shares shall vest following the Participant’s Termination.

Issuance Schedule

The Shares in which the Participant vests shall be issuable as set forth in Paragraph 6. However, the actual number of vested Shares to be issued will be subject to the provisions of Paragraph 7 (pursuant to which the applicable withholding taxes are to be collected) and Appendix B.

2. **Limited Transferability**. This Award, and any interest therein, shall not be transferable or assignable by the Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as consistent with this Agreement and the Plan.
3. **Cessation of Service**. Subject to the provisions of Appendix B hereto, should the Participant's service as an employee, director, consultant, independent contractor or advisor to the Company or a Parent, Subsidiary or an Affiliate of the Company be Terminated for any reason (whether or not in breach of local labor laws) prior to vesting in one or more Shares subject to this Award, then the CAGR PRUs covering such unvested Shares will be immediately thereafter cancelled, the Participant shall cease to have any right or entitlement to receive any Shares under those cancelled CAGR PRUs and the Participant's right to receive CAGR PRUs and vest under the Plan in respect thereof, if any, will terminate effective as of the date that the Participant is no longer actively providing service. For purposes of service, transfer of employment between the Company and any Subsidiary or Affiliate shall not constitute Termination of Service. The Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing service for purposes of the Plan.
4. **Corporate Transaction**. Subject to the provisions of Appendix B hereto:
 - a. In the event of a Corporate Transaction, any or all outstanding CAGR PRUs subject to this Agreement may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on the Participant, or the successor corporation may substitute an equivalent award or provide substantially similar consideration to the Participant as was provided to stockholders (after taking into account the existing provisions of the CAGR PRUs).
 - b. In the event such successor corporation (if any) fails to assume this Award or substitute an equivalent award (as provided in Paragraph 4(a) above) pursuant to a Corporate Transaction, this Award will expire on such transaction at such time and on such conditions as the Board shall determine.
 - c. Any action taken pursuant to clauses (a) or (b) above must either (i) preserve the exemption of these CAGR PRUs from Section 409A of the Code or (ii) comply with Section 409A of the Code.
 - d. This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

5. **Adjustment in Shares.** Should any change be made to the Common Stock by reason of any stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, or if there is a change in the corporate structure, then appropriate adjustments shall be made to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.
6. **Issuance of Shares of Common Stock.**
- a. As soon as practicable following the applicable vesting date of any portion of the CAGR PRU (including the date (if any) on which vesting of any portion of this CAGR PRU accelerates), the Company shall issue to, or on behalf of the Participant a certificate (which may be in electronic form) for the applicable number of underlying shares of Common Stock that so vested, subject, however, to the provisions of Paragraph 7 pursuant to which the applicable withholding taxes are to be collected. In no event shall the date of settlement (meaning the date that shares of Common Stock are issued) be later than two and one half (2½) months after the later of (i) the end of the Company's fiscal year in which the applicable vesting date occurs or (ii) the end of the calendar year in which the applicable vesting date occurs.
 - b. If the Company determines that the Participant is a "specified employee," as defined in the regulations under Section 409A of the Code, at the time of the Participant's "separation from service," as defined in those regulations, then any units that otherwise would have been settled during the first six months following the Participant's separation from service will instead be settled during the seventh month following the Participant's separation from service, unless the settlement of those units is exempt from Section 409A of the Code.
 - c. In no event shall fractional Shares be issued.
 - d. The holder of this Award shall not have any stockholder rights, including voting rights, with respect to the Shares subject to the CAGR PRUs until the Award holder becomes the record holder of those Shares following their actual issuance and after the satisfaction of the Tax Obligations (as defined below).
7. **Tax Obligations.** The Participant hereby agrees to make adequate provision for any sums required to satisfy the applicable federal, state, local and foreign employment, social insurance, payroll, income and other tax withholding obligations of the Company or any Affiliate (the "**Tax Obligations**") that arise in connection with this Award. The satisfaction of the Tax Obligations shall occur at the time the Participant receives a distribution of Common Stock or other property pursuant to this Award, or at any time prior to such time or thereafter as reasonably requested by the Company and/or any Affiliate in accordance with applicable law. The Participant hereby authorizes the Company, at its sole discretion and subject to any limitations under applicable law, to satisfy any such Tax Obligations by any of the following methods: (1) in the event the CAGR PRU is to be settled in part in cash rather than settled in full in Shares, withholding from the cash to be distributed to the Participant in

settlement of this Award, (2) permitting the Participant to enter into a “same day sale” commitment with a broker-dealer that is a member of the National Association of Securities Dealers (an “**NASD Dealer**”) whereby the Participant irrevocably elects to sell a portion of the Shares to be delivered under the Award to satisfy the applicable Tax Obligations and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the proceeds necessary to satisfy the Tax Obligations directly to the Company and/or its Affiliates, and (3) withholding Shares that are otherwise to be issued and delivered to the Participant under this Award in satisfaction of the Tax Obligations up to the maximum statutory amount. In addition, to the extent this Award is not settled in cash, the Company is authorized to satisfy any Tax Obligations by withholding for the Tax Obligations from wages and other cash compensation payable to the Participant or by causing the Participant to tender a cash payment to the Company if the Committee determines in good faith at the time the Tax Obligations arise that withholding pursuant to the foregoing alternatives (2) and (3) above are not in the best interest of the Company or the Participant. In the event the Tax Obligations arise prior to the delivery to the Participant of Common Stock or it is determined after the delivery of Shares or other property that the amount of the Tax Obligations was greater than the amount withheld by the Company and/or any Affiliate, the Participant shall indemnify and hold the Company and its Affiliates harmless from any failure by the Company and/or any Affiliate to withhold the proper amount. The Company may refuse to deliver the Shares if the Participant fails to comply with the Participant’s obligations in connection with the Tax Obligations as described in this Paragraph 7.

8. Compliance with Laws and Regulations.

- a. The issuance of shares of Common Stock pursuant to the CAGR PRU shall be subject to compliance by the Company and the Participant with all applicable requirements of law relating thereto, and with all applicable regulations of any stock exchange (or an established market, if applicable) on which the Common Stock may be listed for trading at the time of such issuance.
- b. The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance of any Common Stock hereby shall relieve the Company of any liability with respect to the non-issuance of the Common Stock as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

9. Successors and Assigns. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Participant, Participant’s assigns, the legal representatives, heirs and legatees of Participant’s estate and any beneficiaries designated by Participant.

10. Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated below Participant’s signature line on this Agreement (as may be updated from time to time by written notice from the Participant). All

notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

- 11. Construction.** This Agreement and the Notice of Grant evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall apply. All decisions of the Committee with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in the CAGR PRU.
- 12. Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to, and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.
- 13. Excess Shares.** If the Shares covered by this Agreement exceed, as of the date the CAGR PRU is granted, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then the Award shall be void with respect to those excess Shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan.
- 14. Employment At-Will.** Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue in the employment of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's service with the Company at any time for any reason, with or without cause.
- 15. Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- 16. Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan, CAGR PRUs granted under the Plan or future CAGR PRUs that may be granted under the Plan (including, without limitation, disclosures that may be required by the Securities and Exchange Commission) by electronic means or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- 17. Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the Award and on any Shares

acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the parties have executed this Agreement on this ____ date of _____, 2020.

NORTONLIFELOCK INC.

By: ____

Title: Chief Executive Officer

Address: 60 E. Rio Salado Parkway, Suit 1000

Tempe, AZ 85281

PARTICIPANT

Signature: ____

Address: ____

APPENDIX A

DEFINITIONS

The following definitions shall be in effect under the Agreement:

1. **Agreement** shall mean this Performance Based Restricted Stock Unit Award Agreement.
2. **Award** shall mean the award of CAGR PRUs made to the Participant pursuant to the terms of this Agreement.
3. **Award Date** shall mean the date the CAGR PRUs are granted to Participant pursuant to the Agreement and shall be the date indicated in the Notice of Grant.
4. **Code** shall mean the Internal Revenue Code of 1986, as amended.
5. **Committee** shall mean the Compensation and Leadership Development Committee of the Company Board of Directors.
6. **Corporate Transaction** shall mean
 - a. a dissolution or liquidation of the Company,
 - b. a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Awards granted under the Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants),
 - c. a merger in which the Company is the surviving corporation but after which the stockholders of the Company (other than any stockholder which merges (or which owns or controls another corporation which merges) with the Company in such merger) cease to own their shares or other equity interests in the Company,
 - d. the sale of substantially all of the assets of the Company, or
 - e. any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company from or by the stockholders of the Company).
7. **Common Stock** shall mean shares of the Company's common stock, par value \$0.01 per share.
8. **Notice of Grant** shall mean such notice as provided by the Stock Administration Department of the Company, or such other applicable department of the Company, providing

Participant with notice of the issuance of an CAGR PRU award pursuant to the Plan and terms of this Agreement.

9. **Participant** shall mean the person named in the Notice of Grant relating to the CAGR PRUs covered by this Agreement.

10. **Plan** shall mean the Company's 2013 Equity Incentive Plan, as the same may be amended from time to time.

APPENDIX B

Performance Schedule

The number of CAGR PRUs that will be earned shall be based on the metrics set forth below. Terms not otherwise defined in Appendix A or B shall have the meaning ascribed to them in the Plan.

1. Grant of CAGR Performance Based Restricted Stock Units.

Subject to the terms and conditions of the Agreement, the Notice of Grant and the Plan, the Company hereby grants to the Participant a number of CAGR PRUs set forth in the Notice of Grant (the “**CAGR PRU Grant**”), subject to vesting terms as set forth below.

2. Performance Metrics.

This Agreement covers the Revenue CAGR component of the FY21 PRUs granted to the Participant. The Participant can earn the CAGR PRUs based on the Company's performance over the three-year period set forth in the Notice of Grant hereafter referred to as the “**Performance Period**” as follows:

- a. **Two-Year CAGR.** Following the last day of the Company's fiscal year ending April 1, 2022 (“**FY22**”) the Company shall determine the percentage achievement level from to based upon the Company's two-year Revenue CAGR growth for the two-year period ending on April 1, 2022 (“**Two-Year CAGR Performance**”). For the avoidance of doubt, the Two-Year CAGR Performance period shall begin on April 4, 2020 and end on April 1, 2022 (the “**Two-Year CAGR Performance Period**”). Two-Year CAGR Performance between the Threshold Level and Maximum Level will be determined based on an interpolation between the applicable performance levels.

Performance Levels	Two-Year Revenue CAGR Percentage Growth	Year Two Performance Percentage
Below Threshold		
Threshold		
Target		
Maximum		

- b. **Three-Year CAGR.** Following the last day of the Company's fiscal year ending March 31, 2023 (“**FY23**”) the Company shall determine the percentage achievement level from to based upon the Company's three-year Revenue CAGR growth for the three-year period ending March 31, 2023 (“**Three-Year CAGR Performance**”). For the avoidance of doubt, the Three-Year CAGR Performance period shall begin on April 4, 2020 and end on March 31, 2023 (the “**Three-Year CAGR Performance Period**”). Three-Year CAGR Performance between the

Threshold Level and Maximum Level will be determined based on an interpolation between the applicable performance levels.

Performance Levels	Three-Year Revenue CAGR Percentage Growth	Year Three Performance Percentage
Below Threshold		
Threshold		
Target		
Maximum		

- c. **Final Achievement.** At the end of the Performance Period, the number of PRUs earned shall be calculated using the higher of the Two-Year CAGR Performance and the Three-Year CAGR Performance. Nothing in this Section or elsewhere in the Agreement shall be read as allowing the Participant to earn more than of the CAGR PRU Grant during the Performance Period.

Notwithstanding anything to the contrary in this Appendix B, the Committee may, in its sole discretion, adjust the CAGR Performance goal(s) to account for strategic transactions to the extent the Committee determines to be reasonable or appropriate.

3. Committee Certification and Vesting of CAGR PRUs.

As soon as practicable following the completion of FY23, the Committee shall determine and certify in writing the Performance Level that has been attained for the CAGR Performance goal, the CAGR Performance Percentage and the number of CAGR PRUs that are eligible to vest based on the CAGR Performance Percentage. Notwithstanding the foregoing, if pursuant to Section 5, the CAGR PRUs cease to be subject to the Performance Levels, certification by the Committee shall no longer be required for the CAGR PRUs to become vested pursuant to Section 5. The Committee's determination of the number of earned and vested CAGR PRUs shall be binding on the Participant.

The earned CAGR PRUs will vest on the day following the last day of the Performance Period, subject to (i) Committee certification as set forth above and (ii) the Participant's continued employment through the day following the last day of the Performance Period, except as provided in Sections 5 and 6 below.

4. Timing of Settlement.

Subject to Section 5 and 6 below, the following settlement provisions shall apply.

The CAGR PRUs, to the extent vested, shall be settled as soon as reasonably practicable following the end of the Performance Period.

5. Change of Control.

In the event of a Corporate Transaction constituting a Change of Control, where the Participant's CAGR PRUs are assumed or substituted consistent with Section 4(a) of the Award Agreement, the Participant's CAGR PRUs will, to the extent applicable, be subject to the acceleration provisions of Section 1 of the Executive Retention Plan (as well as all other provisions of such plan, including Section 3 thereof), provided that if a qualifying termination under the Executive Retention Plan occurs prior to or during FY21, the applicable CAGR Performance Percentage shall in all cases be ,notwithstanding any other higher performance then-predicted or expected. For the avoidance of the doubt, the foregoing acceleration provisions assume a qualifying termination following such Change of Control as set forth in Section 1 of the Executive Retention Plan.

In the event of a Corporate Transaction constituting a Change of Control, where the successor corporation fails to assume the Participant's CAGR PRUs or substitute an equivalent award such that Section 4(b) of the Notice of Grant applies and the Award expires, the CAGR PRUs will accelerate and become immediately payable with an Revenue CAGR Performance Percentage of ,notwithstanding any other higher performance then-predicted or expected.

6. Death, Disability and Involuntary Termination.

If the Participant's employment with the Company (or any majority or greater owned subsidiary) terminates for any reason prior to the end of FY21, the CAGR PRUs shall be immediately cancelled without consideration.

If a Participant's employment with the Company (or any majority or greater owned subsidiary) terminates by reason of death, Disability or an Involuntary Termination other than for Cause during the Performance Period but after the end of FY21, and provided that the Participant (or beneficiary or guardian in the event of death or disability) returns and makes effective a general release of claims in favor of the Company (and any majority or greater owned subsidiary) within 60 days following such termination of employment, then the number of CAGR PRUs will accelerate and become immediately payable based on the granted CAGR PRUs at target level multiplied by the Proration Factor.

For purposes of service, transfer of employment between the Company and any Subsidiary or Affiliate shall not constitute a Termination of Service. The Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing service for purposes of the Plan.

7. Forfeiture and Clawback Provision

All benefits hereunder shall be subject to the provisions of any recoupment or clawback policy adopted by the Board or required by law, including but not limited to, any requirement to recoup or require forfeiture of any Covered Amounts as a result of a financial restatement by the Company due to fraud or intentional misconduct to the extent such Covered Amounts would not have been granted, vested, paid or otherwise received had the financial results been calculated based on the Company's financial statements as restated.

In addition, the Board or Committee shall, in such circumstances as it deems appropriate, recoup or require forfeiture of any Covered Amounts in the event of (i) the Participant's act or omission resulting in a violation of the Company's Code of Conduct, Code of Ethics for Chief Executive Officer and Senior Financial Officers or other Company policy, provided that such act or omission occurs following the effective date of the applicable Code or policy, or any amendment to such Code or policy; (ii) the adjustment of quarterly or annual financial statements (whether audited or unaudited) for any of the Company's fiscal years during the Performance Period to correct one or more errors that have a material impact on the Company's Revenue CAGR; or (iii) a recommendation by the Company's Board or Audit Committee as the result of any ongoing internal investigation.

The Covered Amounts subject to recoupment or forfeiture pursuant to the foregoing shall include the amounts received by the Participant pursuant to this Award under this Agreement, including (i) any proceeds, gains or other economic benefit actually or constructively received by the Participant upon the receipt or settlement of any Award granted hereunder, or upon the receipt or resale of any Shares underlying the Award and (ii) any unvested or unsettled Award (A) in the case of any adjustment or restatement of the Company's financial statements (including a correction of the Company's Revenue CAGR), during the three-year period preceding the date on which the Company determined, or if later first disclosed, that it is or will be preparing an adjustment or restatement; or (B) in the case of any fraud, misconduct, act or omission by the Participant, during the three-year period preceding the date of such fraud, misconduct, act or omission, as determined by the Board or a committee thereof.

8. Section 409A of the Code

Notwithstanding the other provisions hereof, this Performance Based Restricted Stock Unit Agreement is intended to comply with the requirements of Section 409A of the Code, to the extent applicable, and this Performance Based Restricted Stock Unit Agreement shall be interpreted to avoid any penalty sanctions under Section 409A of the Code. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A of the Code and, if necessary, any such provision shall be deemed amended to comply with Section 409A of the Code and regulations thereunder. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under Section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. Any amount payable under this Agreement that constitutes deferred compensation subject to Section 409A of the Code shall be paid at the time provided under this Agreement or such other time as permitted under Section 409A of the Code. No interest will be payable with respect to any amount paid within a time period permitted by, or delayed because of, Section 409A of the Code. All payments to be made upon a termination of employment under this Agreement that are deferred compensation may only be made upon a "separation from service" under Section 409A of the Code. For purposes of Section 409A of the Code, each payment made under this Agreement shall be treated as a separate payment. In no event may Participant directly or indirectly, designate the calendar year of payment.

Notwithstanding the foregoing, in no event whatsoever shall the Company be liable for any additional tax, interest, income inclusion or other penalty that may be imposed on a Participant

by Code Section 409A or for damages for failing to comply with Code Section 409A unless such failure is a result of the Company's breach of this Plan or the Performance Based Restricted Stock Unit Agreement.

9. Definitions

- a. **Cause** shall mean the dismissal or discharge of a Participant from employment for one or more of the following reasons or actions: (i) failure to perform, to the reasonable satisfaction of the Company, the Participant'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 Participant's employment agreement, confidentiality and intellectual property agreement or any other agreement by and between the Participant 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; or (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 Participant 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.
- b. **Change of Control** shall have the meaning ascribed to it in the Executive Retention Plan; **provided, however**, that, to the extent that any amount constituting deferred compensation (as defined in Section 409A of the Code) would vest or become payable by reason of a Change in Control, such amount shall vest or become payable only if the event constituting a Change in Control would also qualify as a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company, each as defined within the meaning of Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.
- c. **Executive Retention Plan** shall mean the NortonLifeLock Executive Retention Plan as in effect on the date of this Agreement and as hereafter amended from time to time.
- d. **Proration Factor** shall mean a quotient, the numerator of which is the number of calendar months rounded up to the next whole month) the Participant was in the employ of the Company (or any majority or greater owned subsidiary) during the period commencing with the start of the three-year Performance Period and ending with his or her termination date, and the denominator of which is thirty-six (36) months.

- e. **Revenue CAGR** shall be computed as the compound annual growth rate of Company revenue during the measurement period as set forth herein (i.e., the two-year and three-year fiscal periods). CAGR shall be calculated in constant currency, using March 2020 average exchange rates.

APPENDIX C

ADDITIONAL PROVISIONS FOR PARTICIPANTS LOCATED OUTSIDE OF THE UNITED STATES

1. **Nature of the Grant.** In accepting this Agreement, the Participant acknowledges, understands and agrees that:

- a. the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan or this Agreement;
 - b. the grant of CAGR PRUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of CAGR PRUs, or benefits in lieu of CAGR PRUs even if CAGR PRUs have been awarded in the past;
 - c. all decisions with respect to future grants of CAGR PRUs, if any, will be at the sole discretion of the Company;
 - d. the Participant's participation in the Plan is voluntary;
 - e. the CAGR PRUs and the Shares subject to the CAGR PRUs, and the income from and value of same, are not intended to replace any pension rights or compensation;
 - f. the Participant's participation in the Plan will not create or amend a right to further employment with the Company or, if different, the Participant's actual employer (the "**Employer**") and shall not interfere with the ability of the Employer to terminate Participant's service at any time with or without cause;
 - g. CAGR PRUs are an extraordinary item that do not constitute compensation of any kind for services of any kind rendered to the Company or to the Employer, and CAGR PRUs are outside the scope of the Participant's employment contract, if any;
 - h. CAGR PRUs and the Shares subject to the CAGR PRUs, and the income from and value of same, are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculation of any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar mandatory payments;
 - i. unless otherwise agreed with the Company, the CAGR PRUs and the Shares subject to the CAGR PRUs, and the income from and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of a Subsidiary or Affiliate;
-

- j. in the event that Participant is not an employee of the Company, the grant of CAGR PRUs will not be interpreted to form an employment contract or relationship with the Company; and furthermore, the grant of CAGR PRUs will not be interpreted to form an employment contract with the Employer or any Subsidiary or Affiliate of the Company;
 - k. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
 - l. if the Participant receives Shares upon vesting, the value of such Shares acquired on vesting of CAGR PRUs may increase or decrease;
 - m. no claim or entitlement to compensation or damages shall arise from forfeiture of the CAGR PRUs resulting from the Participant's Termination (regardless of the reason for such termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and in consideration of this Award to which the Participant is otherwise not entitled, the Participant agrees not to institute any claim against the Company, or any Parent, Subsidiaries or Affiliates or the Employer;
 - n. neither the Company, the Employer nor any Parent, Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the CAGR PRUs or of any amounts due to the Participant pursuant to the settlement of the CAGR PRUs or the subsequent sale of any Shares acquired upon settlement;
 - o. the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan; and
 - p. the Participant should consult with his or her own personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan.
2. **Language.** The Participant acknowledges and agrees that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English, so as to enable him or her to understand the terms and conditions of this Agreement. Further, if the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

- 3. Insider Trading Restrictions/Market Abuse Laws.** The Participant acknowledges that, depending on the Participant's country, the broker's country or the country in which the Shares are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and the Participant's country, which may affect the Participant's ability to accept, acquire, sell, attempt to sell or otherwise dispose of Shares, rights to Shares (e.g., CAGR PRUs) or rights linked to the value of Shares during such times as the Participant is considered to have "inside information" regarding the Company, as defined by the laws or regulations in the applicable jurisdictions. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before he or she possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities, where third parties include fellow employees. The insider trading and/or market abuse laws may be different from any Company Insider Trading Policy. The Participant is responsible for ensuring compliance with any applicable restrictions and should consult his or her personal legal advisor on this matter.
- 4. Foreign Asset/Account and Exchange Control Reporting.** The Participant's country may have certain exchange controls and foreign asset and/or account reporting requirements which may affect his or her ability to purchase or hold Shares under the Plan or receive cash from his or her participation in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside the Participant's country. The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Further, the Participant may be required to repatriate Shares or proceeds acquired as a result of participating in the Plan to his or her country through a designated bank/broker and/or within a certain time. The Participant acknowledges and agrees that it is his or her responsibility to be compliant with such regulations and understands that the Participant should speak with his or her personal legal advisor for any details regarding any foreign asset/account reporting or exchange control reporting requirements in the Participant's country arising out of his or her participation in the Plan.

NORTONLIFELOCK INC.

PERFORMANCE BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

RECITALS

- A. The Board has adopted the Plan for the purpose of providing incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of NortonLifeLock Inc. (the “**Company**”) and its Subsidiaries and Affiliates. The term “Company” shall include any successor to NortonLifeLock Inc., as well as its Subsidiaries and Affiliates.
- B. The Participant is to render valuable services to the Company and/or its Subsidiaries and Affiliates, and this Performance Based Restricted Stock Unit Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company’s issuance of rights in respect of Common Stock in the form of Performance Based Restricted Stock Units (each, a “**TSR PRU**”).
- C. All capitalized terms in this Agreement shall have the meaning assigned to them in Appendix A or B attached hereto. All undefined terms shall have the meaning assigned to them in the Plan.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Performance Based Restricted Stock Units**. The Company hereby awards to the Participant TSR PRUs under the Plan. Each TSR PRU represents the right to receive one share of Common Stock on vesting based on achievement of the performance objectives set forth in Appendix B (each, a “**Share**”), subject to the provisions of this Agreement (including any Appendices hereto). The number of Shares subject to this Award, the applicable vesting schedule for the TSR PRUs and the Shares, the dates on which those vested Shares shall be issued to Participant and the remaining terms and conditions governing this Award shall be as set forth in this Agreement (including any Appendices hereto).

AWARD SUMMARY

Award Date and Number of Shares

As set forth in the Notice of Grant of Award (the “**Notice of Grant**”).

Subject to Award:

Vesting Schedule:

The Shares shall vest pursuant to the schedule set forth on Appendix B hereto.

Subject to the provisions of Appendix B hereto, the Shares that may be earned on each applicable vesting date shall vest on that date only if the employment of the Participant has not Terminated as of such date, and no additional Shares shall vest following the Participant’s Termination.

Issuance Schedule

The Shares in which the Participant vests shall be issuable as set forth in Paragraph 6. However, the actual number of vested Shares to be issued will be subject to the provisions of Paragraph 7 (pursuant to which the applicable withholding taxes are to be collected) and Appendix B.

2. **Limited Transferability.** This Award, and any interest therein, shall not be transferable or assignable by the Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as consistent with this Agreement and the Plan.
3. **Cessation of Service.** Subject to the provisions of Appendix B hereto, should the Participant's service as an employee, director, consultant, independent contractor or advisor to the Company or a Parent, Subsidiary or an Affiliate of the Company be Terminated for any reason (whether or not in breach of local labor laws) prior to vesting in one or more Shares subject to this Award, then the TSR PRUs covering such unvested Shares will be immediately thereafter cancelled, the Participant shall cease to have any right or entitlement to receive any Shares under those cancelled TSR PRUs and the Participant's right to receive TSR PRUs and vest under the Plan in respect thereof, if any, will terminate effective as of the date that the Participant is no longer actively providing service. For purposes of service, transfer of employment between the Company and any Subsidiary or Affiliate shall not constitute Termination of Service. The Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing service for purposes of the Plan.
4. **Corporate Transaction.** Subject to the provisions of Appendix B hereto:
 - a. In the event of a Corporate Transaction, any or all outstanding TSR PRUs subject to this Agreement may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on the Participant, or the successor corporation may substitute an equivalent award or provide substantially similar consideration to the Participant as was provided to stockholders (after taking into account the existing provisions of the TSR PRUs).
 - b. In the event such successor corporation (if any) fails to assume this Award or substitute an equivalent award (as provided in Paragraph 4(a) above) pursuant to a Corporate Transaction, this Award will expire on such transaction at such time and on such conditions as the Board shall determine.
 - c. Any action taken pursuant to clauses (a) or (b) above must either (i) preserve the exemption of these TSR PRUs from Section 409A of the Code or (ii) comply with Section 409A of the Code.
 - d. This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

- 5. Adjustment in Shares.** Should any change be made to the Common Stock by reason of any stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, or if there is a change in the corporate structure, then appropriate adjustments shall be made to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.
- 6. Issuance of Shares of Common Stock.**
- a. As soon as practicable following the applicable vesting date of any portion of the TSR PRU (including the date (if any) on which vesting of any portion of this TSR PRU accelerates), the Company shall issue to, or on behalf of the Participant a certificate (which may be in electronic form) for the applicable number of underlying shares of Common Stock that so vested, subject, however, to the provisions of Paragraph 7 pursuant to which the applicable withholding taxes are to be collected. In no event shall the date of settlement (meaning the date that shares of Common Stock are issued) be later than two and one half (2½) months after the later of (i) the end of the Company's fiscal year in which the applicable vesting date occurs or (ii) the end of the calendar year in which the applicable vesting date occurs.
 - b. If the Company determines that the Participant is a "specified employee," as defined in the regulations under Section 409A of the Code, at the time of the Participant's "separation from service," as defined in those regulations, then any units that otherwise would have been settled during the first six months following the Participant's separation from service will instead be settled during the seventh month following the Participant's separation from service, unless the settlement of those units is exempt from Section 409A of the Code.
 - c. In no event shall fractional Shares be issued.
 - d. The holder of this Award shall not have any stockholder rights, including voting rights, with respect to the Shares subject to the TSR PRUs until the Award holder becomes the record holder of those Shares following their actual issuance and after the satisfaction of the Tax Obligations (as defined below).
- 7. Tax Obligations.** The Participant hereby agrees to make adequate provision for any sums required to satisfy the applicable federal, state, local and foreign employment, social insurance, payroll, income and other tax withholding obligations of the Company or any Affiliate (the "**Tax Obligations**") that arise in connection with this Award. The satisfaction of the Tax Obligations shall occur at the time the Participant receives a distribution of Common Stock or other property pursuant to this Award, or at any time prior to such time or thereafter as reasonably requested by the Company and/or any Affiliate in accordance with applicable law. The Participant hereby authorizes the Company, at its sole discretion and subject to any limitations under applicable law, to satisfy any such Tax Obligations by any of the following methods: (1) in the event the TSR PRU is to be settled in part in cash rather than settled in full in Shares, withholding from the cash to be distributed to the Participant in settlement of this Award, (2) permitting the Participant to enter into a "same day sale"

commitment with a broker-dealer that is a member of the National Association of Securities Dealers (an “**NASD Dealer**”) whereby the Participant irrevocably elects to sell a portion of the Shares to be delivered under the Award to satisfy the applicable Tax Obligations and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the proceeds necessary to satisfy the Tax Obligations directly to the Company and/or its Affiliates, and (3) withholding Shares that are otherwise to be issued and delivered to the Participant under this Award in satisfaction of the Tax Obligations up to the maximum statutory amount. In addition, to the extent this Award is not settled in cash, the Company is authorized to satisfy any Tax Obligations by withholding for the Tax Obligations from wages and other cash compensation payable to the Participant or by causing the Participant to tender a cash payment to the Company if the Committee determines in good faith at the time the Tax Obligations arise that withholding pursuant to the foregoing alternatives (2) and (3) above are not in the best interest of the Company or the Participant. In the event the Tax Obligations arise prior to the delivery to the Participant of Common Stock or it is determined after the delivery of Shares or other property that the amount of the Tax Obligations was greater than the amount withheld by the Company and/or any Affiliate, the Participant shall indemnify and hold the Company and its Affiliates harmless from any failure by the Company and/or any Affiliate to withhold the proper amount. The Company may refuse to deliver the Shares if the Participant fails to comply with the Participant’s obligations in connection with the Tax Obligations as described in this Paragraph 7.

8. Compliance with Laws and Regulations.

The issuance of shares of Common Stock pursuant to the TSR PRU shall be subject to compliance by the Company and the Participant with all applicable requirements of law relating thereto, and with all applicable regulations of any stock exchange (or an established market, if applicable) on which the Common Stock may be listed for trading at the time of such issuance.

The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance of any Common Stock hereby shall relieve the Company of any liability with respect to the non-issuance of the Common Stock as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

9. Successors and Assigns. Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Participant, Participant’s assigns, the legal representatives, heirs and legatees of Participant’s estate and any beneficiaries designated by Participant.

10. Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated below Participant’s signature line on this Agreement (as may be updated from time to time by written notice from the Participant). All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

- 11. Construction.** This Agreement and the Notice of Grant evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall apply. All decisions of the Committee with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in the TSR PRU.
- 12. Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to, and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.
- 13. Excess Shares.** If the Shares covered by this Agreement exceed, as of the date the TSR PRU is granted, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then the Award shall be void with respect to those excess Shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan.
- 14. Employment At-Will.** Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue in the employment of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's service with the Company at any time for any reason, with or without cause.
- 15. Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- 16. Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan, TSR PRUs granted under the Plan or future TSR PRUs that may be granted under the Plan (including, without limitation, disclosures that may be required by the Securities and Exchange Commission) by electronic means or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- 17. Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require

Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the parties have executed this Agreement on this ____ date of _____, 2020.

NORTONLIFELOCK INC.

By: ____

Title: Chief Executive Officer

Address: 60 E. Rio Salado Parkway, Suit 1000

Tempe, AZ 85281

PARTICIPANT

Signature: ____

Address: ____

APPENDIX A

DEFINITIONS

The following definitions shall be in effect under the Agreement:

1. **Agreement** shall mean this Performance Based Restricted Stock Unit Award Agreement.
2. **Award** shall mean the award of TSR PRUs made to the Participant pursuant to the terms of this Agreement.
3. **Award Date** shall mean the date the TSR PRUs are granted to Participant pursuant to the Agreement and shall be the date indicated in the Notice of Grant.
4. **Code** shall mean the Internal Revenue Code of 1986, as amended.
5. **Committee** shall mean the Compensation and Leadership Development Committee of the Company Board of Directors.
6. **Corporate Transaction** shall mean
 - a. a dissolution or liquidation of the Company,
 - b. a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Awards granted under the Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants),
 - c. a merger in which the Company is the surviving corporation but after which the stockholders of the Company (other than any stockholder which merges (or which owns or controls another corporation which merges) with the Company in such merger) cease to own their shares or other equity interests in the Company,
 - d. the sale of substantially all of the assets of the Company, or
 - e. any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company from or by the stockholders of the Company).
7. **Common Stock** shall mean shares of the Company's common stock, par value \$0.01 per share.
8. **Notice of Grant** shall mean such notice as provided by the Stock Administration Department of the Company, or such other applicable department of the Company, providing

Participant with notice of the issuance of an TSR PRU award pursuant to the Plan and terms of this Agreement.

9. **Participant** shall mean the person named in the Notice of Grant relating to the TSR PRUs covered by this Agreement.

10. **Plan** shall mean the Company's 2013 Equity Incentive Plan, as the same may be amended from time to time.

APPENDIX B

Performance Schedule

The number of TSR PRUs that will be earned shall be based on the metrics set forth below. Terms not otherwise defined in Appendix A or B shall have the meaning ascribed to them in the Plan.

1. Grant of TSR Performance Based Restricted Stock Units.

Subject to the terms and conditions of the Agreement, the Notice of Grant and the Plan, the Company hereby grants to the Participant a number of TSR PRUs set forth in the Notice of Grant (the “**TSR PRU Grant**”), subject to vesting terms as set forth below.

2. Performance Metrics.

The Participant can earn the TSR PRUs based on the Company’s performance over the three-year period set forth in the Notice of Grant hereafter referred to as the “**Performance Period**”, which Performance Period begins on April 4, 2020 and ends March 31, 2023 (“**FY23**”). This Agreement covers the relative TSR component of the FY21 PRUs granted to the Participant.

Total Shareholder Return (TSR). The number of TSR PRUs that may be earned following the last day of FY23 will range from to of the total TSR PRU Grant, and shall be determined based upon the Company’s three-year TSR performance for FY23 as measured against the three-year TSR performance of the companies comprising the Nasdaq composite over the same period (with the companies in the Nasdaq composite being comprised of those companies that make up the Nasdaq composite at the end of FY23 and with TSR measurements being made at the end of FY23), all as determined by the Committee and set forth in the following chart (“**TSR Performance**”). Three-year Company TSR performance versus three-year Nasdaq composite performance will be calculated as the 60-trading day average of the Company’s stock price at the beginning and end of such three-year period. For the avoidance of doubt, the TSR Performance period shall begin on April 4, 2020 and end on March 31, 2023. TSR Performance between the Threshold Level and Maximum Level will be determined based on a linear interpolation between the applicable performance levels.

Performance Levels	TSR Performance	TSR Performance Percentage
Below Threshold Level		
Threshold Level		
Target Level		
Maximum Level		

Nothing in this Section or elsewhere in the Agreement shall be read as allowing the Participant to earn more than of the TSR PRU Grant during the Performance Period.

Notwithstanding anything to the contrary in this Appendix B, the Committee may, in its sole discretion, adjust the TSR Performance goal(s) to account for strategic transactions to the extent the Committee determines to be reasonable or appropriate.

3. Committee Certification and Vesting of TSR PRUs.

As soon as practicable following the completion of the Performance Period, the Committee shall determine and certify in writing the TSR Performance that has been attained, the TSR Performance Percentage and the number of TSR PRUs that will be eligible to vest based on the TSR Performance Percentage. Notwithstanding the foregoing, if pursuant to Section 5, the TSR PRUs cease to be subject to the Performance Levels, certification by the Committee shall no longer be required for the TSR PRUs to become vested pursuant to Section 5. The Committee's determination of the number of earned and vested TSR PRUs shall be binding on the Participant.

The earned TSR PRUs will vest on the day following the last day of the Performance Period, subject to (i) Committee certification as set forth above and (ii) the Participant's continued employment through the day following the last day of the Performance Period, except as provided in Sections 5 and 6 below.

4. Timing of Settlement.

Subject to Section 5 and 6 below, the following settlement provisions shall apply.

The TSR PRUs, to the extent vested, shall be settled as soon as reasonably practicable following the end of the Performance Period.

5. Change of Control.

In the event of a Corporate Transaction constituting a Change of Control, where the Participant's TSR PRUs are assumed or substituted consistent with Section 4(a) of the Award Agreement, the Participant's TSR PRUs will, to the extent applicable, be subject to the acceleration provisions of Section 1 of the Executive Retention Plan (as well as all other provisions of such plan, including Section 3 thereof), provided that if a qualifying termination under the Executive Retention Plan occurs prior to or during FY21, the applicable TSR Performance Percentage shall in all cases be ,notwithstanding any other higher performance then-predicted or expected. For the avoidance of the doubt, the foregoing acceleration provisions assume a qualifying termination following such Change of Control as set forth in Section 1 of the Executive Retention Plan.

In the event of a Corporate Transaction constituting a Change of Control, where the successor corporation fails to assume the Participant's TSR PRUs or substitute an equivalent award such that Section 4(b) of the Notice of Grant applies and the Award expires, the TSR PRUs will accelerate and become immediately payable with a TSR Performance Percentage of , notwithstanding any other higher performance then-predicted or expected.

6. Death, Disability and Involuntary Termination.

If the Participant's employment with the Company (or any majority or greater owned subsidiary) terminates for any reason prior to the end of FY21, the TSR PRUs shall be immediately cancelled without consideration.

If a Participant's employment with the Company (or any majority or greater owned subsidiary) terminates by reason of death, Disability or an Involuntary Termination other than for Cause during the Performance Period but after the end of FY21, and provided that the Participant (or beneficiary or guardian in the event of death or disability) returns and makes effective a general release of claims in favor of the Company (and any majority or greater owned subsidiary) within 60 days following such termination of employment, then the number of TSR PRUs will accelerate and become immediately payable based on the granted TSR PRUs at target level multiplied by the Proration Factor.

For purposes of service, transfer of employment between the Company and any Subsidiary or Affiliate shall not constitute a Termination of Service. The Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing service for purposes of the Plan.

7. Forfeiture and Clawback Provision

All benefits hereunder shall be subject to the provisions of any recoupment or clawback policy adopted by the Board or required by law, including but not limited to, any requirement to recoup or require forfeiture of any Covered Amounts as a result of a financial restatement by the Company due to fraud or intentional misconduct to the extent such Covered Amounts would not have been granted, vested, paid or otherwise received had the financial results been calculated based on the Company's financial statements as restated.

In addition, the Board or Committee shall, in such circumstances as it deems appropriate, recoup or require forfeiture of any Covered Amounts in the event of (i) the Participant's act or omission resulting in a violation of the Company's Code of Conduct, Code of Ethics for Chief Executive Officer and Senior Financial Officers or other Company policy, provided that such act or omission occurs following the effective date of the applicable Code or policy, or any amendment to such Code or policy; (ii) the adjustment of quarterly or annual financial statements (whether audited or unaudited) for any of the Company's fiscal years during the Performance Period to correct one or more errors that are material to such financial statements; or (iii) a recommendation by the Company's Board or Audit Committee as the result of any ongoing internal investigation.

The Covered Amounts subject to recoupment or forfeiture pursuant to the foregoing shall include the amounts received by the Participant pursuant to this Award under this Agreement, including (i) any proceeds, gains or other economic benefit actually or constructively received by the Participant upon the receipt or settlement of any Award granted hereunder, or upon the receipt or resale of any Shares underlying the Award and (ii) any unvested or unsettled Award (A) in the case of any adjustment or restatement of the Company's financial statements, during the three-year period preceding the date on which the Company determined, or if later first disclosed, that it is or will be preparing an adjustment or restatement; or (B) in the case of any

fraud, misconduct, act or omission by the Participant, during the three-year period preceding the date of such fraud, misconduct, act or omission, as determined by the Board or a committee thereof.

8. Section 409A of the Code

Notwithstanding the other provisions hereof, this Performance Based Restricted Stock Unit Agreement is intended to comply with the requirements of Section 409A of the Code, to the extent applicable, and this Performance Based Restricted Stock Unit Agreement shall be interpreted to avoid any penalty sanctions under Section 409A of the Code. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A of the Code and, if necessary, any such provision shall be deemed amended to comply with Section 409A of the Code and regulations thereunder. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under Section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. Any amount payable under this Agreement that constitutes deferred compensation subject to Section 409A of the Code shall be paid at the time provided under this Agreement or such other time as permitted under Section 409A of the Code. No interest will be payable with respect to any amount paid within a time period permitted by, or delayed because of, Section 409A of the Code. All payments to be made upon a termination of employment under this Agreement that are deferred compensation may only be made upon a "separation from service" under Section 409A of the Code. For purposes of Section 409A of the Code, each payment made under this Agreement shall be treated as a separate payment. In no event may Participant directly or indirectly, designate the calendar year of payment.

Notwithstanding the foregoing, in no event whatsoever shall the Company be liable for any additional tax, interest, income inclusion or other penalty that may be imposed on a Participant by Code Section 409A or for damages for failing to comply with Code Section 409A unless such failure is a result of the Company's breach of this Plan or the Performance Based Restricted Stock Unit Agreement.

9. Definitions

- a. **Cause** shall mean the dismissal or discharge of a Participant from employment for one or more of the following reasons or actions: (i) failure to perform, to the reasonable satisfaction of the Company, the Participant'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 Participant's employment agreement, confidentiality and intellectual property agreement or any other agreement by and between the Participant 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; or (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 Participant a
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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.

- b. **Change of Control** shall have the meaning ascribed to it in the Executive Retention Plan; **provided, however**, that, to the extent that any amount constituting deferred compensation (as defined in Section 409A of the Code) would vest or become payable by reason of a Change in Control, such amount shall vest or become payable only if the event constituting a Change in Control would also qualify as a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company, each as defined within the meaning of Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.
 - c. **Executive Retention Plan** shall mean the NortonLifeLock Executive Retention Plan as in effect on the date of this Agreement and as hereafter amended from time to time.
 - d. **Proration Factor** shall mean a quotient, the numerator of which is the number of calendar months rounded up to the next whole month) the Participant was in the employ of the Company (or any majority or greater owned subsidiary) during the period commencing with the start of the three-year Performance Period and ending with his or her termination date, and the denominator of which is thirty-six (36) months.
 - e. **TSR** shall mean the number, expressed as a percentage, equal to (i) the change in stock price over the applicable period (measured using a 60 trading day average stock price at the beginning including the value of dividends issued over the same period and end of the applicable period) plus the value of dividends issued in the respective period, divided by (ii) the 60 trading day average stock price at the beginning of the applicable period including the value of dividends issued over the same period.
 - f. **TSR Target Grant** shall mean the number of shares of Common Stock associated with the TSR PRU grant as determined by the Committee, assuming a TSR Performance Percentage of .
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APPENDIX C

ADDITIONAL PROVISIONS FOR PARTICIPANTS LOCATED OUTSIDE OF THE UNITED STATES

1. **Nature of the Grant.** In accepting this Agreement, the Participant acknowledges, understands and agrees that:

- a. the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan or this Agreement;
 - b. the grant of TSR PRUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future awards of TSR PRUs, or benefits in lieu of TSR PRUs even if TSR PRUs have been awarded in the past;
 - c. all decisions with respect to future grants of TSR PRUs, if any, will be at the sole discretion of the Company;
 - d. the Participant's participation in the Plan is voluntary;
 - e. the TSR PRUs and the Shares subject to the TSR PRUs, and the income from and value of same, are not intended to replace any pension rights or compensation;
 - f. the Participant's participation in the Plan will not create or amend a right to further employment with the Company or, if different, the Participant's actual employer (the "**Employer**") and shall not interfere with the ability of the Employer to terminate Participant's service at any time with or without cause;
 - g. TSR PRUs are an extraordinary item that do not constitute compensation of any kind for services of any kind rendered to the Company or to the Employer, and TSR PRUs are outside the scope of the Participant's employment contract, if any;
 - h. TSR PRUs and the Shares subject to the TSR PRUS, and the income from and value of same, are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculation of any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar mandatory payments;
 - i. unless otherwise agreed with the Company, the TSR PRUs and the Shares subject to the TSR PRUS, and the income from and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of a Subsidiary or Affiliate;
 - j. in the event that Participant is not an employee of the Company, the grant of TSR PRUs will not be interpreted to form an employment contract or relationship with the
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Company; and furthermore, the grant of TSR PRUs will not be interpreted to form an employment contract with the Employer or any Subsidiary or Affiliate of the Company;

- k. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
 - l. if the Participant receives Shares upon vesting, the value of such Shares acquired on vesting of TSR PRUs may increase or decrease;
 - m. no claim or entitlement to compensation or damages shall arise from forfeiture of the TSR PRUs resulting from the Participant's Termination (regardless of the reason for such termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and in consideration of this Award to which the Participant is otherwise not entitled, the Participant agrees not to institute any claim against the Company, or any Parent, Subsidiaries or Affiliates or the Employer;
 - n. neither the Company, the Employer nor any Parent, Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the TSR PRUs or of any amounts due to the Participant pursuant to the settlement of the TSR PRUs or the subsequent sale of any Shares acquired upon settlement;
 - o. the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan; and
 - p. the Participant should consult with his or her own personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan.
2. **Language.** The Participant acknowledges and agrees that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English, so as to enable him or her to understand the terms and conditions of this Agreement. Further, if the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
3. **Insider Trading Restrictions/Market Abuse Laws.** The Participant acknowledges that, depending on the Participant's country, the broker's country or the country in which the Shares are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and the Participant's country, which may affect the Participant's ability to accept, acquire, sell, attempt to sell or otherwise dispose of Shares, rights to Shares (e.g., TSR PRUs) or rights linked to the value of Shares during such times as the Participant is considered to have "inside information"
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regarding the Company, as defined by the laws or regulations in the applicable jurisdictions. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before he or she possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a “need to know” basis) and (ii) “tipping” third parties or causing them otherwise to buy or sell securities, where third parties include fellow employees. The insider trading and/or market abuse laws may be different from any Company Insider Trading Policy. The Participant is responsible for ensuring compliance with any applicable restrictions and should consult his or her personal legal advisor on this matter.

4. **Foreign Asset/Account and Exchange Control Reporting.** The Participant’s country may have certain exchange controls and foreign asset and/or account reporting requirements which may affect his or her ability to purchase or hold Shares under the Plan or receive cash from his or her participation in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside the Participant’s country. The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Further, the Participant may be required to repatriate Shares or proceeds acquired as a result of participating in the Plan to his or her country through a designated bank/broker and/or within a certain time. The Participant acknowledges and agrees that it is his or her responsibility to be compliant with such regulations and understands that the Participant should speak with his or her personal legal advisor for any details regarding any foreign asset/account reporting or exchange control reporting requirements in the Participant’s country arising out of his or her participation in the Plan.

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

Chief Executive Officer

Date: August 6, 2020

Certification

I, Natalie Derse, 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/ Natalie Derse

Natalie Derse

Chief Financial Officer

Date: August 6, 2020

**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, Chief Executive 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 July 3, 2020, 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

Chief Executive Officer

Date: August 6, 2020

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, Natalie Derse, 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 July 3, 2020, 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/ Natalie Derse

Natalie Derse

Chief Financial Officer

Date: August 6, 2020

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.