



Q3FY21 SUPPLEMENTAL INFORMATION

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PRESENTATION OF 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 results of our Enterprise Security business were classified as discontinued operations and thus excluded from continuing operations for all periods presented.

NON-GAAP SUPPLEMENTAL INFORMATION & NOTES

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

All quarters presented consisted of 13 weeks, except for Q1FY20, which consisted of 14 weeks. The impact of the extra week on revenues in Q1FY20 was estimated to be approximately \$44 million.

The following numbers may not add due to rounding.

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

REVENUES

	Q3FY21	Q3FY20	Y/Y Change
Revenues	\$ 639	\$ 618	3 %
Consumer revenues (Non-GAAP) (a)	\$ 639	\$ 603	4 %

(a) Consumer revenue Y/Y change adjusts for the impact of our divested ID Analytics solutions and foreign exchange rate. See page 2 for the GAAP to non-GAAP reconciliation of this number.

NON-GAAP EXPENSES AND PROFITABILITY (b)

	Q3FY21	Q3FY20	Y/Y Change
Operating expenses	\$ 232	\$ 299	(22) %
Operating income	\$ 326	\$ 224	46%
Operating margin	51.0%	36.2%	14.8pts
Net income	\$ 229	\$ 159	44%
Diluted EPS	\$ 0.38	\$ 0.25	\$ 0.13
Diluted weighted-average shares outstanding	597	647	(8) %

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

BALANCE SHEETS

	Q3FY21	Q4FY20
Cash, cash equivalents and short-term investments	\$ 1,073	\$ 2,263
Contract liabilities	\$ 1,135	\$ 1,076
Debt (principal)	\$ 3,625	\$ 4,250

CASH FLOW AND OTHER METRICS

	Q3FY21	Q3FY20	Y/Y Change
Cash flow from operating activities	\$ 293	\$ 399	\$ (106)
Purchases of property and equipment	\$ 2	\$ 10	\$ (8)
Free cash flow	\$ 291	\$ 389	\$ (98)
Stock repurchases - number of shares (c)	8	14	(6)
Headcount (d)	2,379	5,144	(2,765)

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

(d) Headcount is based on full-time equivalent, excluding interns and non-working headcount covered under statutory labor laws.

(Dollars and customer count in millions, unaudited)

REPORTED BILLINGS (NON-GAAP)

	Q3FY21	Q3FY20	Y/Y Change
Revenues	\$ 639	\$ 618	3 %
Add: Contract liabilities (end of period)	1,135	1,047	
Less: Contract liabilities (beginning of period)	(1,074)	(1,016)	
Reported billings (Non-GAAP)	700	649	8 %
Exclude revenues from ID Analytics (a)	—	(15)	
Consumer reported billings (Non-GAAP)	700	634	10 %

(a) In Q4FY20, we divested our ID Analytics solutions. We present consumer reported billings to enhance comparability of the reported billings of our remaining solutions to the year ago period.

CONSUMER CYBER SAFETY METRICS

	Q3FY21	Q2FY21	Q3FY20
Direct customer revenues	\$ 569	\$ 563	\$ 542
Partner revenues	\$ 70	\$ 63	\$ 61
Revenues from ID Analytics	\$ —	\$ —	\$ 15
Average direct customer count	20.8	20.6	20.1
Direct customer count (at quarter end)	21.0	20.7	20.1
Direct average revenue per user (ARPU)	\$ 9.10	\$ 9.10	\$ 8.99
Annual retention rate	85 %	85 %	85 %

CONSUMER REVENUES (NON-GAAP)

	Q3FY21	Q3FY20	Y/Y Change
Revenues	\$ 639	\$ 618	3 %
Exclude revenues from ID Analytics (b)	—	(15)	
Consumer revenues (Non-GAAP)	639	603	6 %
Exclude foreign exchange impact (c)	(10)	—	
Consumer constant currency adjusted revenues (Non-GAAP)	629	603	4 %

(b) In Q4FY20, we divested our ID Analytics solutions. We present consumer revenues to enhance comparability of the revenues of our remaining solutions to the year ago period.

(c) Calculated using year ago foreign exchange rates.

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

GAAP RESULTS OF OPERATIONS (a)

	Q3FY21	Q2FY21	Q1FY21	Q4FY20	Q3FY20	Q2FY20	Q1FY20
Net revenues	\$ 639	\$ 626	\$ 614	\$ 614	\$ 618	\$ 608	\$ 650
Cost of revenues	87	90	86	97	103	97	96
Gross profit	552	536	528	517	515	511	554
Sales and marketing	140	143	145	150	178	189	184
Research and development	71	63	65	70	72	85	101
General and administrative	42	68	53	97	85	90	96
Amortization of intangible assets	18	18	18	18	20	21	20
Restructuring and other costs	1	14	127	138	98	17	13
Total operating expenses	272	306	408	473	453	402	414
Operating income	280	230	120	44	62	109	140
Interest expense	(32)	(37)	(40)	(50)	(51)	(46)	(49)
Other income (expense), net	5	38	19	263	399	(3)	1
Income from continuing operations before income taxes	253	231	99	257	410	60	92
Income tax expense (benefit)	80	65	(50)	108	57	22	54
Income from continuing operations	173	166	149	149	353	38	38
Income (loss) from discontinued operations	5	(102)	(31)	82	2,492	747	(12)
Net income	\$ 178	\$ 64	\$ 118	\$ 231	\$ 2,845	\$ 785	\$ 26

NON-GAAP ADJUSTMENTS (a)

	Q3FY21	Q2FY21	Q1FY21	Q4FY20	Q3FY20	Q2FY20	Q1FY20
Cost of revenue							
Stock-based compensation	\$ —	\$ 1	\$ —	\$ 1	\$ —	\$ 1	\$ —
Amortization of intangible assets	6	7	7	7	8	8	7
Total gross profit adjustment	6	8	7	8	8	9	7
Operating expenses							
Stock-based compensation	21	18	18	27	36	28	26
Amortization of intangible assets	18	18	18	18	20	21	20
Restructuring and other costs	1	14	127	138	98	17	13
Acquisition and integration costs	1	—	—	—	—	—	—
Litigation settlement charges	—	25	—	20	—	—	—
Other	(1)	1	(1)	—	—	—	—
Total operating expense adjustment	40	76	162	203	154	66	59
Stock-based compensation	—	—	(1)	(2)	3	—	—
Non-cash interest expense	2	2	3	5	7	5	6
Gains on divestiture and sale of equity method investment	—	—	—	(250)	(379)	—	—
Gain on extinguishment of debt	—	—	(20)	—	—	—	—
Loss from equity method investment	—	—	—	—	9	11	11
Gain on sale of property	—	(35)	—	—	—	—	—
Other	—	—	(2)	(1)	—	—	—
Total adjustments to GAAP income from continuing operations before income taxes	48	51	149	(38)	(198)	91	83
Income tax effect of non-GAAP adjustments	8	(2)	(110)	56	3	(13)	13
Total income (loss) adjustment to continuing operations, net of taxes	56	49	39	18	(195)	78	96
(Income) loss adjustment for discontinued operations	(5)	102	31	(82)	(2,492)	(747)	12
Total net income adjustment	\$ 51	\$ 151	\$ 70	\$ (64)	\$ (2,687)	\$ (669)	\$ 108

NON-GAAP RESULTS OF OPERATIONS (a)

	Q3FY21	Q2FY21	Q1FY21	Q4FY20	Q3FY20	Q2FY20	Q1FY20
Net revenues	\$ 639	\$ 626	\$ 614	\$ 614	\$ 618	\$ 608	\$ 650
Cost of revenues	81	82	79	90	95	89	88
Gross profit	558	544	535	524	523	519	562
Sales and marketing	136	137	142	143	169	182	177
Research and development	62	56	59	61	66	77	94
General and administrative	34	37	45	65	64	77	84
Total operating expenses	232	230	246	269	299	336	355
Operating income	326	314	289	255	224	183	207
Interest expense	(30)	(35)	(37)	(45)	(44)	(41)	(43)
Other income (expense), net	5	3	(4)	9	33	9	11
Income before income taxes	301	282	248	219	213	151	175
Provision for income taxes	72	67	60	52	54	35	41
Net income	\$ 229	\$ 215	\$ 188	\$ 167	\$ 159	\$ 116	\$ 134

SHARE COUNT & DILUTED NET INCOME PER SHARE (a)

	Q3FY21	Q2FY21	Q1FY21	Q4FY20	Q3FY20	Q2FY20	Q1FY20
Diluted GAAP weighted-average shares outstanding	597	600	614	639	647	644	642
Incremental dilution	—	—	—	—	—	—	—
Diluted non-GAAP weighted-average shares outstanding	597	600	614	639	647	644	642
GAAP diluted net income per share	\$ 0.30	\$ 0.11	\$ 0.19	\$ 0.36	\$ 4.40	\$ 1.22	\$ 0.04
Non-GAAP adjustments per share	\$ 0.09	\$ 0.25	\$ 0.11	\$ (0.10)	\$ (4.15)	\$ (1.04)	\$ 0.17
Non-GAAP diluted net income per share	\$ 0.38	\$ 0.36	\$ 0.31	\$ 0.26	\$ 0.25	\$ 0.18	\$ 0.21

(a) Amounts may not add due to rounding.

(Dollars in millions, unaudited)

STOCK-BASED COMPENSATION EXPENSE

	Q3FY21	Q2FY21	Q1FY21	Q4FY20	Q3FY20	Q2FY20	Q1FY20
Cost of revenues	\$ —	\$ 1	\$ —	\$ 1	\$ —	\$ 1	\$ —
Sales and marketing	5	5	4	6	10	6	7
Research and development	8	7	6	9	6	8	7
General and administrative	7	6	8	12	20	14	12
Restructuring and other costs	1	1	7	14	6	—	—
Other income (expense), net	—	—	(1)	(2)	3	—	—
Total stock-based compensation from continuing operations	21	20	24	40	45	29	26
Discontinued operations	—	—	1	2	75	41	54
Total stock-based compensation expense	\$ 21	\$ 20	\$ 25	\$ 42	\$ 120	\$ 70	\$ 80

(Dollars in millions, unaudited)

REPORTED EBITDA (NON-GAAP) (a)

	Q3FY21	Q2FY21	Q1FY21	Q4FY20	Q3FY20	Q2FY20	Q1FY20
Net income	\$ 178	\$ 64	\$ 118	\$ 231	\$ 2,845	\$ 785	\$ 26
Adjustments:							
(Income) loss from discontinued operations	(5)	102	31	(82)	(2,492)	(747)	12
Net interest expense	32	36	38	26	13	38	39
Income tax expense (benefit)	80	65	(50)	108	57	22	54
Depreciation and amortization	28	39	46	52	56	60	63
EBITDA (Non-GAAP)	313	306	183	335	479	158	194
Adjustments to EBITDA:							
Stock-based compensation	21	19	17	26	39	29	26
Restructuring and other costs	1	14	127	138	98	17	13
Acquisition and integration costs	1	—	—	—	—	—	—
Litigation settlement charges	—	25	—	20	—	—	—
Gains on divestiture and sale of equity method investment	—	—	—	(250)	(379)	—	—
Gain on extinguishment of debt	—	—	(20)	—	—	—	—
Loss from equity interest	—	—	—	—	9	11	11
Gain on sale of property	—	(35)	—	—	—	—	—
Other cost of revenues and operating expense	(1)	1	(1)	—	—	—	—
Other non-operating expense (income), net (b)	(5)	(2)	4	12	6	—	(2)
Reported EBITDA (Non-GAAP)	\$ 330	\$ 328	\$ 310	\$ 282	\$ 252	\$ 214	\$ 243

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

	LTM (c)
Net income	\$ 591
Adjustments:	
Income from discontinued operations	46
Net interest expense	132
Income tax expense	203
Depreciation and amortization	165
EBITDA (Non-GAAP)	1,137
Adjustments to EBITDA:	
Stock-based compensation	83
Restructuring and other costs	280
Acquisition and integration costs	1
Litigation settlement charges	45
Gains on divestiture and sale of equity method investment	(250)
Gain on extinguishment of debt	(20)
Gain on sale of property	(35)
Other cost of revenues and operating expense	(1)
Other non-operating expense, net (b)	9
Reported EBITDA (Non-GAAP)	\$ 1,250
Adjustments to Reported EBITDA:	
Other non-operating expense, net (b)	(9)
EBITDA from ID Analytics (d)	(2)
Debt covenant specified unrealized cost savings (e)	92
Adjusted Debt Covenant EBITDA (Non-GAAP)	\$ 1,331

(a) Amounts may not add due to rounding.

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

(c) LTM denotes results for the latest twelve fiscal month period.

(d) EBITDA from ID Analytics consists of revenue of \$5 million, net of cost of revenue of \$1 million, and operating expenses excluding depreciation and amortization of \$2 million.

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

NORTONLIFELOCK INC.

Explanation of Non-GAAP Measures and Other Items

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

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

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

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

Restructuring and other costs: Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements, contract termination costs, and assets write-offs, as well as other exit and disposal costs. Included in other exit and disposal costs are advisory fees incurred in connection with restructuring events and facilities exit costs. Separation costs primarily consist of consulting costs incurred in connection with the divestiture of our Enterprise Security business (the Broadcom sale). We exclude restructuring and other costs from our non-GAAP results as we believe that these costs are incremental to core activities that arise in the ordinary course of our business and do not reflect our current operating performance, and that excluding these charges facilitates a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.

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

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

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

Gains on divestiture and sale of equity method investment: We periodically recognize gains on divestitures. In the third quarter of fiscal 2020, we recognized a gain of \$379 million related to the sale of our DigiCert equity interest. In the fourth quarter of fiscal 2020, we recognized a gain of \$250 million related to the divestiture of our ID Analytics solutions. We have excluded these gains for purposes of

calculating our non-GAAP results. We believe making these adjustments facilitates a better evaluation of our current operating performance and comparisons to past operating results.

Gain (loss) on extinguishment of debt: We record gains or losses on extinguishment of debt. Gains or losses represent the difference between the fair value of the exchange consideration and the carrying value of the liability component of the debt at the date of extinguishment. We exclude the gain or loss on debt extinguishment in our non-GAAP results because they are not reflective of our ongoing business.

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

Gain (loss) on equity investments: We record gains or losses, unrealized and realized, on equity investments in privately-held companies. We exclude the net gains or losses because we do not believe they are reflective of our ongoing business.

Gain (loss) on sale of property: We periodically recognize gains or losses from the disposition of land and buildings. We exclude such gains or losses because they are not reflective of our ongoing business and operating results.

Income tax effects and adjustments: We use a non-GAAP tax rate that excludes (1) the discrete impacts of changes in tax legislation, (2) most other significant discrete items, (3) certain unique GAAP reporting requirements under discontinued operations and (4) the income tax effects of the non-GAAP adjustment to our operating results described above. We believe making these adjustments facilitates a better evaluation of our current operating performance and comparisons to past operating results. Our tax rate is subject to change for a variety of reasons, such as significant changes in the geographic earnings mix due to acquisition and divestiture activities or fundamental tax law changes in major jurisdictions where we operate. In June 2019, the U.S. Court of Appeals for the Ninth Circuit Court issued an opinion in *Altera Corp. v. Commissioner* which reversed a United States Tax Court decision regarding the treatment of share-based compensation expense in a cost sharing arrangement. As a result, we recorded a cumulative income tax expense of \$23 million for continuing operation in fiscal 2020, which has been excluded from our non-GAAP tax provision.

Discontinued operations: On November 4, 2019, we completed the Broadcom sale. In January 2016, we completed the sale of assets related to our Veritas operations. The results of our divested operations that were subject to these divestitures are presented as discontinued operations in our statements of operations and thus have been excluded from non-GAAP net income for all reported periods.

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

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

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

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

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

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

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

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

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

Consumer Cyber Safety direct customer count: Direct customers are defined as active paid users of our consumer solutions who have a direct billing relationship with us 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. Average direct customer count presents the average of the total number of direct customers at the beginning and end of the fiscal quarter.

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

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