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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 January 1, 2021

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 January 29, 2021 was 581,900,648 shares.

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**NORTONLIFELOCK INC.**  
**FORM 10-Q**  
**Quarterly Period Ended January 1, 2021**  
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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)

|                                                                                                                                                                                         | January 1, 2021 | April 3, 2020 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------|
| <b>ASSETS</b>                                                                                                                                                                           |                 |               |
| Current assets:                                                                                                                                                                         |                 |               |
| Cash and cash equivalents                                                                                                                                                               | \$ 1,046        | \$ 2,177      |
| Short-term investments                                                                                                                                                                  | 27              | 86            |
| Accounts receivable, net                                                                                                                                                                | 111             | 111           |
| Other current assets                                                                                                                                                                    | 394             | 435           |
| Assets held for sale                                                                                                                                                                    | 270             | 270           |
| Total current assets                                                                                                                                                                    | 1,848           | 3,079         |
| Property and equipment, net                                                                                                                                                             | 70              | 238           |
| Operating lease assets                                                                                                                                                                  | 80              | 88            |
| Intangible assets, net                                                                                                                                                                  | 999             | 1,067         |
| Goodwill                                                                                                                                                                                | 2,606           | 2,585         |
| Other long-term assets                                                                                                                                                                  | 754             | 678           |
| Total assets                                                                                                                                                                            | \$ 6,357        | \$ 7,735      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                             |                 |               |
| Current liabilities:                                                                                                                                                                    |                 |               |
| Accounts payable                                                                                                                                                                        | \$ 67           | \$ 87         |
| Accrued compensation and benefits                                                                                                                                                       | 86              | 115           |
| Current portion of long-term debt                                                                                                                                                       | 63              | 756           |
| Contract liabilities                                                                                                                                                                    | 1,090           | 1,049         |
| Current operating lease liabilities                                                                                                                                                     | 24              | 28            |
| Other current liabilities                                                                                                                                                               | 491             | 587           |
| Total current liabilities                                                                                                                                                               | 1,821           | 2,622         |
| Long-term debt                                                                                                                                                                          | 3,542           | 3,465         |
| Long-term contract liabilities                                                                                                                                                          | 45              | 27            |
| Deferred income tax liabilities                                                                                                                                                         | 201             | 149           |
| Long-term income taxes payable                                                                                                                                                          | 1,096           | 1,310         |
| Long-term operating lease liabilities                                                                                                                                                   | 73              | 73            |
| Other long-term liabilities                                                                                                                                                             | 71              | 79            |
| Total liabilities                                                                                                                                                                       | 6,849           | 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; 587 and 589 shares issued and outstanding as of January 1, 2021 and April 3, 2020, respectively | 2,420           | 3,356         |
| Accumulated other comprehensive income (loss)                                                                                                                                           | 58              | (16)          |
| Accumulated deficit                                                                                                                                                                     | (2,970)         | (3,330)       |
| Total stockholders' equity (deficit)                                                                                                                                                    | (492)           | 10            |
| Total liabilities and stockholders' equity (deficit)                                                                                                                                    | \$ 6,357        | \$ 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 |                 | Nine Months Ended |                 |
|-------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                       | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Net revenues                                          | \$ 639             | \$ 618          | \$ 1,879          | \$ 1,876        |
| Cost of revenues                                      | 87                 | 103             | 263               | 296             |
| Gross profit                                          | 552                | 515             | 1,616             | 1,580           |
| Operating expenses:                                   |                    |                 |                   |                 |
| Sales and marketing                                   | 140                | 178             | 428               | 551             |
| Research and development                              | 71                 | 72              | 199               | 258             |
| General and administrative                            | 42                 | 85              | 163               | 271             |
| Amortization of intangible assets                     | 18                 | 20              | 54                | 61              |
| Restructuring and other costs                         | 1                  | 98              | 142               | 128             |
| Total operating expenses                              | 272                | 453             | 986               | 1,269           |
| Operating income                                      | 280                | 62              | 630               | 311             |
| Interest expense                                      | (32)               | (51)            | (109)             | (146)           |
| Other income, net                                     | 5                  | 399             | 62                | 397             |
| Income from continuing operations before income taxes | 253                | 410             | 583               | 562             |
| Income tax expense                                    | 80                 | 57              | 95                | 133             |
| Income from continuing operations                     | 173                | 353             | 488               | 429             |
| Income (loss) from discontinued operations            | 5                  | 2,492           | (128)             | 3,227           |
| Net income                                            | \$ 178             | \$ 2,845        | \$ 360            | \$ 3,656        |
| Income (loss) per share - basic:                      |                    |                 |                   |                 |
| Continuing operations                                 | \$ 0.29            | \$ 0.57         | \$ 0.83           | \$ 0.69         |
| Discontinued operations                               | \$ 0.01            | \$ 4.01         | \$ (0.22)         | \$ 5.20         |
| Net income per share - basic <sup>(1)</sup>           | \$ 0.30            | \$ 4.58         | \$ 0.61           | \$ 5.90         |
| Income (loss) per share - diluted:                    |                    |                 |                   |                 |
| Continuing operations                                 | \$ 0.29            | \$ 0.55         | \$ 0.81           | \$ 0.67         |
| Discontinued operations                               | \$ 0.01            | \$ 3.85         | \$ (0.21)         | \$ 5.01         |
| Net income per share - diluted <sup>(1)</sup>         | \$ 0.30            | \$ 4.40         | \$ 0.60           | \$ 5.68         |
| Weighted-average shares outstanding:                  |                    |                 |                   |                 |
| Basic                                                 | 593                | 621             | 591               | 620             |
| Diluted                                               | 597                | 647             | 604               | 644             |

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

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

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

|                                                             | Three Months Ended |                 | Nine Months Ended |                 |
|-------------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                             | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Net income                                                  | \$ 178             | \$ 2,845        | \$ 360            | \$ 3,656        |
| Other comprehensive income, net of taxes:                   |                    |                 |                   |                 |
| Foreign currency translation adjustments                    | 37                 | 15              | 74                | 17              |
| Net unrealized gain (loss) on available-for-sale securities | (1)                | (1)             | —                 | 1               |
| Other comprehensive income from equity method investee      | —                  | —               | —                 | 1               |
| Other comprehensive income, net of taxes                    | 36                 | 14              | 74                | 19              |
| Comprehensive income                                        | <u>\$ 214</u>      | <u>\$ 2,859</u> | <u>\$ 434</u>     | <u>\$ 3,675</u> |

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 January 1, 2021**

|                                                                                              | Common Stock and Additional Paid-In Capital |          | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|----------------------------------------------------------------------------------------------|---------------------------------------------|----------|-----------------------------------------------|---------------------|--------------------------------------|
|                                                                                              | Shares                                      | Amount   |                                               |                     |                                      |
| Balance as of October 2, 2020                                                                | 592                                         | \$ 2,650 | \$ 22                                         | \$ (3,148)          | \$ (476)                             |
| Net income                                                                                   | —                                           | —        | —                                             | 178                 | 178                                  |
| Other comprehensive income                                                                   | —                                           | —        | 36                                            | —                   | 36                                   |
| Common stock issued under employee stock incentive plans                                     | 4                                           | 6        | —                                             | —                   | 6                                    |
| Shares withheld for taxes related to vesting of restricted stock units                       | (2)                                         | (28)     | —                                             | —                   | (28)                                 |
| Repurchases of common stock                                                                  | (7)                                         | (153)    | —                                             | —                   | (153)                                |
| Cash dividends declared (\$0.125 per share of common stock) and dividend equivalents accrued | —                                           | (76)     | —                                             | —                   | (76)                                 |
| Stock-based compensation                                                                     | —                                           | 21       | —                                             | —                   | 21                                   |
| Balance as of January 1, 2021                                                                | 587                                         | \$ 2,420 | \$ 58                                         | \$ (2,970)          | \$ (492)                             |

**Nine months ended January 1, 2021**

|                                                                                              | Common Stock and Additional Paid-In Capital |          | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|----------------------------------------------------------------------------------------------|---------------------------------------------|----------|-----------------------------------------------|---------------------|--------------------------------------|
|                                                                                              | Shares                                      | Amount   |                                               |                     |                                      |
| Balance as of April 3, 2020                                                                  | 589                                         | \$ 3,356 | \$ (16)                                       | \$ (3,330)          | \$ 10                                |
| Net income                                                                                   | —                                           | —        | —                                             | 360                 | 360                                  |
| Other comprehensive income                                                                   | —                                           | —        | 74                                            | —                   | 74                                   |
| Common stock issued under employee stock incentive plans                                     | 8                                           | 16       | —                                             | —                   | 16                                   |
| Shares withheld for taxes related to vesting of restricted stock units                       | (3)                                         | (49)     | —                                             | —                   | (49)                                 |
| Repurchases of common stock                                                                  | (7)                                         | (158)    | —                                             | —                   | (158)                                |
| Cash dividends declared (\$0.375 per share of common stock) and dividend equivalents accrued | —                                           | (230)    | —                                             | —                   | (230)                                |
| Stock-based compensation                                                                     | —                                           | 66       | —                                             | —                   | 66                                   |
| Extinguishment of convertible debt                                                           | —                                           | (581)    | —                                             | —                   | (581)                                |
| Balance as of January 1, 2021                                                                | 587                                         | \$ 2,420 | \$ 58                                         | \$ (2,970)          | \$ (492)                             |

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

| <b>Three months ended January 3, 2020</b>                                                    | <b>Common Stock and Additional Paid-In Capital</b> |               | <b>Accumulated Other Comprehensive Income (Loss)</b> | <b>Retained Earnings</b> | <b>Total Stockholders' Equity</b> |
|----------------------------------------------------------------------------------------------|----------------------------------------------------|---------------|------------------------------------------------------|--------------------------|-----------------------------------|
|                                                                                              | <b>Shares</b>                                      | <b>Amount</b> |                                                      |                          |                                   |
| Balance as of October 4, 2019                                                                | 623                                                | \$ 4,816      | \$ (2)                                               | \$ 1,298                 | \$ 6,112                          |
| Net income                                                                                   | —                                                  | —             | —                                                    | 2,845                    | 2,845                             |
| Other comprehensive income                                                                   | —                                                  | —             | 14                                                   | —                        | 14                                |
| Common stock issued under employee stock incentive plans                                     | 5                                                  | 21            | —                                                    | —                        | 21                                |
| Shares withheld for taxes related to vesting of restricted stock units                       | (1)                                                | (7)           | —                                                    | —                        | (7)                               |
| Repurchases of common stock                                                                  | (13)                                               | (110)         | —                                                    | (253)                    | (363)                             |
| Cash dividends declared (\$0.125 per share of common stock) and dividend equivalents accrued | —                                                  | —             | —                                                    | (78)                     | (78)                              |
| Stock-based compensation                                                                     | —                                                  | 124           | —                                                    | —                        | 124                               |
| Short-swing profit disgorgement                                                              | —                                                  | 9             | —                                                    | —                        | 9                                 |
| Balance as of January 3, 2020                                                                | 614                                                | \$ 4,853      | \$ 12                                                | \$ 3,812                 | \$ 8,677                          |

| <b>Nine months ended January 3, 2020</b>                                                     | <b>Common Stock and Additional Paid-In Capital</b> |               | <b>Accumulated Other Comprehensive Income (Loss)</b> | <b>Retained Earnings</b> | <b>Total Stockholders' Equity</b> |
|----------------------------------------------------------------------------------------------|----------------------------------------------------|---------------|------------------------------------------------------|--------------------------|-----------------------------------|
|                                                                                              | <b>Shares</b>                                      | <b>Amount</b> |                                                      |                          |                                   |
| Balance as of March 29, 2019                                                                 | 630                                                | \$ 4,812      | \$ (7)                                               | \$ 933                   | \$ 5,738                          |
| Net income                                                                                   | —                                                  | —             | —                                                    | 3,656                    | 3,656                             |
| Other comprehensive income                                                                   | —                                                  | —             | 19                                                   | —                        | 19                                |
| Common stock issued under employee stock incentive plans                                     | 27                                                 | 109           | —                                                    | —                        | 109                               |
| Shares withheld for taxes related to vesting of restricted stock units                       | (4)                                                | (71)          | —                                                    | —                        | (71)                              |
| Repurchases of common stock                                                                  | (39)                                               | (300)         | —                                                    | (604)                    | (904)                             |
| Cash dividends declared (\$0.275 per share of common stock) and dividend equivalents accrued | —                                                  | —             | —                                                    | (173)                    | (173)                             |
| Stock-based compensation                                                                     | —                                                  | 294           | —                                                    | —                        | 294                               |
| Short-swing profit disgorgement                                                              | —                                                  | 9             | —                                                    | —                        | 9                                 |
| Balance as of January 3, 2020                                                                | 614                                                | \$ 4,853      | \$ 12                                                | \$ 3,812                 | \$ 8,677                          |

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

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

|                                                                              | Nine Months Ended |                 |
|------------------------------------------------------------------------------|-------------------|-----------------|
|                                                                              | January 1, 2021   | January 3, 2020 |
| <b>OPERATING ACTIVITIES:</b>                                                 |                   |                 |
| Net income                                                                   | \$ 360            | \$ 3,656        |
| Adjustments:                                                                 |                   |                 |
| Amortization and depreciation                                                | 113               | 307             |
| Impairments of current and long-lived assets                                 | 88                | 32              |
| Stock-based compensation expense                                             | 66                | 270             |
| Deferred income taxes                                                        | 47                | 14              |
| Gain on extinguishment of debt                                               | (20)              | —               |
| Loss from equity interest                                                    | —                 | 31              |
| Gain on sale of Enterprise Security assets                                   | —                 | (5,422)         |
| Gain on sale of equity method investment                                     | —                 | (379)           |
| Gain on sale of property                                                     | (35)              | —               |
| Non-cash operating lease expense                                             | 17                | 32              |
| Other                                                                        | 54                | 27              |
| Changes in operating assets and liabilities:                                 |                   |                 |
| Accounts receivable, net                                                     | 1                 | 537             |
| Accounts payable                                                             | (23)              | (21)            |
| Accrued compensation and benefits                                            | (25)              | (99)            |
| Contract liabilities                                                         | 21                | (163)           |
| Income taxes payable                                                         | (348)             | 2,096           |
| Other assets                                                                 | 36                | (94)            |
| Other liabilities                                                            | (2)               | 81              |
| Net cash provided by operating activities                                    | 350               | 905             |
| <b>INVESTING ACTIVITIES:</b>                                                 |                   |                 |
| Purchases of property and equipment                                          | (5)               | (86)            |
| Proceeds from sale of Enterprise Security assets, net of transaction costs   | —                 | 10,572          |
| Proceeds from maturities and sales of short-term investments                 | 60                | 135             |
| Proceeds from sale of property                                               | 118               | —               |
| Proceeds from sale of equity method investment                               | —                 | 378             |
| Other                                                                        | (9)               | (8)             |
| Net cash provided by investing activities                                    | 164               | 10,991          |
| <b>FINANCING ACTIVITIES:</b>                                                 |                   |                 |
| Repayments of debt and related equity component                              | (1,929)           | (302)           |
| Proceeds from issuance of debt, net of issuance costs                        | 750               | 300             |
| Net proceeds from sales of common stock under employee stock incentive plans | 16                | 109             |
| Tax payments related to restricted stock units                               | (57)              | (71)            |
| Dividends and dividend equivalents paid                                      | (300)             | (177)           |
| Repurchases of common stock                                                  | (138)             | (904)           |
| Short-swing profit disgorgement                                              | —                 | 9               |
| Other                                                                        | —                 | (1)             |
| Net cash used in financing activities                                        | (1,658)           | (1,037)         |
| Effect of exchange rate fluctuations on cash and cash equivalents            | 13                | (1)             |
| Change in cash and cash equivalents                                          | (1,131)           | 10,858          |
| Beginning cash and cash equivalents                                          | 2,177             | 1,791           |
| Ending cash and cash equivalents                                             | \$ 1,046          | \$ 12,649       |

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 consumer Cyber Safety solutions globally. We 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 nine months ended January 1, 2021 are not necessarily indicative of the results expected for the entire fiscal year.

We have a 52/53-week fiscal year ending on the Friday closest to March 31. Unless otherwise stated, references to three and nine-month periods in this report relate to fiscal periods ended January 1, 2021 and January 3, 2020. The three and nine months ended January 1, 2021 consisted of 13 and 39 weeks, respectively, whereas the three and nine months ended January 3, 2020 consisted of 13 and 40 weeks, respectively. 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 nine months ended January 1, 2021, 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.

**Debt with Conversion and Other options.** In August 2020, the FASB issued new guidance that simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments. The new guidance removes from GAAP the separation models for convertible debt with embedded conversion features. As a result, after adopting the guidance, entities will no longer separately present embedded conversion features in equity. Instead, they will account for the convertible debt wholly as debt. The new guidance also requires use of the if-converted method when calculating the dilutive impact of convertible debt on earnings per share. The standard will be effective for us in our first quarter of fiscal 2023, with early adoption permitted beginning in the first quarter of fiscal 2022. It may be applied retrospectively to each prior period presented or retrospectively with cumulative effect recognized in retained earnings as of the date of adoption. 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 and Assets Held for Sale

#### 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 nine months ended January 1, 2021, the transition services were completed. Dedicated direct costs, net of charges to Broadcom, for these transition services were \$0 million and \$9 million during the three and nine months ended January 1, 2021, respectively, and \$5 million during the three and nine months ended January 3, 2020. These direct costs were presented as part of Other income, net in the Condensed Consolidated Statements of Operations.

On October 1, 2020, we entered into multiple agreements with Broadcom for an aggregate amount of \$200 million. We licensed Broadcom's enterprise software, multiple security engines and related telemetry for 5.6 years, which will be amortized to continuing operations over the term of the license. In addition, we resolved all outstanding payments and certain claims related to the asset purchase and transition services agreements, which is included in discontinued operations.

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

| (In millions)                              | Three Months Ended |                 | Nine Months Ended |                 |
|--------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                            | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Net revenues                               | \$ —               | \$ 193          | \$ —              | \$ 1,366        |
| Gross profit                               | \$ —               | \$ 161          | \$ —              | \$ 1,033        |
| Operating income (loss)                    | \$ 1               | \$ (118)        | \$ (174)          | \$ 6            |
| Gain on sale                               | \$ —               | \$ 5,422        | \$ —              | \$ 5,422        |
| Income (loss) before income taxes          | \$ 1               | \$ 5,300        | \$ (172)          | \$ 5,424        |
| Income tax expense (benefit)               | \$ (4)             | \$ 2,808        | \$ (44)           | \$ 2,197        |
| Income (loss) from discontinued operations | \$ 5               | \$ 2,492        | \$ (128)          | \$ 3,227        |

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

| (In millions)                       | Nine Months Ended |                 |
|-------------------------------------|-------------------|-----------------|
|                                     | January 1, 2021   | January 3, 2020 |
| Amortization and depreciation       | \$ —              | \$ 130          |
| Stock-based compensation expense    | \$ 1              | \$ 170          |
| Purchases of property and equipment | \$ —              | \$ 43           |

#### Assets held for sale

During the third and fourth quarters of fiscal 2020, we reclassified certain land and buildings previously reported as property and equipment to assets held for sale when the properties were approved for immediate sale in their present condition and the sale was expected to be completed within one year.

We continue to actively market the properties for sale; however, in fiscal 2021, the real estate market has been adversely affected by the COVID-19 pandemic, which has delayed the expected timing of sale. We have taken into consideration the current real estate values and demand, and continue to execute plans to sell these properties. As of January 1, 2021, these assets are classified as assets held for sale. During the nine months ended January 1, 2021, there were no impairments because the fair value of the properties less costs to sell either equals or exceeds their carrying value.

On July 27, 2020, we completed the sale of certain properties, including land, buildings, furniture and fixtures, and leasehold improvements, for cash consideration of \$118 million, net of selling costs. We recognized a gain of \$35 million on the sale.

#### Note 4. Revenues

##### Contract liabilities

During the three and nine months ended January 1, 2021, we recognized \$450 million and \$971 million from the contract liabilities balance at October 2, 2020 and April 3, 2020, respectively. During the three and nine months ended January 3, 2020, we recognized \$430 million and \$951 million from the contract liabilities balance at October 4, 2019 and March 29, 2019, respectively.

##### 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 January 1, 2021, we had \$738 million of remaining performance obligations (excluding customer deposit liabilities of \$397 million), of which we expect to recognize approximately 94% 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       |    | 21    |
| Balance as of January 1, 2021 | \$ | 2,606 |

##### Intangible assets, net

| (In millions)                        | January 1, 2021       |                          |                     | April 3, 2020         |                          |                     |
|--------------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
|                                      | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships               | \$ 505                | \$ (284)                 | \$ 221              | \$ 505                | \$ (230)                 | \$ 275              |
| Developed technology                 | 133                   | (105)                    | 28                  | 133                   | (85)                     | 48                  |
| Total finite-lived intangible assets | 638                   | (389)                    | 249                 | 638                   | (315)                    | 323                 |
| Indefinite-lived trade names         | 750                   | —                        | 750                 | 744                   | —                        | 744                 |
| Total intangible assets              | \$ 1,388              | \$ (389)                 | \$ 999              | \$ 1,382              | \$ (315)                 | \$ 1,067            |

Amortization expense for purchased intangible assets is summarized below:

| (In millions)                    | Three Months Ended |                 | Nine Months Ended |                 | Statements of Operations Classification |
|----------------------------------|--------------------|-----------------|-------------------|-----------------|-----------------------------------------|
|                                  | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |                                         |
| Customer relationships and other | \$ 18              | \$ 20           | \$ 54             | \$ 61           | Operating expenses                      |
| Developed technology             | 6                  | 8               | 20                | 23              | Cost of revenues                        |
| Total                            | \$ 24              | \$ 28           | \$ 74             | \$ 84           |                                         |

As of January 1, 2021, future amortization expense related to intangible assets that have finite lives is as follows by fiscal year:

|                   |    |     |
|-------------------|----|-----|
| (In millions)     |    |     |
| Remainder of 2021 | \$ | 24  |
| 2022              |    | 92  |
| 2023              |    | 72  |
| 2024              |    | 60  |
| 2025              |    | 1   |
| Total             | \$ | 249 |

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

|                                 | January 1, 2021 | April 3, 2020   |
|---------------------------------|-----------------|-----------------|
| Cash                            | \$ 818          | \$ 483          |
| Cash equivalents                | 228             | 1,694           |
| Total cash and cash equivalents | <u>\$ 1,046</u> | <u>\$ 2,177</u> |

**Other current assets:**

|                                                | January 1, 2021 | April 3, 2020 |
|------------------------------------------------|-----------------|---------------|
| Prepaid expenses                               | \$ 90           | \$ 110        |
| Income tax receivable and prepaid income taxes | 154             | 150           |
| Other tax receivable                           | 132             | 88            |
| Other                                          | 18              | 87            |
| Total other current assets                     | <u>\$ 394</u>   | <u>\$ 435</u> |

**Property and equipment, net:**

|                                           | January 1, 2021 | April 3, 2020 |
|-------------------------------------------|-----------------|---------------|
| Land and buildings                        | \$ 17           | \$ 115        |
| Computer hardware and software            | 481             | 746           |
| Office furniture and equipment            | 63              | 88            |
| Leasehold improvements                    | 61              | 128           |
| Construction in progress                  | 1               | 1             |
| Total property and equipment, gross       | 623             | 1,078         |
| Accumulated depreciation and amortization | (553)           | (840)         |
| Total property and equipment, net         | <u>\$ 70</u>    | <u>\$ 238</u> |

On July 27, 2020, we completed the sale of certain properties with carrying value of \$83 million, including land, buildings, furniture and fixtures, and leasehold improvements, which were included in property and equipment as of April 3, 2020. See Note 3 for more information on the sale.

**Other long-term assets:**

|                                                          | January 1, 2021 | April 3, 2020 |
|----------------------------------------------------------|-----------------|---------------|
| Non-marketable equity investments                        | \$ 188          | \$ 187        |
| Long-term income tax receivable and prepaid income taxes | 15              | 38            |
| Deferred income tax assets                               | 428             | 387           |
| Long-term prepaid royalty                                | 74              | 15            |
| Other                                                    | 49              | 51            |
| Total other long-term assets                             | <u>\$ 754</u>   | <u>\$ 678</u> |

**Short-term contract liabilities:**

|                                       | January 1, 2021 | April 3, 2020   |
|---------------------------------------|-----------------|-----------------|
| Deferred revenue                      | \$ 693          | \$ 709          |
| Customer deposit liabilities          | 397             | 340             |
| Total short-term contract liabilities | <u>\$ 1,090</u> | <u>\$ 1,049</u> |

**Other current liabilities:**

|                                 | January 1, 2021 | April 3, 2020 |
|---------------------------------|-----------------|---------------|
| Income taxes payable            | \$ 104          | \$ 195        |
| Other taxes payable             | 182             | 141           |
| Other                           | 205             | 251           |
| Total other current liabilities | <u>\$ 491</u>   | <u>\$ 587</u> |

**Long-term income taxes payable:**

|                                                            | January 1, 2021 | April 3, 2020   |
|------------------------------------------------------------|-----------------|-----------------|
| Deemed repatriation tax payable                            | \$ 516          | \$ 615          |
| Uncertain tax positions (including interest and penalties) | 580             | 695             |
| Total long-term income taxes payable                       | <u>\$ 1,096</u> | <u>\$ 1,310</u> |

**Other income, net:**

|                                          | Three Months Ended |                 | Nine Months Ended |                 |
|------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                          | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Interest income                          | \$ —               | \$ 38           | \$ 3              | \$ 56           |
| Loss from equity interest                | —                  | (9)             | —                 | (31)            |
| Foreign exchange gain (loss)             | 2                  | (5)             | 3                 | (7)             |
| Gain on sale of equity investment method | —                  | 379             | —                 | 379             |
| Gain on early extinguishment of debt     | —                  | —               | 20                | —               |
| Gain on sale of property                 | —                  | —               | 35                | —               |
| Other                                    | 3                  | (4)             | 1                 | —               |
| Other income, net                        | <u>\$ 5</u>        | <u>\$ 399</u>   | <u>\$ 62</u>      | <u>\$ 397</u>   |

**Supplemental cash flow information:**

|                                                                                         | Nine Months Ended |                 |
|-----------------------------------------------------------------------------------------|-------------------|-----------------|
|                                                                                         | January 1, 2021   | January 3, 2020 |
| Income taxes paid, net of refunds                                                       | \$ 299            | \$ 198          |
| Interest expense paid                                                                   | \$ 119            | \$ 133          |
| Cash paid for amounts included in the measurement of operating lease liabilities        | \$ 26             | \$ 43           |
| <b>Non-cash operating activities:</b>                                                   |                   |                 |
| Operating lease assets obtained in exchange for operating lease liabilities             | \$ 29             | \$ 14           |
| Reduction of operating lease assets as a result of lease terminations and modifications | \$ 24             | \$ 24           |
| <b>Non-cash investing and financing activities:</b>                                     |                   |                 |
| Purchases of property and equipment in current liabilities                              | \$ —              | \$ 1            |
| Extinguishment of debt with borrowings from same creditors                              | \$ —              | \$ 198          |

**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)           | January 1, 2021 |               |              | April 3, 2020   |                 |               |
|-------------------------|-----------------|---------------|--------------|-----------------|-----------------|---------------|
|                         | Fair Value      | Level 1       | Level 2      | Fair Value      | Level 1         | Level 2       |
| Assets:                 |                 |               |              |                 |                 |               |
| Money market funds      | \$ 228          | \$ 228        | \$ —         | \$ 1,346        | \$ 1,346        | \$ —          |
| Certificates of deposit | 2               | —             | 2            | 348             | —               | 348           |
| Corporate bonds         | 25              | —             | 25           | 86              | —               | 86            |
| Total                   | <u>\$ 255</u>   | <u>\$ 228</u> | <u>\$ 27</u> | <u>\$ 1,780</u> | <u>\$ 1,346</u> | <u>\$ 434</u> |

The following table presents the contractual maturities of our investments in debt securities as of January 1, 2021:

| (In millions)                         | Fair Value   |
|---------------------------------------|--------------|
| Due in one year or less               | \$ 16        |
| Due after one year through five years | 11           |
| Total                                 | <u>\$ 27</u> |

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 January 1, 2021 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 January 1, 2021 and April 3, 2020, the total fair value of our fixed rate debt was \$2,415 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, 3 years to 5 years for equipment, and 3 years 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 |                 | Nine Months Ended |                 |
|------------------------|--------------------|-----------------|-------------------|-----------------|
|                        | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Operating lease costs  | \$ 4               | \$ 6            | \$ 13             | \$ 28           |
| Short-term lease costs | 1                  | 2               | 3                 | 6               |
| Variable lease costs   | —                  | 6               | 5                 | 17              |
| Total lease costs      | <u>\$ 5</u>        | <u>\$ 14</u>    | <u>\$ 21</u>      | <u>\$ 51</u>    |

Other information related to our operating leases as of January 1, 2021 was as follows:

|                                       |           |
|---------------------------------------|-----------|
| Weighted-average remaining lease term | 4.4 years |
| Weighted-average discount rate        | 4.13 %    |

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

As of January 1, 2021, the maturities of our lease liabilities by fiscal year are as follows:

|                                    |       |
|------------------------------------|-------|
| <b>(In millions)</b>               |       |
| Remainder of 2021                  | \$ 8  |
| 2022                               | 29    |
| 2023                               | 22    |
| 2024                               | 19    |
| 2025                               | 13    |
| Thereafter                         | 15    |
| Total lease payments               | 106   |
| Less: Imputed interest             | (9)   |
| Present value of lease liabilities | \$ 97 |

#### Note 9. Debt

The following table summarizes components of our debt:

| <b>(In millions, except percentages)</b>              | <b>January 1, 2021</b> | <b>April 3, 2020</b> | <b>Effective Interest Rate</b> |
|-------------------------------------------------------|------------------------|----------------------|--------------------------------|
| 4.2% Senior Notes due September 15, 2020              | \$ —                   | \$ 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 <sup>(1)</sup>      |
| Delayed Draw Term Loan due November 4, 2024           | 750                    | —                    | LIBOR plus <sup>(1)</sup>      |
| 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         | (20)                   | (29)                 |                                |
| Total debt                                            | 3,605                  | 4,221                |                                |
| Less: current portion                                 | (63)                   | (756)                |                                |
| Total long-term debt                                  | \$ 3,542               | \$ 3,465             |                                |

(1) The term loans bear 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 rates for the outstanding term loans are as follows:

|                                             | <b>January 1, 2021</b> | <b>April 3, 2020</b> |
|---------------------------------------------|------------------------|----------------------|
| Term Loan due November 4, 2024              | 1.56 %                 | 2.88 %               |
| Delayed Draw Term Loan due November 4, 2024 | 1.56 %                 | N/A                  |

As of January 1, 2021, the future contractual maturities of debt by fiscal year are as follows:

|                                 |          |
|---------------------------------|----------|
| <b>(In millions)</b>            |          |
| Remainder of 2021               | \$ 16    |
| 2022                            | 312      |
| 2023                            | 1,088    |
| 2024                            | 62       |
| 2025                            | 1,047    |
| Thereafter                      | 1,100    |
| Total future maturities of debt | \$ 3,625 |

#### Repayments of Convertible Senior Notes

In February 2020, we exchanged \$250 million of our 2.5% Convertible Notes and \$625 million of our 2.0% Convertible Notes for new convertible notes of the same principal amounts and certain cash consideration. In May 2020, we settled the \$625 million principal and conversion rights of the 2.0% Convertible Senior Notes 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 January 1, 2021 and April 3, 2020, the Convertible Senior Notes consisted of the following:

| (In millions)                           | January 1, 2021            |                            | 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 | —                          | (6)                        | (1)                        | (9)                        | (6)                    |
| Net carrying amount                     | \$ 250                     | \$ 619                     | \$ 249                     | \$ 616                     | \$ 619                 |
| Equity component net of tax             | \$ 43                      | \$ 56                      | \$ 43                      | \$ 56                      | \$ 12                  |

Based on the closing price of our common stock of \$20.78 on January 1, 2021, the if-converted value of the New 2.5% Convertible Notes and the New 2.0% Convertible Notes exceeded the principal amount by approximately \$60 million and \$11 million, respectively.

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

| (In millions)                                                   | Three Months Ended |                 | Nine Months Ended |                 |
|-----------------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                                 | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Contractual interest expense                                    | \$ 5               | \$ 9            | \$ 15             | \$ 28           |
| Amortization of debt discount and issuance costs                | \$ 1               | \$ 3            | \$ 3              | \$ 11           |
| Payments in lieu of conversion price adjustments <sup>(1)</sup> | \$ 2               | \$ 5            | \$ 7              | \$ 5            |

(1) Payments in lieu of conversion price adjustments consist of amounts paid to holders of the Convertible Senior Notes when our quarterly dividend to our common stockholders exceeds the amounts defined in the Convertible Senior Notes agreements.

#### Delayed draw term loan

On September 14, 2020, we drew a term loan of \$750 million (the Delayed Draw Term Loan) under an existing credit facility agreement. The Delayed Draw Term Loan bears interest at LIBOR, as adjusted for statutory reserves, plus a margin ranging from 1.125% to 1.75%. The principal amount of the Delayed Draw Term Loan is repayable in quarterly installments on the last business day of each calendar quarter, commencing with the quarter ended March 31, 2021 in an amount equal to 1.25% of the aggregate principal amount that was outstanding immediately after the borrowings of the Delayed Draw Term Loan and in the outstanding principal amount upon the November 2024 maturity date. We may voluntarily repay outstanding principal balances without penalty.

#### Repayments of Senior Notes

On September 15, 2020, we fully repaid the principal and accrued interest under the 4.2% Senior Notes due September 2020, which had an aggregate principal amount outstanding of \$750 million.

#### 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 January 1, 2021 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 January 1, 2021, 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 January 1, 2021 and April 3, 2020, the fair value of these contracts was insignificant. The related gain (loss) recognized in Other income, net in our Condensed Consolidated Statements of Operations was as follows:

| (In millions)                                  | Three Months Ended |                 | Nine Months Ended |                 |
|------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Foreign exchange forward contracts gain (loss) | \$ 7               | \$ 7            | \$ 18             | \$ 1            |

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 January 1, 2021 and April 3, 2020.

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

| (In millions)                                | January 1, 2021 | April 3, 2020 |
|----------------------------------------------|-----------------|---------------|
| Foreign exchange forward contracts purchased | \$ 307          | \$ 362        |
| Foreign exchange forward contracts sold      | \$ 133          | \$ 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 included the reduction of our workforce as well as asset write-offs and impairments, contract terminations, facilities closures, and the sale of underutilized facilities. These actions were substantially completed in the second quarter of fiscal 2021. As of January 1, 2021, we have incurred total costs of \$503 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 January 1, 2021, we have incurred \$126 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 |                 | Nine Months Ended |                 |
|-----------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                         | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Severance and termination benefit costs | \$ —               | \$ 11           | \$ 18             | \$ 39           |
| Contract cancellation charges           | —                  | 67              | 49                | 67              |
| Stock-based compensation charges        | 1                  | 6               | 9                 | 6               |
| Asset write-offs and impairment         | —                  | 10              | 58                | 10              |
| Other exit and disposal costs           | —                  | 4               | 8                 | 6               |
| Total restructuring and other costs     | \$ 1               | \$ 98           | \$ 142            | \$ 128          |

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 |                 | Nine Months Ended |                 |
|-----------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                         | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Severance and termination benefit costs | \$ —               | \$ 78           | \$ 64             | \$ 123          |
| Contract cancellation charges           | —                  | 5               | —                 | 5               |
| Stock-based compensation charges        | —                  | 95              | —                 | 95              |
| Asset write-offs                        | —                  | 13              | —                 | 13              |
| Other exit and disposal costs           | —                  | —               | —                 | —               |
| Separation costs                        | —                  | 15              | 2                 | 22              |
| Total restructuring and other costs     | \$ —               | \$ 206          | \$ 66             | \$ 258          |

### 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 January 1, 2021 |
|-----------------------------------------|---------------------------------------|-------------|---------------|----------------|-----------------------------------------|
| Severance and termination benefit costs | \$ 35                                 | \$ 82       | \$ (117)      | \$ —           | \$ —                                    |
| Contract cancellation charges           | 7                                     | 49          | (9)           | (37)           | 10                                      |
| Stock-based compensation charges        | —                                     | 9           | —             | (9)            | —                                       |
| Asset write-offs and impairments        | —                                     | 58          | —             | (58)           | —                                       |
| Other exit and disposal costs           | —                                     | 8           | (8)           | —              | —                                       |
| Total                                   | \$ 42                                 | \$ 206      | \$ (134)      | \$ (104)       | \$ 10                                   |

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 |                 | Nine Months Ended |                 |
|-------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                       | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Income from continuing operations before income taxes | \$ 253             | \$ 410          | \$ 583            | \$ 562          |
| Income tax expense                                    | \$ 80              | \$ 57           | \$ 95             | \$ 133          |
| Effective tax rate                                    | 32 %               | 14 %            | 16 %              | 24 %            |

Our effective tax rate for income from continuing operations for the three months ended January 1, 2021 differs from the federal statutory income tax rate primarily due to taxes in foreign jurisdictions in excess of the federal statutory rate, and state taxes, partially offset by the benefits of lower-tax international earnings and stock-based compensation. Our effective tax rate for income from continuing operations for the nine months ended January 1, 2021 differs from the federal statutory income tax rate primarily due to the gain on selling a building, taxes in foreign jurisdictions in excess of the federal statutory rate, and state taxes, partially offset by the benefits of lower-tax international earnings, a favorable withholding tax ruling in Japan, and stock-based compensation.

Our effective tax rate for income from continuing operations for the three and nine months ended January 3, 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), a discrete tax charge recorded to account for the sale of the equity investment in DigiCert Parent Inc. (DigiCert), various permanent differences, and state taxes, partially offset by the benefits of lower-tax international earnings and the research and development tax credit.

The aggregate changes in the balance of gross unrecognized tax benefits for the nine months ended January 1, 2021 were as follows:

| (In millions)                                  |        |
|------------------------------------------------|--------|
| Balance as of April 3, 2020                    | \$ 724 |
| Settlements with tax authorities               | (38)   |
| Lapse of statute of limitations                | (16)   |
| Increase related to prior period tax positions | 25     |
| Decrease related to prior period tax positions | (62)   |
| Increase related to current year tax positions | 10     |
| Balance as of January 1, 2021                  | \$ 643 |

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. Given the potential resolution of uncertain tax positions involves multiple tax periods and jurisdictions, we are unable to accurately estimate when these unrecognized tax benefits will be realized or released. However, it is reasonably possible that there could be significant changes to our unrecognized tax benefits in the next 12 months.

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 February 4, 2021, we announced that our Board of Directors declared a cash dividend of \$0.125 per share of common stock to be paid in March 2021. 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 January 1, 2021, we had \$420 million remaining under the authorization to be completed in future periods with no expiration date.

The following table summarizes activity related to this program:

| (In millions, except per share amounts) | Three Months Ended |                 | Nine Months Ended |                 |
|-----------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                         | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Number of shares repurchased            | 8                  | 14              | 8                 | 39              |
| Average price per share                 | \$ 20.34           | \$ 25.79        | \$ 20.40          | \$ 23.28        |
| Aggregate purchase price                | \$ 153             | \$ 364          | \$ 158            | \$ 904          |

During the three and nine months ended January 1, 2021, we executed repurchases of \$20 million for 1 million shares that settled after January 1, 2021.

During the three and nine months ended January 3, 2020, we executed repurchases of \$18 million for 1 million shares that were settled after January 3, 2020. In addition, repurchases of 1 million shares executed during fiscal 2019 were settled during the nine months ended January 3, 2020.

#### Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss), net of taxes, consisted of foreign currency translation adjustments:

| (In millions)                                       | Foreign Currency Translation Adjustments |
|-----------------------------------------------------|------------------------------------------|
| Balance as of April 3, 2020                         | \$ (16)                                  |
| Other comprehensive income before reclassifications | 74                                       |
| Balance as of January 1, 2021                       | \$ 58                                    |

## 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 |                 | Nine Months Ended |                 |
|-----------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                           | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Cost of revenues                                          | \$ —               | \$ —            | \$ 1              | \$ 1            |
| Sales and marketing                                       | 5                  | 10              | 14                | 23              |
| Research and development                                  | 8                  | 6               | 21                | 21              |
| General and administrative                                | 7                  | 20              | 21                | 46              |
| Restructuring and other costs                             | 1                  | 6               | 9                 | 6               |
| Other income, net                                         | —                  | 3               | (1)               | 3               |
| Total stock-based compensation from continuing operations | 21                 | 45              | 65                | 100             |
| Discontinued operations                                   | —                  | 75              | 1                 | 170             |
| Total stock-based compensation expense                    | \$ 21              | \$ 120          | \$ 66             | \$ 270          |
| Income tax benefit for stock-based compensation expense   | \$ (5)             | \$ (22)         | \$ (15)           | \$ (51)         |

As of January 1, 2021, the total unrecognized stock-based compensation costs related to our unvested stock-based awards was \$98 million, which will be recognized over an estimated weighted-average amortization period of 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)                    | Nine Months Ended |                 |
|---------------------------------------------------------|-------------------|-----------------|
|                                                         | January 1, 2021   | January 3, 2020 |
| <b>Restricted stock units (RSUs):</b>                   |                   |                 |
| Weighted-average fair value per award granted           | \$ 20.65          | \$ 19.56        |
| Awards granted                                          | 3                 | 13              |
| Total fair value of awards released                     | \$ 85             | \$ 251          |
| Outstanding and unvested                                | 5                 | 8               |
| <b>Performance-based restricted stock units (PRUs):</b> |                   |                 |
| Weighted-average fair value per award granted           | \$ 26.53          | \$ 13.42        |
| Awards granted                                          | 2                 | 2               |
| Total fair value of awards released                     | \$ 43             | \$ 33           |
| Outstanding and unvested at target payout               | 1                 | 1               |
| <b>Stock options:</b>                                   |                   |                 |
| Weight-average fair value per award granted             | \$ —              | \$ 4.76         |
| Awards granted                                          | —                 | 2               |
| Total intrinsic value of stock options exercised        | \$ 15             | \$ 159          |
| Outstanding                                             | 1                 | 3               |
| Exercisable                                             | 1                 | 2               |

### 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 January 1, 2021 and April 3, 2020, current dividends payable related to DER was \$12 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 first quarter of fiscal 2021 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 nine months ended January 1, 2021 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.

The following table summarizes the stock-based compensation expense recognized as a result of these modifications:

| (In millions)                  | Three Months Ended |                 | Nine Months Ended |                 |
|--------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Sales and marketing            | \$ —               | \$ 5            | \$ 2              | \$ 5            |
| Research and development       | 4                  | —               | 9                 | —               |
| General and administrative     | 2                  | 12              | 8                 | 12              |
| Restructuring and other costs  | 1                  | 6               | 9                 | 6               |
| Discontinued operations        | —                  | 97              | —                 | 97              |
| Total stock-based compensation | \$ 7               | \$ 120          | \$ 28             | \$ 120          |

#### 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 include 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 |                 | Nine Months Ended |                 |
|------------------------------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                                              | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Income from continuing operations                                            | \$ 173             | \$ 353          | \$ 488            | \$ 429          |
| Income (loss) from discontinued operations                                   | 5                  | 2,492           | (128)             | 3,227           |
| Net income                                                                   | \$ 178             | \$ 2,845        | \$ 360            | \$ 3,656        |
| Income (loss) per share - basic:                                             |                    |                 |                   |                 |
| Continuing operations                                                        | \$ 0.29            | \$ 0.57         | \$ 0.83           | \$ 0.69         |
| Discontinued operations                                                      | \$ 0.01            | \$ 4.01         | \$ (0.22)         | \$ 5.20         |
| Net income per share - basic <sup>(1)</sup>                                  | \$ 0.30            | \$ 4.58         | \$ 0.61           | \$ 5.90         |
| Income (loss) per share - diluted:                                           |                    |                 |                   |                 |
| Continuing operations                                                        | \$ 0.29            | \$ 0.55         | \$ 0.81           | \$ 0.67         |
| Discontinued operations                                                      | \$ 0.01            | \$ 3.85         | \$ (0.21)         | \$ 5.01         |
| Net income per share - diluted <sup>(1)</sup>                                | \$ 0.30            | \$ 4.40         | \$ 0.60           | \$ 5.68         |
| Weighted-average shares outstanding - basic                                  | 593                | 621             | 591               | 620             |
| Dilutive potentially issuable shares:                                        |                    |                 |                   |                 |
| Convertible debt                                                             | 3                  | 20              | 10                | 15              |
| Employee equity awards                                                       | 1                  | 6               | 3                 | 9               |
| Weighted-average shares outstanding - diluted                                | 597                | 647             | 604               | 644             |
| Anti-dilutive shares excluded from diluted net income per share calculation: |                    |                 |                   |                 |
| Convertible debt                                                             | 31                 | —               | 10                | —               |
| Employee equity awards                                                       | —                  | —               | —                 | 2               |

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

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 |                 | Nine Months Ended |                 |
|-------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                       | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| 2.5% Convertible Senior Notes due April 1, 2022       | N/A                | \$ 16.77        | N/A               | \$ 16.77        |
| 2.0% Convertible Senior Notes due August 15, 2022     | N/A                | \$ 20.41        | \$ 10.23          | \$ 20.41        |
| New 2.5% Convertible Senior Notes due April 1, 2022   | \$ 16.77           | N/A             | \$ 16.77          | N/A             |
| New 2.0% Convertible Senior Notes due August 15, 2022 | \$ 20.41           | N/A             | \$ 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 |                 | Nine Months Ended |                 |
|-------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                     | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Consumer security                   | \$ 378             | \$ 356          | \$ 1,111          | \$ 1,091        |
| Identity and information protection | 261                | 247             | 768               | 743             |
| ID Analytics                        | —                  | 15              | —                 | 42              |
| Total net revenues                  | \$ 639             | \$ 618          | \$ 1,879          | \$ 1,876        |

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 |                 | Nine Months Ended |                 |
|--------------------|--------------------|-----------------|-------------------|-----------------|
|                    | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Americas           | \$ 459             | \$ 454          | \$ 1,357          | \$ 1,380        |
| EMEA               | 102                | 93              | 296               | 282             |
| APJ                | 78                 | 71              | 226               | 214             |
| Total net revenues | \$ 639             | \$ 618          | \$ 1,879          | \$ 1,876        |

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 \$439 million and \$1,294 million during the three and nine months ended January 1, 2021, respectively, and \$433 million and \$1,316 million during the three and nine months ended January 3, 2020, 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)                                           | January 1, 2021 | April 3, 2020 |
|---------------------------------------------------------|-----------------|---------------|
| U.S.                                                    | \$ 674          | \$ 1,345      |
| International                                           | 399             | 918           |
| Total cash, cash equivalents and short-term investments | \$ 1,073        | \$ 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)                     | January 1, 2021 | April 3, 2020 |
|-----------------------------------|-----------------|---------------|
| U.S.                              | \$ 33           | \$ 174        |
| Ireland                           | 35              | 34            |
| Other countries <sup>(1)</sup>    | 2               | 30            |
| Total property and equipment, net | \$ 70           | \$ 238        |

(1) No other 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)                  | January 1, 2021 | April 3, 2020 |
|--------------------------------|-----------------|---------------|
| U.S.                           | \$ 58           | \$ 40         |
| India                          | 10              | 11            |
| Japan                          | 6               | 10            |
| Other countries <sup>(1)</sup> | 6               | 27            |
| Total operating lease assets   | \$ 80           | \$ 88         |

(1) No other 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:

|            | January 1, 2021 | April 3, 2020 |
|------------|-----------------|---------------|
| Customer A | 45 %            | 39 %          |

## **Note 17. Commitments and Contingencies**

### **Purchase obligations**

As of January 1, 2021, we had purchase obligations of \$343 million associated with agreements for purchases of goods or services. The amount of purchase obligations reflects estimated future payments as of January 1, 2021 according to the contract terms.

### **Deemed repatriation taxes**

As of January 1, 2021, we are required to pay a one-time transition tax of \$585 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, which concluded on September 4, 2020 without resolving the matter. On August 6, 2020, the Court set a trial date of August 2, 2021. On September 15, 2020, the Court ordered the parties to a further mediation, which is expected to occur in or about February 2021. On September 30, 2020, the Company filed a Motion for Reconsideration of certain rulings in the Court's March 30 Summary Judgment Order. At this time, our current estimate of the low end of the range of probable estimated losses from this matter is \$50 million, which we have accrued. 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. 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.

## Note 18. Subsequent Event

On December 7, 2020, we entered into an agreement to acquire Avira for approximately \$360 million in cash. Avira provides a consumer-focused portfolio of cybersecurity and privacy solutions primarily in Europe and key emerging markets. We believe this acquisition will help us accelerate our international growth. The transaction closed on January 8, 2021. Although the purchase price allocation for this acquisition is not yet available, we expect a substantial majority of the purchase price will be allocated to goodwill and intangible assets. We estimate that we will incur total costs up to \$20 million to realize cost savings and operational synergies in connection with this acquisition.

## 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 (including the recent acquisition of Avira), 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; the impact of the COVID-19 pandemic on our operations and financial performance, and other characterizations of future events or circumstances are forward-looking statements. These statements are only predictions, based on our current expectations about future events and may not prove to be accurate. We do not undertake any obligation to update these forward-looking statements to reflect events occurring or circumstances arising after the date of this report. These forward-looking statements involve risks and uncertainties, and our actual results, performance, or achievements could differ materially from those expressed or implied by the forward-looking statements on the basis of several factors, including those that we discuss in Part II Item 1A, of this quarterly report on Form 10-Q. We encourage you to read that section carefully.

### OVERVIEW

NortonLifeLock Inc. is a global leader in consumer Cyber Safety, protecting and empowering people to live their digital lives safely. We are the consumer's trusted ally in an increasingly complex and connected world.

### Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The three and nine months ended January 1, 2021 consisted of 13 and 39 weeks, respectively, whereas the three and nine months ended January 3, 2020 consisted of 13 and 40 weeks, respectively. 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:

| (In millions, except for per share amounts)                        | Three Months Ended |                 | Nine Months Ended |                 |
|--------------------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                                    | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Net revenues                                                       | \$ 639             | \$ 618          | \$ 1,879          | \$ 1,876        |
| Operating income                                                   | \$ 280             | \$ 62           | \$ 630            | \$ 311          |
| Income from continuing operations                                  | \$ 173             | \$ 353          | \$ 488            | \$ 429          |
| Income (loss) from discontinued operations                         | \$ 5               | \$ 2,492        | \$ (128)          | \$ 3,227        |
| Net income                                                         | \$ 178             | \$ 2,845        | \$ 360            | \$ 3,656        |
| Net income per share from continuing operations - diluted          | \$ 0.29            | \$ 0.55         | \$ 0.81           | \$ 0.67         |
| Net income (loss) per share from discontinued operations - diluted | \$ 0.01            | \$ 3.85         | \$ (0.21)         | \$ 5.01         |
| Net income per share - diluted                                     | \$ 0.30            | \$ 4.40         | \$ 0.60           | \$ 5.68         |

| (In millions)                                     | As Of           |               |
|---------------------------------------------------|-----------------|---------------|
|                                                   | January 1, 2021 | April 3, 2020 |
| Cash, cash equivalents and short-term investments | \$ 1,073        | \$ 2,263      |
| Cash provided by operating activities             | \$ 350          | \$ 905        |
| Contract liabilities                              | \$ 1,135        | \$ 1,076      |

Below are our financial highlights for the third quarter of fiscal 2021, compared to the corresponding period in the prior year:

- Net revenues increased \$21 million, due to higher sales in both our consumer security products and identity and information protection products, partially offset by the loss of sales of ID analytics solutions, which were divested in the fourth quarter of fiscal 2020.
- Operating income increased \$218 million, primarily due to lower compensation expense, outside services expense, and facility and IT costs that were driven by our cost reduction programs, as well as lower costs recognized in connection with our restructuring plans.
- Income from continuing operations decreased \$180 million, primarily due to the absence of gain on sale of our equity method investment in DigiCert, partially offset by a higher operating income.
- Income from discontinued operations, net of tax, decreased by \$2,487 million, primarily due to the absence of gain on the sale of our Enterprise Security assets and liabilities to Broadcom Inc. on November 4, 2019 (the Broadcom sale).
- Net income and net income per share decreased, primarily due to lower income from discontinued operations and to a lesser extent, lower income from continuing operations for the reasons discussed above.

Below are our financial highlights for the first nine months of fiscal 2021, compared to the corresponding period in the prior year unless stated otherwise:

- Net revenues were relatively flat.
- Operating income increased \$319 million, primarily due to lower compensation expense, outside services expense, and facility and IT costs that were driven by our cost reduction programs, partially offset by a legal accrual relating to an ongoing civil lawsuit involving a government contract with the U.S. General Services Administration (GSA) and higher costs recognized in connection with our restructuring plans.
- Income from continuing operations increased \$59 million, primarily due to higher operating income, gain on sale of our Culver City property, gain on extinguishment of debt, and lower income tax expense, partially offset by the absence of gain on sale of our equity method investment in DigiCert, which was divested in the third quarter of fiscal 2020.
- We incurred a loss from discontinued operations, net of tax, compared to a gain during the corresponding period in fiscal 2020, primarily due to the absence of gain on the Broadcom sale, the absence of operating income as a result of the Broadcom sale, and a settlement with Broadcom in the second quarter of fiscal 2021 of all outstanding payments and certain claims related to the Broadcom sale.
- Net income and net income per share decreased, primarily due to the loss from discontinued operations for the reasons discussed above, partially offset by higher income from continuing operations.
- Cash, cash equivalents and short-term investments decreased by \$1,190 million compared to April 3, 2020, primarily due to repayment of debt, net of borrowings, and to a lesser extent, payments for dividends and dividend equivalents, partially offset by proceeds from sale of our Culver City property. 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 increased \$59 million, primarily due to higher billings than recognized revenue.

#### 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 over the long-term 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 fiscal 2021, a prolonged economic downturn or recession 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 and new variants of the disease, the extent and effectiveness of containment actions, including vaccination programs, 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 nine months ended January 1, 2021.

### 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 |                 | Nine Months Ended |                 |
|-------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                       | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Net revenues                                          | 100 %              | 100 %           | 100 %             | 100 %           |
| Cost of revenues                                      | 14                 | 17              | 14                | 16              |
| Gross profit                                          | 86                 | 83              | 86                | 84              |
| Operating expenses:                                   |                    |                 |                   |                 |
| Sales and marketing                                   | 22                 | 29              | 23                | 29              |
| Research and development                              | 11                 | 12              | 11                | 14              |
| General and administrative                            | 7                  | 14              | 9                 | 14              |
| Amortization of intangible assets                     | 3                  | 3               | 3                 | 3               |
| Restructuring and other costs                         | —                  | 16              | 8                 | 7               |
| Total operating expenses                              | 43                 | 73              | 52                | 68              |
| Operating income                                      | 44                 | 10              | 34                | 17              |
| Interest expense                                      | (5)                | (8)             | (6)               | (8)             |
| Other income, net                                     | 1                  | 65              | 3                 | 21              |
| Income from continuing operations before income taxes | 40                 | 66              | 31                | 30              |
| Income tax expense                                    | 13                 | 9               | 5                 | 7               |
| Income from continuing operations                     | 27                 | 57              | 26                | 23              |
| Income (loss) from discontinued operations            | 1                  | 403             | (7)               | 172             |
| Net income                                            | 28 %               | 460 %           | 19 %              | 195 %           |

Percentages may not add due to rounding.

## Net revenues

| (In millions, except for percentages) | Three Months Ended |                 |             | Nine Months Ended |                 |             |
|---------------------------------------|--------------------|-----------------|-------------|-------------------|-----------------|-------------|
|                                       | January 1, 2021    | January 3, 2020 | Change in % | January 1, 2021   | January 3, 2020 | Change in % |
| Net revenues                          | \$ 639             | \$ 618          | 3 %         | \$ 1,879          | \$ 1,876        | — %         |

### Three Months Ended January 1, 2021 Compared with Three Months Ended January 3, 2020

Net revenues increased \$21 million, due to a \$22 million increase in sales of our consumer security products and a \$14 million increase in sales of our identity and information protection products, partially offset by a \$15 million decrease as a result of the divestiture of ID Analytics solutions in January 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 |                 |
|--------------------------------------------|--------------------|-----------------|
|                                            | January 1, 2021    | January 3, 2020 |
| Direct customer revenues                   | \$ 569             | \$ 542 (1)      |
| Partner revenues                           | \$ 70              | \$ 61           |
| Average direct customer count              | 20.8               | 20.1            |
| Direct customer count (at quarter end)     | 21.0               | 20.1            |
| Direct average revenue per user (ARPU)     | \$ 9.10            | \$ 8.99         |

(1) Direct customer revenues in the third quarter of fiscal 2020 excludes \$15 million of revenue from ID Analytics solutions, which were divested in the fourth 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.

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 |                 | Nine Months Ended |                 |
|----------|--------------------|-----------------|-------------------|-----------------|
|          | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Americas | 72 %               | 73 %            | 72 %              | 74 %            |
| EMEA     | 16 %               | 15 %            | 16 %              | 15 %            |
| APJ      | 12 %               | 11 %            | 12 %              | 11 %            |

Percentages may not add to 100% due to rounding.

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

Percentage of revenue by geographic region in the third quarter and the first nine months of fiscal 2021 was similar to the corresponding periods in the prior year.

## Cost of revenues

| (In millions, except for percentages) | Three Months Ended |                 |             | Nine Months Ended |                 |             |
|---------------------------------------|--------------------|-----------------|-------------|-------------------|-----------------|-------------|
|                                       | January 1, 2021    | January 3, 2020 | Change in % | January 1, 2021   | January 3, 2020 | Change in % |
| Cost of revenues                      | \$ 87              | \$ 103          | (16) %      | \$ 263            | \$ 296          | (11) %      |

### Three Months Ended January 1, 2021 Compared with Three Months Ended January 3, 2020

Our cost of revenues decreased \$16 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.

**Nine Months Ended January 1, 2021 Compared with Nine Months Ended January 3, 2020**

Our cost of revenues decreased \$33 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 |                 |               | Nine Months Ended |                 |               |
|---------------------------------------|--------------------|-----------------|---------------|-------------------|-----------------|---------------|
|                                       | January 1, 2021    | January 3, 2020 | Change in %   | January 1, 2021   | January 3, 2020 | Change in %   |
| Sales and marketing                   | \$ 140             | \$ 178          | (21) %        | \$ 428            | \$ 551          | (22) %        |
| Research and development              | 71                 | 72              | (1) %         | 199               | 258             | (23) %        |
| General and administrative            | 42                 | 85              | (51) %        | 163               | 271             | (40) %        |
| Amortization of intangible assets     | 18                 | 20              | (10) %        | 54                | 61              | (11) %        |
| Restructuring and other costs         | 1                  | 98              | (99) %        | 142               | 128             | 11 %          |
| Total operating expenses              | <u>\$ 272</u>      | <u>\$ 453</u>   | <u>(40) %</u> | <u>\$ 986</u>     | <u>\$ 1,269</u> | <u>(22) %</u> |

**Three Months Ended January 1, 2021 Compared with Three Months Ended January 3, 2020**

Sales and marketing expense decreased \$38 million, due to a \$33 million decrease in shared facility and IT costs coupled with a \$5 million decrease in other cost reduction activities.

Research and development expense remained relatively flat.

General and administrative expense decreased \$43 million, primarily due to a \$33 million decrease in compensation expense and shared facility and IT costs and a \$6 million decrease in outside services expense.

The overall decreases in our sales and marketing, research and development and general and administrative expenses were driven by our cost reduction initiatives.

Amortization of intangible assets remained relatively flat.

Restructuring and other costs decreased \$97 million, primarily due to a \$67 million decrease in contract cancellation charges, \$11 million decrease in severance costs, \$10 million decrease in asset write-offs, and a \$5 million decrease in stock-based compensation charges, in connection with the November 2019 restructuring plan (the November 2019 Plan), which was substantially completed in the second quarter of fiscal 2021.

**Nine Months Ended January 1, 2021 Compared with Nine Months Ended January 3, 2020**

Sales and marketing expense decreased \$123 million, primarily due to a \$126 million decrease in shared facility and IT costs, partially offset by a \$4 million increase in advertising and promotional expense.

Research and development expense decreased \$59 million, due to a \$59 million decrease in compensation expense and shared facility and IT costs.

General and administrative expense decreased \$108 million, primarily due to a \$105 million decrease in compensation expense and shared facility and IT costs, and a \$24 million decrease in outside services expense, partially offset by a legal accrual of \$25 million in the first nine months of fiscal 2021 relating to an ongoing civil lawsuit involving a government contract with the GSA.

The overall decreases in our sales and marketing, research and development and general and administrative expenses were driven by our cost reduction initiatives.

Amortization of intangible assets remained relatively flat.

Restructuring and other costs increased \$14 million, primarily due to a \$48 million increase in assets write-offs, partially offset by a \$21 million decrease in severance costs and a \$18 million decrease in contract cancellation charges, in connection with our November 2019 restructuring plan (the November 2019 Plan).

## Non-operating income (expense), net

| (In millions)                             | Three Months Ended |                 | Nine Months Ended |                 |
|-------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                           | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Interest expense                          | \$ (32)            | \$ (51)         | \$ (109)          | \$ (146)        |
| Interest income                           | —                  | 38              | 3                 | 56              |
| Loss from equity interest                 | —                  | (9)             | —                 | (31)            |
| Foreign exchange gain (loss)              | 2                  | (5)             | 3                 | (7)             |
| Gain on sale of equity investment method  | —                  | 379             | —                 | 379             |
| Gain on early extinguishment of debt      | —                  | —               | 20                | —               |
| Gain on sale of property                  | —                  | —               | 35                | —               |
| Other                                     | 3                  | (4)             | 1                 | —               |
| Total non-operating income (expense), net | \$ (27)            | \$ 348          | \$ (47)           | \$ 251          |

### Three Months Ended January 1, 2021 Compared with Three Months Ended January 3, 2020

Non-operating income, net, decreased \$375 million, primarily due to the absence of gain on sale of our equity method investment in DigiCert, which was divested in the third quarter of fiscal 2020.

### Nine Months Ended January 1, 2021 Compared with Nine Months Ended January 3, 2020

Non-operating income, net, decreased \$298 million, primarily due to the absence of gain on sale of our equity method investment in DigiCert, which was divested in the third quarter of fiscal 2020. The decrease was partially offset by the absence of loss from our equity interest in DigiCert, gain on sale of our Culver City property in the second quarter of fiscal 2021, and the gain on extinguishment of debt due to the repayment of our 2.0% Convertible Notes in the first quarter of fiscal 2021.

## Provision for income taxes

| (In millions, except for percentages)                 | Three Months Ended |                 | Nine Months Ended |                 |
|-------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                       | January 1, 2021    | January 3, 2020 | January 1, 2021   | January 3, 2020 |
| Income from continuing operations before income taxes | \$ 253             | \$ 410          | \$ 583            | \$ 562          |
| Income tax expense                                    | \$ 80              | \$ 57           | \$ 95             | \$ 133          |
| Effective tax rate                                    | 32 %               | 14 %            | 16 %              | 24 %            |

Our effective tax rate for income from continuing operations for the three months ended January 1, 2021 differs from the federal statutory income tax rate primarily due to taxes in foreign jurisdictions in excess of the federal statutory rate, and state taxes, partially offset by the benefits of lower-tax international earnings and stock-based compensation. Our effective tax rate for income from continuing operations for the nine months ended January 1, 2021 differs from the federal statutory income tax rate primarily due to the gain on selling a building, taxes in foreign jurisdictions in excess of the federal statutory rate, and state taxes, partially offset by the benefits of lower-tax international earnings, a favorable withholding tax ruling in Japan, and stock-based compensation.

Our effective tax rate for income from continuing operations for the three and nine ended months January 3, 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), a discrete tax charge recorded to account for the sale of our equity investment in DigiCert, various permanent differences, and state taxes, partially offset by the benefits of lower-tax 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. 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. Given the potential resolution of uncertain tax positions involves multiple tax periods and jurisdictions, we are unable to accurately estimate when these unrecognized tax benefits will be realized or released. However, it is reasonably possible that there could be significant changes to our unrecognized tax benefits in the next 12 months.

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 January 1, 2021, we had cash, cash equivalents and short-term investments of \$1,073 million, of which \$399 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 revolving credit facility of \$1 billion 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 nine months ended January 1, 2021, we paid approximately \$70 million of U.S. and foreign income taxes as a result of the transaction, and we expect to pay additional income taxes of \$2 million in fiscal 2021 as a result of the transactions.

On October 1, 2020, we entered into multiple agreements with Broadcom for an aggregate amount of \$200 million. We licensed Broadcom's enterprise software, multiple security engines and related telemetry for 5.6 years. In addition, we resolved all outstanding payments and certain claims related to the asset purchase and transition services agreements.

### 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. In September 2020, we borrowed \$750 million under the Delayed Draw Term Loan, which will mature in November 2024, and used the entire amount of the proceeds to repay in full the principal and accrued interest under our 4.2% Senior Notes due September 2020.

### 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 \$118 million, net of selling costs.

### Cash flows

The following summarizes our cash flow activities:

| (In millions)                   | Nine Months Ended |                 |
|---------------------------------|-------------------|-----------------|
|                                 | January 1, 2021   | January 3, 2020 |
| Net cash provided by (used in): |                   |                 |
| Operating activities            | \$ 350            | \$ 905          |
| Investing activities            | \$ 164            | \$ 10,991       |
| Financing activities            | \$ (1,658)        | \$ (1,037)      |

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 nine months of fiscal 2021 reflected net income of \$360 million, adjusted by non-cash items, consisting primarily of amortization and depreciation of \$113 million, impairments of current and long-lived assets of \$88 million, stock-based compensation expense of \$66 million, deferred income taxes of \$47 million, and gain on sale of property of \$35 million. Our cash flows for the first nine months of fiscal 2020 reflected net income of \$3,656 million adjusted by non-cash items, consisting primarily of gain on sale of Enterprise Security assets of \$5,422 million, gain on sale of equity method investment of \$379 million, amortization and depreciation of \$307 million, and stock-based compensation expense of \$270 million.

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

*Accounts receivable* increased \$1 million, compared to \$537 million in the first nine months of fiscal 2020, primarily due to the absence of Enterprise Security billings after the close of the Broadcom sale and the collection of those receivables thereafter.

*Contract liabilities* increased \$21 million, compared to a decrease of \$163 million in the first nine months of fiscal 2020, primarily due to higher billings than recognized revenue.

*Accrued compensation and benefits* decreased \$25 million, compared to \$99 million in the first nine months of fiscal 2020, primarily due to a reduction in headcount in connection with our November 2019 Plan, which was substantially completed in the second quarter of fiscal 2021.

*Income tax payable* decreased by \$348 million, compared to an increase of \$2,096 million in the first nine months of fiscal 2020, primarily due to tax payments made in the first nine months of fiscal 2021, including payments related to Broadcom sale, payments of federal and foreign income taxes, and a decrease in unrecognized tax benefits as a result of a favorable tax ruling.

#### **Cash from investing activities**

Our cash flows from investing activities in the first nine months of fiscal 2021 consisted primarily of proceeds from the sale of our Culver City property of \$118 million and proceeds from maturities and sales of short-term investments of \$60 million. Our investing activities in the first nine months of fiscal 2020 consisted primarily of cash proceeds from the Broadcom sale, net of transaction costs, of \$10,572 million, proceeds from sale of equity method investment in DigiCert of \$378 million, and proceeds from maturities and sales of short-term investments of \$135 million, partially offset by capital expenditures of \$86 million.

#### **Cash from financing activities**

Our cash flows from financing activities in the first nine months of fiscal 2021 consisted primarily of repayments of debt of \$1,929 million in connection with the settlement of our 2.0% Convertible Notes and repayments of our 4.2% Senior Notes, payment of dividends and dividend equivalents of \$300 million, and common stock repurchases of \$138 million, partially offset by proceeds from issuance of debt of \$750 million under our Delayed Draw Term Loan. Our financing activities in the first nine months of fiscal 2020 consisted primarily of common stock repurchases of \$904 million, repayment of debt of \$302 million, and payment of dividends and dividend equivalents of \$177 million, partially offset by proceeds from issuance of debt, net of issuance costs, of \$300 million and net proceeds from sales of common stock under employee stock incentive plans of \$109 million.

#### **Cash requirements**

*Debt* - As of January 1, 2021, 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)            | January 1, 2021 |
|--------------------------|-----------------|
| Term Loans               | \$ 1,250        |
| Senior Notes             | 1,500           |
| Convertible Senior Notes | 875             |
| Total debt               | <u>\$ 3,625</u> |

*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. See Note 9 to the Condensed Consolidated Financial Statements for additional information regarding financial ratios and debt covenant compliance. As of January 1, 2021, we were in compliance with all debt covenants.

*Dividends.* On February 4, 2021, we announced the declaration of a cash dividend of \$0.125 per share of common stock to be paid in March 2021. 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 January 1, 2021, the remaining balance of our stock repurchase authorization was \$420 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 cash expenditures for severance and termination benefits and contract terminations. As of January 1, 2021, we have incurred total costs of \$503 million in connection with the November 2019 Plan, excluding stock-based compensation expense. During the first nine months of fiscal 2021, we made \$134 million in cash payments related to the November 2019 Plan. These actions were 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 January 1, 2021. 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               | \$ 62            | \$ 1,400        | \$ 2,163        | \$ —         |
| Interest payments on debt <sup>(1)</sup> | 384                    | 111              | 174             | 99              | —            |
| Purchase obligations <sup>(2)</sup>      | 343                    | 287              | 33              | 20              | 3            |
| Deemed repatriation taxes <sup>(3)</sup> | 585                    | 68               | 196             | 321             | —            |
| Operating leases <sup>(4)</sup>          | 106                    | 29               | 45              | 21              | 11           |
| Total                                    | <u>\$ 5,043</u>        | <u>\$ 557</u>    | <u>\$ 1,848</u> | <u>\$ 2,624</u> | <u>\$ 14</u> |

- (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 January 1, 2021. 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 January 1, 2021, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, \$580 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 nine 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 third 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.

#### COVID-19 RISKS

***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 fiscal 2021, 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 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 and new variants 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.

#### RISKS RELATED TO OUR BUSINESS STRATEGY AND INDUSTRY

***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 focus on organic growth through internal innovation. We believe that we also must continue to dedicate a significant amount of resources to our research and development efforts to decrease our reliance on third parties for our Engine-Related Services described further below. 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 cause declines in our customer retention rates and revenues that could adversely impact our business and 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 preferences, and frequent new product introductions and improvements. If we are unable to anticipate or react to these continually evolving conditions, or we could lose market share and 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.

Our competitors include software vendors that offer solutions that directly compete with our offerings. 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 our 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. 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, including through investing more in internal innovation than we can. 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.

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 operating results.

***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 fiscal 2021, 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;
- Our 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;
- 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, or cause our partners to suffer financial difficulty which could delay payments to us, affecting our operating results.

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.

***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 or 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 to grow our customer base, our revenue may grow more slowly than expected or decline, and our operating results, gross margins and business will be harmed.

***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, in 2019 we completed the sale of certain of our enterprise security assets to Broadcom Inc. (the "Broadcom sale") and in January 2021, we completed the acquisition of Avira. 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;

- Difficulty in entering into or expanding in new markets or geographies;
- Increased or unexpected costs and working capital requirements;
- Dilution of stock ownership of existing stockholders;
- Unanticipated delays or failure to meet contractual obligations;
- Substantial accounting charges for acquisition-related costs, asset impairments, amortization of intangible assets, and higher levels of stock-based compensation expense; and
- Difficulty in realizing potential benefits, including cost savings and operational efficiencies, synergies and growth prospects from integrating acquired businesses.

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. 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.

***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, 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 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 including many industry-specific engineers, the lack of which could have a negative impact on our business and products, and could have a continuing impact on the execution of our business strategy and our overall operating results.

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

Our endpoint security solution has historically relied upon certain threat analytics software engines and other software (the Engine-Related Services) that have been developed and provided by engineering teams that have transferred to Broadcom as part of the Broadcom sale. The technology, including source code, at issue is shared, and pursuant to the terms of the Broadcom sale, we retain rights to use, modify, enhance and create derivative works from such technology. Broadcom has committed to provide these Engine-Related Services under an agreement with Broadcom, 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 impact our ability to compete effectively and have a material adverse effect on our business. Additionally, in connection with the Broadcom sale, we lost 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.

**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 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, retain and motivate new or existing 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 not have an adequate number of shares reserved under our equity compensation plans, forcing us to reduce awards of equity-based compensation, which could impair our efforts to attract, retain and motivate 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 have widely varied and resulted in significant changes to our executive leadership team. 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 can 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 while we require them to maintain formal service level agreements around availability, 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 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, 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, cyber-attack 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. 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.

#### **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 products and services. 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 the impact of 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 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 or damage to our brand, 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 as well as undermine our ability to remain compliant with relevant laws and regulations. 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, including a large-scale attack on SolarWinds customers by a foreign nation state actor and a significant uptick in ransomware/extortion attacks 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.***

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, 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.***

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, among other things, covered companies to provide new disclosures to California consumers regarding the use of personal information, gives California residents expanded rights to access their personal information that has been collected and allows such consumers new abilities to opt-out of certain sales of personal information. Further, the new California Privacy Rights Act (the CPRA), which was passed in November 2020, significantly modifies the CCPA. These modifications may result in additional uncertainty and require us to incur additional costs and expenses in our effort to comply. 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, CPRA 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, adapt our goods and services and 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. Further, we could be the target of a cyberattack or other action that impacts our systems and results in a data breach of our customers' records. This could have an adverse effect on our reputation and business.

#### **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, through the oversight of 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 the 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.***

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. 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 LIQUIDITY AND INDEBTEDNESS**

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

As of January 1, 2021, we had an aggregate of \$3,625 million of outstanding indebtedness that will mature in calendar years 2022 through 2025, and had \$1,000 million available for borrowing under our revolving credit facility. See Note 9 to the Condensed Consolidated Financial Statements for further information on our outstanding debt. Our ability to meet expenses, remain in compliance with the covenants under our debt instruments, and 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, which may not always be possible. 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.***

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 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, which could have an adverse effect on our financial position, results of operations, and liquidity.

***Our term loan and revolving credit facility agreement impose operating and financial restrictions on us.***

Our term loan and revolving credit facility agreement 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.

## **GENERAL RISKS**

***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. 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 and cyber security incidents;
- 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;
- 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 and 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; and
- Taxes arising in connection with changes in our workforce, corporate entity structure or operations as they relate to tax incentives and tax rates.

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.

## 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 January 1, 2021, we have \$420 million remaining authorized to be completed in future periods with no expiration date. Stock repurchases during the three months ended January 1, 2021 were as follows:

| (In millions, except per share data)  | Total Number of Shares Purchased <sup>(1)</sup> | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs |
|---------------------------------------|-------------------------------------------------|------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| October 3, 2020 to October 30, 2020   | —                                               | \$ —                         | —                                                                      | \$ 573                                                                               |
| October 31, 2020 to November 27, 2020 | —                                               | \$ —                         | —                                                                      | \$ 573                                                                               |
| November 28, 2020 to January 1, 2021  | 8                                               | \$ 20.34                     | 8                                                                      | \$ 420                                                                               |
| Total number of shares repurchased    | 8                                               | \$ 20.34                     | 8                                                                      | \$ 420                                                                               |

(1) The number of shares purchased is reported on trade date. Repurchases of 1 million shares, which were executed on December 30, 2020 and December 31, 2020 settled in the subsequent fiscal quarter.

## Item 6. Exhibits

| Exhibit Number | Exhibit Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Incorporated by Reference |             |         |           | Filed/Furnished with this 10-Q |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------|---------|-----------|--------------------------------|
|                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Form                      | File Number | Exhibit | File Date |                                |
| 10.01+         | <a href="#">Stock Purchase Agreement dated December 7, 2020 between the Company and Alpaca HoldCo GmbH, Alpaca TopCo GmbH.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                           |             |         |           | X                              |
| 31.01          | <a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |             |         |           | X                              |
| 31.02          | <a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |             |         |           | X                              |
| 32.01†         | <a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |             |         |           | X                              |
| 32.02†         | <a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |             |         |           | X                              |
| 101            | The following financial information from NortonLifeLock Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 1, 2021 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 Stockholders' 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                              |

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- + Certain portions of this document that constitute confidential information have been redacted in accordance with Regulations S-K, Item 601(b)(10).
- † 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*

February 5, 2021

\*\*\*CERTAIN MATERIAL (INDICATED BY THREE ASTERISKS IN BRACKETS) HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE IT IS BOTH (1) NOT MATERIAL AND (2) IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.

### SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT (this “**Agreement**”) dated as of December 7, 2020 (the “**Signing Date**”), is entered into by and among NortonLifeLock Inc., a Delaware corporation (“**Buyer**”), Alpaca HoldCo GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany (the “**Company**”), Alpaca TopCo GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany (“**TopCo**”) and each of the Persons listed on Schedule I attached hereto (each a “**Seller**” and collectively, the “**Sellers**”). Exhibit A contains definitions, or references to the definitions, of certain the capitalized terms used in this Agreement. The Sellers, the Company, TopCo the Seller Representative and Buyer are referred to individually as a “**Party**” and collectively as the “**Parties**.”

### BACKGROUND

- A. Seller 1 owns 100% of the issued and outstanding shares and other equity interests of the Company (the “**Company Interests**”), and the Company, Seller 2, Seller 3, and Seller 4 collectively own 100% of the issued and outstanding shares and other equity interests of TopCo (the equity interests of TopCo held by Seller 2, Seller 3 and Seller 4, together with the Company Interests, the “**Transferred Interests**”).
- B. On the terms and subject to the conditions set forth in this Agreement and in exchange for the consideration set forth in Section 1.3, the Sellers desire to sell, assign, convey, and deliver to Buyer all of the Transferred Interests, and Buyer desires to purchase from the Sellers the Transferred Interests, in each case, free and clear of all Liens (the “**Transaction**”).
- C. Concurrently with the execution and delivery of this Agreement, and as a material inducement to Buyer’s willingness to enter into this Agreement, each employee of the Acquired Companies listed on Annex I hereto (each, a “**Key Employee**”) is executing and delivering an employment offer letter (including a standard confidentiality and invention assignment agreement) (together, an “**Employment Offer Letter**”).
- D. The Company indirectly entered into the Zugspitze SPA and certain other agreements and documentation to acquire the entire issued share capital of BullGuard Limited, a private company registered in England and Wales with company number [\*\*\*] (“**BullGuard**”), through De Facto 2245 Limited “**BullGuard Buyer**” on November 27, 2020.

### AGREEMENT

In consideration of the mutual covenants, conditions and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, it is agreed as follows:

### ARTICLE 1

#### PURCHASE AND SALE OF TRANSFERRED INTERESTS; CLOSING

1.1 **Closing.** The closing of the Transaction (the “**Closing**”) will take place by the exchange of electronic signatures and notarial execution by the Sellers and the Buyer of an agreement providing for the assignment of the Transferred Interests from the Sellers to the Buyer (the “**Transfer Deed**”) on the later of (a) January 5, 2021 and (b) [\*\*\*] after satisfaction (or waiver) of the conditions set forth in Article 6 (excluding conditions that, by their terms, are to be satisfied at Closing but subject to the satisfaction or waiver of such conditions). The date on which the Closing takes place shall be referred to as the “**Closing Date**”.

#### 1.2 Purchase and Sale of the Transferred Interests.

**1.2.1** On the terms and subject to the conditions set forth in this Agreement, the Sellers hereby sell with commercial effect (*mit wirtschaftlicher Wirkung*) as of the Closing Date to Buyer, and Buyer hereby accepts such sale and assignment of all of the Transferred Interests, free and clear of all Liens, for the consideration described in Section 1.3, as may be adjusted in accordance with this Agreement.

**1.2.2** The assignment of the Transferred Interests shall occur by way of the Transfer Deed and shall be subject to delivery by the Buyer to Seller 1, the Sellers' Representative and the notary acting on the Transfer Deed and (b) evidence of the initiation of an irrevocable wire transfer of an amount equal to the Closing Cash to the Sellers in accordance with Section 1.3.2(a).

**1.2.3** The sale and assignment of the Transferred Interests includes all rights and obligations attaching to the Transferred Interests as of Closing and also includes the right to dividends resolved upon but not yet paid.

### **1.3 Closing Deliverables: Payments at Closing.**

**1.3.1 Seller Deliveries.** At the Closing, the Company, TopCo and the Sellers shall deliver or cause to be delivered to Buyer:

(a) each Seller Transaction Document and each Company Transaction Document (in each case other than this Agreement and the Disclosure Schedule), duly executed by each Seller, TopCo and/or the Company, as applicable;

(b) duly executed shareholder resolutions of the Company and TopCo as required under applicable Law and the organizational documents of each of the Company and TopCo approving the transactions contemplated by this Agreement;

(c) a certificate, dated as of the Closing Date, signed by any director of the Company, attesting to the completion of all necessary corporate action by the Company to execute and deliver this Agreement, the other Seller Transaction Documents and the other Company Transaction Documents, and to consummate the Transaction;

(d) a certificate signed by any director of the Company and TopCo, given by him or her on behalf of the Company and not in his or her individual capacity, to the effect that, with respect to the Company and the Sellers, the conditions set forth in Section 6.2.1, Section 6.2.2 and Section 6.2.5 have been satisfied;

(e) duly executed resignations (containing a general release and waiver of claims) of each director of the Company, TopCo and each of their respective Subsidiaries, which will be dated and delivered as at Closing and effective immediately;

(f) an affidavit issued to Buyer by an officer of each US Sub as required by Treasury Regulation Section 1.1445-2(c)(3) certifying that each of the US Subs has not been a United States real property holding corporation (as the term is defined in the Code and the Treasury Regulations promulgated in connection therewith) at any time during the five (5) year period ending on the Closing Date, substantially in the form attached as Exhibit D; and

(g) the Virtual Option Holder Letters duly executed by the Virtual Option Holders.

**1.3.2 Buyer Deliveries.** At the Closing, Buyer shall deliver or cause to be delivered the following:

(a) to the Sellers, evidence of the initiation of an irrevocable wire transfer of immediately available funds of each of the payments referred to in Section 1.4.5 (in accordance with the Closing Statement) to the account(s) designated in writing as set forth on the Closing Statement;

(b) to the Escrow Agent, the Escrow Amount; and

(c) to the relevant recipient(s), all transaction costs and expenses included in Notified Leakage Amount, in each case to the extent such costs and expenses remain outstanding at Closing; provided, that at least three (3) Business Days prior to the Closing, the Company has provided Buyer with a list of each such recipient, the amount of Notified Leakage Amount that such recipient is entitled to receive and the wire instructions of such recipient.

**1.3.3 Sellers and Buyer Deliveries.** At or prior to the Closing, the Sellers and the Buyer shall execute in front of a German notary public the Transfer Deed. The wording of the Transfer Deed shall be agreed between the Sellers and the Buyer no later than three (3) Business Days prior to the Closing. The Transfer Deed shall provide for:

(a) the assignment by the Sellers to the Buyer of all Transferred Interests, subject only to the condition precedent of the initiation of an irrevocable wire transfer of an amount equal to the Closing Cash to the Sellers in accordance with Section 1.3.2(a),

(b) an instruction to the acting notary to update the shareholder lists of the Company and TopCo to reflect the assignment provided for by the transfer deed upon receiving evidence of an irrevocable wire transfer of an amount equal to the Closing Cash to the Sellers in accordance with Section 1.3.2(a), and

(c) the choice of German law.

**1.3.4 Total Price.** Notwithstanding any other provision of this Agreement to the contrary, in no event shall Buyer be obligated to pay to the Sellers a total amount, in the aggregate, greater than the Total Purchase Price.

#### **1.4 Purchase Price.**

**1.4.1 Calculation of Total Purchase Price.** The aggregate purchase price to be paid by the Buyer for the Transferred Interests and the Shareholder Loans shall be the aggregate of (the "Total Purchase Price") without duplication:

(a) USD 359,145,000; less

(b) the aggregate of all (if any) Notified Leakage Amounts; less

(c) the Virtual Options Amount, less

(d) the Disclosed Specific Indemnity Items.

#### **1.4.2 Share and Interest Consideration.**

(a) The consideration payable by Buyer to each of Seller 2, Seller 3 and Seller 4 for the their respective Shares shall be an amount equal to (i) the Per Share Amount multiplied by (ii) the total number of Shares held by the such Seller (excluding, for the avoidance of doubt, Seller 1) as of immediately prior to the Closing (in respect of each such Seller (excluding, for the avoidance of doubt, Seller 1), the "**Share Consideration**"), such amounts to be set opposite each such Seller's name in the Closing Statement. The Share Consideration shall only be paid in accordance with, and subject to the terms of, Section 1.4.5.

(b) The consideration payable by Buyer to Seller 1 for the Company Interests shall be an amount equal to (i) (A) the Per Share Amount multiplied by (B) the total number of Shares held by the Company as of immediately prior to the Closing minus (ii) the amount equal to the Shareholder Loan Price (calculated in accordance with Section 1.4.3) (the "**Seller 1 Company Interest Consideration**"), such amount to be set opposite Seller 1's name in the Closing Statement. The Seller 1 Company Interest Consideration shall only be paid in accordance with, and subject to the terms of, Section 1.4.5.

**1.4.3 Seller 1 Shareholder Loans.** The “**Shareholder Loans Price**” shall equal (after the exchange of the Euro denominated sum from clauses (a) and (b) of this Section 1.4.3 into United States Dollars in accordance with Section 1.5.9):

(a) [\*\*\*] (being an amount equal to the aggregate principal and accrued but unpaid interest on the Shareholder Loans as at the Locked Box Date) (the “**Initial Notes Price**”); plus

(b) an amount equal to all accrued but unpaid interest (calculated on a daily basis on a 365-day year) on the Shareholder Loans accruing in the period from but excluding the Locked Box Date to and including the Closing Date (the “**Additional Notes Price**”) (as notified by Seller 1 to Buyer at least three (3) Business Days prior to the Closing Date).

**1.4.4 Closing Statement.** No later than three Business Days prior to the Closing Date, a statement (the “**Closing Statement**”) shall be delivered in writing by or on behalf of Seller 1 and the Sellers’ Representative to the Buyer, setting out, in each case as of immediately prior to the Closing:

(a) the calculation of the Total Purchase Price;

(b) the amount of each of Seller 2, Seller 3 and Seller 4’s respective Share Consideration;

(c) the amount of the Seller 1 Company Interest Consideration;

(d) each Seller’s Pro Rata Share of the Escrow Amount (with respect to each Seller, the “**Escrow Contribution**”);

(e) the Shareholder Loans Price, reflecting the amount of the Additional Notes Price and the conversion of the sum calculated pursuant to Section 1.4.3 into United States Dollars in accordance with Section 1.5.9;

(f) the Notified Leakage Amount;

(g) the Disclosed Specific Indemnity Items;

(h) the Virtual Options Amount; and

(i) and the wire instructions of each Seller.

**1.4.5 Total Purchase Price Payments.** The Total Purchase Price shall be paid by Buyer in United States Dollars by initiating on the Closing Date irrevocable wire transfers to the applicable accounts set forth in the Closing Statement of immediately available funds as follows:

(a) to the Escrow Agent, an amount equal to the Escrow Amount;

(b) to Seller 1, an amount equal to the (i) the Shareholder Loans Price and (ii) (A) the Seller 1 Company Interest Consideration minus (B) the amount equal to Seller 1’s Escrow Contribution;

(c) to Seller 2, an amount equal to (i) Seller 2’s Share Consideration minus (ii) the amount equal to Seller 2’s Escrow Contribution;

(d) to Seller 3, an amount equal to (i) Seller 3’s Share Consideration minus (ii) the amount equal to Seller 3’s Escrow Contribution; and

(e) to Seller 4, an amount equal to (i) Seller 4’s Share Consideration minus (ii) the amount equal to Seller 4’s Escrow Contribution.

**1.4.6 Seller 1 Shareholder Loans.** Buyer hereby assumes by way of assignment the Company's obligation to pay the Shareholder Loans Price to Seller 1 in full and final settlement of all outstanding Indebtedness owing from the Company to Seller 1. Buyer, Seller 1 and the Company each hereby acknowledge and agree that (a) such assignment shall fully and finally release the Company and its Affiliates of all of its liability and obligation to pay the Shareholder Loans Price to Seller 1 pursuant to the Shareholder Loans and (b) notwithstanding the terms and provisions of the Shareholder Loans, the payment by Buyer to Seller 1 of the Shareholder Loans Price shall constitute a full and final discharge of all of the liabilities and obligations of Buyer, the Company and their respective Subsidiaries, Affiliates and Representatives under or relating to the Shareholder Loans and any other Indebtedness owed, or that may be owed, by Buyer, the Company or any of their respective Subsidiaries, Affiliates or Representatives to Seller 1 or any of its Affiliates, and Seller 1, on behalf of itself and its successors, assigns and Affiliates, hereby forever releases and discharges Buyer, the Company and any of their respective Subsidiaries, Affiliates and Representatives with respect to, arising from or relating to any liabilities (whether known or unknown, contingent, accrued or otherwise) or obligations under or in connection with the Shareholder Loans and any other Indebtedness owed, or that may be owed, by Buyer, the Company or any of their respective Subsidiaries, Affiliates or Representatives to Seller 1 or any of its Affiliates.

**1.4.7 Virtual Options.** Each of the Virtual Option Holders has exercised their respective Virtual Options conditional on Closing occurring in full and final settlement of all rights they have in respect of their Virtual Options. Buyer shall procure that the Company or TopCo (at the direction of the Company) shall pay the Virtual Options Amount to the Virtual Option Holders reasonably promptly after the Closing in accordance with the Virtual Option Holder Letters. The Acquired Companies shall take all action necessary or appropriate to provide for the cancellation of all Virtual Options effective as of the Closing.

## **1.5 Leakage.**

**1.5.1 Pre-Closing Leakage Notice.** Three (3) Business Days prior to the Closing, Seller 1 and the Seller Representative shall deliver to Buyer a certificate setting forth all Leakage (if any) other than Permitted Leakage subsequent to the Locked Box Date through and including the Closing Date, including a schedule setting forth the dollar amount, components and reasonable supporting detail thereof (the "**Pre-Closing Leakage Notice**"), (such aggregate dollar amount, the "**Pre-Closing Leakage Amount**"). For the avoidance of doubt, the Pre-Closing Leakage Notice shall not modify in any manner any agreed amount of any Permitted Leakage item under this Agreement. For the avoidance of doubt, neither the Pre-Closing Leakage Notice, nor anything contained therein, shall limit, impair, or otherwise affect in any manner whatsoever any Seller obligations or any of Buyer's rights pursuant to this Agreement in respect of such Leakage, and nothing herein shall (a) constitute or be deemed to constitute an acknowledgement or agreement by Buyer that Seller 1's and the Seller Representative's joint calculation of the Pre-Closing Leakage Amount is accurate or (b) preclude, limit, impair, or otherwise affect in any manner whatsoever Buyer's right to recover any further amounts payable under this Agreement in respect of such Leakage.

**1.5.2 Notice.** Prior to the Closing, Seller 1 and the Seller Representative shall promptly, but in no event more than three (3) Business Days after any Seller has any knowledge thereof, notify Buyer in writing of any Leakage other than Permitted Leakage from and including the Locked Box Date to and including the Closing Date, together with a schedule setting forth the components thereof and reasonable supporting detail. For the avoidance of doubt, no notice provided pursuant to this Section shall modify in any manner any agreed amount of any Permitted Leakage item under this Agreement.

**1.5.3** If, on or prior to Closing, any Leakage is notified in writing by any of the Sellers to the Buyer pursuant to Section 1.5.1 and/or Section 1.5.2 then the amount of Leakage that is so notified shall be the "**Notified Leakage Amount**". The Parties acknowledge and agree that any Notified Leakage Amount shall be taken into account for the purposes of determining the Total Purchase Price in accordance with Section 1.4.1 and, accordingly, shall not be recoverable again after Closing as Leakage pursuant to this Section 1.5.

## **1.5.4 Representations and Covenants.**

(a) Each of the Sellers hereby [\*\*\*]:

(i) represents and warrants to the Buyer that from (and including) the Locked Box Date through and including the date of this Agreement, there has not been any Leakage other than Permitted Leakage; and

(ii) undertakes, covenants and agrees that during the period commencing on the date of this Agreement up to and including the Closing Date, there shall not be any Leakage other than Permitted Leakage.

**1.5.5** On and after the Closing, each Seller [\*\*\*] acknowledges and agrees, [\*\*\*] that if, following a breach of Section 1.5.4 by such Seller, Buyer submits a valid Leakage Notice to any Seller, such Seller shall promptly (and in any event within ten (10) Business Days of delivery of such Leakage Notice) pay or cause to be paid to the Buyer (or any designee of Buyer) an amount in cash (in USD) equal to the amount of such Leakage received by or on behalf of that Seller set forth in such Leakage Notice.

**1.5.6** In the absence of fraud, no Seller shall be liable under Section 1.5.4 unless written notice of such Leakage has been notified to such Seller (specifying in reasonable detail the nature of the Leakage and the amount due from it) on or before the date which is [\*\*\*] after the Closing Date (the “**Leakage Notice**”).

**1.5.7** The maximum aggregate liability of each Seller under this Section 1.5 shall not in any circumstances exceed [\*\*\*] and the Buyer shall have no other remedy for any Leakage other than as set out in this Section 1.5.

**1.5.8** No Seller shall be liable under Section 1.5.4 in respect of any Leakage to the extent:

(a) that the Buyer and/or any Acquired Company has actually recovered or received (with no obligation to repay) from a Person (other than the Buyer or any Acquired Company) an amount in respect of the alleged Leakage included in a Leakage Notice which would otherwise have given rise to a claim under this Section 1.5, then such Seller shall have no liability in respect of such claim to the extent of the Sum Recovered. For the purposes of this Section 1.5.8, “**Sum Recovered**” means an amount equal to the cash actually recovered or received by Buyer or any Acquired Companies (with no obligation to repay) from a Person less all costs, charges and expenses reasonably incurred by the Buyer or any Acquired Company (as the case may be) in recovering the amount or benefit from such Person, and less all reserves, deductibles, premium adjustments, retrospectively rated premiums and other similar amounts relating thereto; and

(b) of any related corresponding final savings to the Buyer or any Acquired Company arising from such Leakage by reason of the amount (if any) by which Tax obligation for which the Buyer or any Acquired Company would otherwise have been accountable or liable to be assessed is actually reduced or extinguished as a result of the Leakage; and

(c) of any amount in respect of Taxes which are actually recovered by repayment or credit by an Acquired Company as a result of such Leakage.

**1.5.9** For purposes of any currency (other than United States Dollars) to United States Dollar exchange rates under this Agreement, the exchange rate shall be:

(a) in respect of any payment made between the Locked Box Date and the Closing Date, the applicable currency exchange rate on the date of payment;

(b) in respect of any payments to be made on Closing (including as scheduled in the Closing Statement), the applicable currency exchange rate on the Closing Date; and

(c) in respect of any payments to be made by the Sellers to the Buyer or any Buyer Indemnified Parties after Closing, the applicable currency exchange rate on the date thereof.

**1.5.10** Following the Closing, Buyer shall use commercially reasonable efforts to obtain from the applicable Governmental Authority a refund of the VAT Taxes. If Buyer or any of the Acquired Companies receive a refund of the VAT Taxes from an applicable Governmental Authority (the “**VAT Refund**”), Buyer shall pay, or shall cause to be paid, to each Seller such Seller’s Pro Rata Share of the VAT Refund (net of the fees, costs and expenses of collection) promptly after receipt of such VAT Refund. [\*\*\*].

**1.5.11 Withholding Tax.** Notwithstanding anything to the contrary contained in this Agreement, Buyer (and any other Person required to withhold with respect to any payment made under this Agreement) shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable pursuant to this Agreement such amounts as may be required to be deducted or withheld therefrom under any provision of Tax Law; provided, however that, other than with respect to the payment of the Virtual Options Amounts, Buyer shall provide the Seller Representative and Seller 1 with advance written notice of any such intended withholding at least [\*\*\*] days before the making of such payment, and Buyer shall cooperate in good faith with the Seller Representative and Seller 1 to obtain any available exception from, or reduction in, such withholding to the extent permitted under applicable Law. To the extent such amounts are so deducted or withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

## **ARTICLE 2**

### **REPRESENTATIONS AND WARRANTIES RELATING TO THE SELLERS**

Except as set forth on the Disclosure Schedule, which exceptions or disclosures, if any, will be deemed to be part of the representations and warranties made under this Agreement, each Seller represents and warrants [\*\*\*], to Buyer as set forth below as of the Signing Date and the Closing Date, unless explicitly limited to a specific date.

**2.1 Power and Authorization; Enforceability.** Such Seller has all requisite right, power and authority to execute and deliver this Agreement and the other Seller Transaction Documents to which it is a party, to perform its obligations under this Agreement and under the Seller Transaction Documents to which it is a party. All necessary action has been taken by such Seller to authorize the execution, delivery and performance by it of this Agreement and each other Seller Transaction Document to which it is a party. Such Seller has duly executed and delivered this Agreement and, at or prior to the Closing, will have duly executed and delivered each other Seller Transaction Document to which it is a party. Assuming that this Agreement and each of the other Seller Transaction Documents to which such Seller is a party are valid and binding obligations of each of the other Parties to this Agreement and each of the other Seller Transaction Documents, this Agreement is, and each other Seller Transaction Document to which such Seller is a party, when duly executed and delivered at or prior to the Closing by such Seller will be, the legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its respective terms, except as enforceability of such objections may be limited by the Remedies Exception.

**2.2 No Violation or Conflicts.** The execution, delivery and performance by such Seller of this Agreement and the other Seller Transaction Documents to which such Seller is a party, and the consummation of the Transaction, do not and will not: (a) result in a violation or breach of, or default under, any provision of the organizational documents of such Seller; (b) result in a violation or breach of any provision of any Law or Order applicable to such Seller; or (c) result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel, any Contract to which such Seller is a party or by which such Seller is bound or to which any of his, her or its properties and assets are subject, in each case of clauses (a)-(c), that would have an adverse effect on the ability of such Seller to transfer title of such Seller’s Shares or Company Interests (as set forth opposite such Seller’s name on Section 3.4.1(a) of the Disclosure Schedule), as applicable, to Buyer. No Consent that has not been or will not be obtained prior to Closing is required to be obtained by such Seller in connection with the execution and delivery of this Agreement and the other Seller Transaction Documents to which such Seller is a party by such Seller or the performance by such Seller of its obligations under this Agreement and the other Seller Transaction Documents to which such Seller is a party.

**2.3 Title.** Such Seller is the sole legal, record and beneficial owner of the Shares and Company Interests, as applicable, set forth opposite such Seller's name on Section 3.4.1(a) of the Disclosure Schedule, and such Seller owns good and valid title to such Shares and Company Interests, as applicable, free and clear of all Liens, and, immediately after the Closing, Buyer will own such Transferred Interests free and clear of all Liens (other than Liens imposed on such Transferred Interests by Buyer or restrictions under applicable securities Laws).

**2.4 Solvency.** No formal insolvency proceedings, whether in or out of court, leading to any form of bankruptcy, liquidation, administration, receivership, arrangement or scheme with creditors, moratorium, stay or limitation of creditors' rights, interim or provisional supervision by a court or court appointee, winding-up or striking-off, or any event analogous to any such events in any jurisdiction, have commenced in relation to such Seller or any part of his/her/its assets or undertaking.

**2.5 Legal Proceedings.** There are no Proceedings pending (*rechtshängig*) or, to the knowledge (after reasonable inquiry) of such Seller, threatened in writing against or by such Seller that challenge or seek to prevent, enjoin or otherwise delay the ability of such Seller to sell and assign his, her or its Shares and Company Interests (set forth opposite such Seller's name on Section 3.4.1(a) of the Disclosure Schedule), as applicable, to Buyer in connection and in accordance with the consummation of the Transaction.

**2.6 Brokers.** No investment banker, broker, finder or other intermediary is entitled to any fee or commission in connection with the Transaction based upon arrangements or agreements made by such Seller.

### **ARTICLE 3** **REPRESENTATIONS AND WARRANTIES RELATING TO THE COMPANY**

Except as set forth (i) [\*\*\*] only to the extent the representations and warranties in this Article 3 relate to any member of the BullGuard Group as an "Acquired Company" and (ii) on the Disclosure Schedule, which exceptions or disclosures will be deemed to be part of the representations and warranties made under this Agreement, each Seller [\*\*\*], TopCo and the Company represent and warrant to Buyer as set forth below as of the Signing Date and the Closing Date, unless explicitly limited to a specific date.

#### **3.1 Organization and Good Standing.**

**3.1.1** Each Acquired Company is duly organized, validly existing and in good standing, as applicable, under the Laws of its jurisdiction of incorporation or formation, and has all necessary corporate or other company power and authority to carry on its business as presently conducted, and to own and lease the assets and properties which it owns and leases. Each Acquired Company has (a) not been declared insolvent or bankrupt and no action or request is pending to declare it insolvent or bankrupt; (b) not filed for insolvency or bankruptcy; and (c) is not insolvent, bankrupt, unable to pay its debts when and as they fall due, has not ceased or suspended payments or is in the process of dissolution, liquidation, compulsory administration, recovery or suspension of payments. No Acquired Company is affected by a mandatory cause of winding-up under the Laws of its jurisdiction of incorporation. No Acquired Company is a party to an enterprise agreement within the meaning of Sections 291 and 292 AktG. Neither the Company nor TopCo holds directly or indirectly any interest or sub-participation in any company, partnership or other entity other than in the Subsidiaries.

**3.1.2** Each Acquired Company is in all material respects duly qualified to do business as a foreign corporation and is in good standing (if applicable) in each jurisdiction in which its ownership or leasing of assets or properties or the nature of its activities requires such qualification. [\*\*\*], neither the execution and delivery of this Agreement or any other Contract contemplated hereby, nor the consummation of the Transaction and the other transactions contemplated hereby will result in any breach, termination, cancellation or cost increase under the [\*\*\*] or the [\*\*\*].

**3.2 Power and Authorization; Enforceability.** Each of the Company and TopCo has all requisite right, power, and authority to execute and deliver this Agreement and the other Company Transaction Documents, to perform its obligations under this Agreement and under each other Company Transaction Document, and to

consummate the Transaction. All necessary corporate action has been taken by the Company and TopCo to authorize the execution, delivery and performance by the Company and TopCo of this Agreement and each other Company Transaction Document. Each of the Company and TopCo has duly executed and delivered this Agreement and, at or prior to the Closing, will have duly executed and delivered each other Company Transaction Document. Assuming that this Agreement and each of the other Company Transaction Documents are valid and binding obligations of each of the other parties to this Agreement and each of the other parties to the Company Transaction Documents, this Agreement is, and each other Company Transaction Document, when duly executed and delivered at or prior to the Closing by the Company and TopCo, will be, the legal, valid and binding obligation of the Company and TopCo enforceable against it in accordance with its respective terms, except as enforceability of such obligations may be limited by the Remedies Exception.

**3.3 No Violation or Conflict.** The execution, delivery and performance [\*\*\*] of this Agreement and the other Company Transaction Documents, and the consummation of the Transaction do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the organizational documents of any of the Acquired Companies; (b) conflict with or result in a violation or breach of any provision of any Law or Order applicable to any Acquired Company; (c) conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the loss of rights of any Acquired Company, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel, any Material Contract to which any Acquired Company is a party or by which any Acquired Company is bound or to which any of their respective assets are subject; or (d) result in the creation or imposition of any Lien other than Permitted Liens on any assets of any of the Acquired Companies. Except as set forth on Section 3.3 of the Disclosure Schedule, no Consent is required to be made or obtained by any Acquired Company in connection with the execution and delivery of this Agreement and the other Company Transaction Documents and the consummation of the Transaction.

### **3.4 Capitalization; Ownership.**

**3.4.1** The authorized, issued and outstanding Shares and other equity securities of the Company and TopCo, as well as the beneficial owners thereof, are fully and accurately set forth on Section 3.4.1(a) of the Disclosure Schedule, which are the Transferred Interests. The authorized, issued and outstanding capital stock and other equity securities of each Acquired Company (other than the Company and TopCo), as well as the legal and beneficial owner(s) thereof, are fully and accurately set forth in Section 3.4.1(b) of the Disclosure Schedule. All of the outstanding Shares, Company Interests, other shares of capital stock, options, warrants or other equity interests of the Acquired Companies have been duly authorized and are validly issued and outstanding and fully paid, and none were offered or issued in violation of any applicable Law. The Transferred Interests, represent 100% of the issued and outstanding equity of the Company and TopCo. Each Acquired Company, directly or indirectly, is the legal and beneficial owner of all of the outstanding equity securities of its Subsidiaries. Sellers that are residents or citizens of the United States own less than 5% of the outstanding equity securities of the Company and TopCo (including the Shares, the Company Interests and any virtual shares or options).

**3.4.2** The Sellers are the legal and beneficial owner of all of the Transferred Interests, in each case, free and clear of all Liens, and, immediately after the Closing, Buyer will own the Transferred Interests free and clear of all Liens (other than Liens imposed on the Transferred Interests by Buyer or under applicable securities Laws). Seller 2, Seller 3, Seller 4 and the Company have the sole right to vote or direct the voting of all of the Shares at each of their respective discretions, on any matter submitted to a vote of the equity holders of TopCo having the right to vote thereon. Seller 1 has the sole right to vote or direct the voting of the Company Interests at its discretion, on any matter submitted to a vote of the equity holders of the Company having the right to vote thereon. Other than as pursuant to the organizational documents of the Company provided to Buyer, there are no voting trusts, voting agreements, proxies, shareholder agreements or other arrangements relating to the Transferred Interests.

**3.4.3** No Acquired Company has granted any preemptive rights, rights of first refusal or other similar rights with respect to any of such capital stock or other equity securities of any Acquired Company and there are no offers, options, warrants, rights, agreements or commitments of any kind granted or outstanding by any Acquired

Company relating to the issuance, conversion, registration, voting, sale or transfer of capital stock or any other equity securities of any Acquired Company or obligating any Acquired Company to purchase or redeem any of such capital stock or other equity securities. Other than to its shareholders, neither the Company nor TopCo has ever declared any unpaid dividends, and there are no accrued but unpaid dividends, on any shares of capital stock of the Company or TopCo.

**3.4.4** There are no obligations, contingent or otherwise, of any Acquired Company to provide funds to, or make any investment in (whether in the form of a loan, capital contribution or otherwise), or provide any guarantee with respect to the obligations of, any third party. No Acquired Company is a party to, or a participant in, any partnership, joint venture, or similar arrangement. Section 3.1 of the Disclosure Schedule contains a true and complete list of the articles of association, by-laws or other constitutional documents (as in effect on the Signing Date) of the Acquired Companies. True and complete copies of such documents have been disclosed to Buyer prior to the Signing Date.

**3.4.5** Except as set forth on Section 3.4.5 of the Disclosure Schedules, there is no outstanding Indebtedness of any Acquired Company.

**3.5 Compliance with Laws.** Each Acquired Company has at all times during the [\*\*\*] year period prior to the Closing Date been in material compliance with, and is now in material compliance with, all Laws and Orders applicable to it or its Business or assets. During the [\*\*\*] period prior to the Closing Date, no Acquired Company has received any written or, to the Company's Knowledge, oral notice regarding any material violation of a Law or Order or of any obligation to bear any material cost for any remedial action in respect thereof.

**3.6 Litigation.** There are no Proceedings currently pending (*rechtshängig*) or [\*\*\*] threatened in writing which involve any Acquired Company, their respective businesses or their respective assets with an amount in dispute (*Streitwert*) of more than . There are not any unsatisfied Orders against any Acquired Company or any of their respective businesses, properties or assets. There is no Proceeding pending (*rechtshängig*), or [\*\*\*] threatened in writing against any Acquired Company that would adversely affect the ability of the Company or TopCo to consummate the Transaction.

### **3.7 Financial Statements; Undisclosed Liabilities.**

#### **3.7.1 Financial Statements.**

(a) The Company has provided Buyer with complete and accurate copies of the following consolidated financial statements of the Company (collectively, the "**Financial Statements**"): (i) the audited consolidated balance sheets of Avira Holding GmbH & Co. KG as of December 31, 2018 and December 31, 2019 the "**Most Recent Fiscal Year End**"), and the audited consolidated statements of operations and statements of cash flows as of the fiscal years then ended; (ii) the audited consolidated balance sheets of BullGuard Ltd. as of December 31, 2019, and the audited consolidated statements of income and shareholders' equity as of the fiscal years then ended, (iii) the audited consolidated balance sheets of Avira CM GmbH as of December 31, 2018 and December 31, 2019, and the audited consolidated statements of operations the fiscal years then ended, (iv) the unaudited consolidated balance sheet of ALV GmbH & Co KG as of December 31, 2019, and the related unaudited consolidated statement of operations and statement of cash flows; and (v) the unaudited consolidated balance sheet (the "**Latest Balance Sheet**") of the Company as of October 31, 2020), being the "Latest Balance Sheet Date"), and the related unaudited consolidated statements of income and shareholders' equity as of and for the period from the Most Recent Fiscal Year End through and as of the Latest Balance Sheet Date (the "**Interim Financial Statements**").

(b) Each of the Financial Statements (i) has been prepared from the books and records of the Company and in accordance with GAAP applied on a consistent basis for the periods covered thereby, and subject to, in the case of the Interim Financial Statements, ordinary course year-end adjustments (the effect of which will not be materially adverse) and the absence of footnote disclosure (that, if presented, would not differ materially from those presented in the audited Financial Statements) and (ii) fairly presents in all material respects the consolidated

financial position and results of operations of the Company as of the dates and for the periods indicated therein. To the Company's Knowledge, the books and records of the Company have been maintained in all material respects in accordance with sound business practices.

(c) The Locked Box Accounts have been provided to Buyer by the Company and are complete and accurate, and the Locked Box Accounts (i) have been prepared from the books and records of the Company and in accordance with GAAP applied on a consistent basis for the periods covered thereby and (ii) fairly presents in all material respects the consolidated financial position and results of operations of the Company as of the Locked Box Date.

**3.7.2 Undisclosed Liabilities.** [\*\*\*] no Acquired Company has any liability, debt or obligation of any kind other than: (a) liabilities and obligations set forth on the Latest Balance Sheet; (b) liabilities and obligations which have arisen since the Latest Balance Sheet Date in the Ordinary Course which are not, individually or in the aggregate, material in amount; and (c) liabilities that have been discharged or paid off since the Latest Balance Sheet Date in the Ordinary Course or as expressly contemplated by this Agreement.

**3.7.3 No Assets or Liabilities.**

(a) Save for the Shareholder Loans, the Company (i) has no assets, properties, rights, liabilities, debts, Contracts or obligations, other than its ownership of [\*\*\*] Shares of TopCo, (ii) is not engaged in any business activities or conducting any operations other than incidental to its ownership interests in TopCo and (iii) since its formation, has not engaged in any business activities or conducted any operations other than incidental to its ownership of such Shares of TopCo.

(b) TopCo (i) has no assets, properties, rights, liabilities, debts, Contracts or obligations, other than its ownership of 100% of the equity securities of BidCo, (ii) is not engaged in any business activities or conducting any operations other than incidental to its ownership interests in BidCo and (iii) since its formation, has not engaged in any business activities or conducted any operations other than incidental to its ownership of such equity securities of BidCo.

(c) Excluding (i) serving as the employer of Seller 3 and Seller 4, (ii) any trading arrangements between BidCo and any of the Acquired Companies and (iii) its obligations to (1) fully cooperate with the sellers in respect of any tax return filings or similar, (2) provide certain required financial information on the Avira Group as required for the sellers' tax declarations, (3) comply with customary confidentiality obligations and (4) procure that the Avira Group companies indemnify and hold the sellers harmless in respect of any claims arising in their capacity as directors or employees, in each case pursuant to the [\*\*\*] and related transaction documents, BidCo (A) has no assets, properties, rights, liabilities, debts, Contracts or obligations, other than its ownership of 100% of the equity securities of Avira Holding GmbH & Co KG, Avira CM GmbH, the BullGuard Buyer and ALV GmbH & Co KG, (B) is not engaged in any business activities or conducting any operations other than incidental to its ownership interests in Avira Holding GmbH & Co KG, Avira CM GmbH, the BullGuard Buyer and ALV GmbH & Co KG and (C) since its formation, has not engaged in any business activities or conducted any operations other than incidental to its ownership of such equity securities of Avira Holding GmbH & Co KG, Avira CM GmbH, the BullGuard Buyer and ALV GmbH & Co KG.

(d) Excluding (i) serving as the employer of certain individuals within the group comprising the Acquired Companies, (ii) any trading arrangements between the BullGuard Buyer and any of the Acquired Companies and (iii) its obligations under the [\*\*\*] and related transaction documents, the BullGuard Buyer (i) has no assets, properties, rights, liabilities, debts, Contracts or obligations, other than its ownership of 100% of the equity securities of BullGuard, (ii) is not engaged in any business activities or conducting any operations other than incidental to its ownership interests in BullGuard and (iii) since its formation, has not engaged in any business activities or conducted any operations other than incidental to its ownership of such equity securities of BullGuard.

**3.8 Absence of Certain Changes and Events.** Since the Ownership Date, each Acquired Companies has conducted its respective Business in the Ordinary Course in all material respects and, except as expressly

contemplated by this Agreement or any other Transaction Document, there has not been, with respect to any Acquired Company, any: (a) Material Adverse Effect; (b) amendment of the organizational documents; (c) split, division, combination or reclassification of any capital stock, shares or other equity securities, or any issuance, sale or other disposition of or grant of any rights to purchase or obtain (including upon conversion, exchange or exercise) any such equity securities; (d) declaration or payment of any dividends or distributions on or in respect of any equity securities, purchase or acquisition of any equity securities; (e) change in any method of accounting or accounting practice; (f) amendment, modification, acceleration, relinquishment, termination, cancellation or nonrenewal of any Material Contract or entry into any Contract that would constitute a Material Contract; (g) (i) termination of any, director, officer, Employee, contractor or consultant with an annual compensation of [\*\*\*] or more or (ii) hiring of any, director, officer, Employee, contractor or consultant with an annual compensation of [\*\*\*] or more, except to replace (on comparable terms and at a comparable cost) any departed individual; (h) (i) adoption, amendment or material modification of an Employee Benefit Plan other in the ordinary course of business consistent with past practice that does not materially increase the cost of such Employee Benefit Plan, (ii) grant of severance or termination pay to any Employee, other than in the ordinary course of business consistent with past practice, (iii) material increase in the compensation of, or payment of any bonus to, any Employee with annual compensation of [\*\*\*] or more, except, in each of (i) through (iii), as required by Law or by any existing Contract; (i) incurrence, creation, assumption, payment, cancellation or discharge of (i) any Lien on any of its assets (other than Permitted Liens); (ii) any Indebtedness; or (iii) any liability as a guarantor or surety with respect to the obligations of others; (j) transfer, assignment, sale, exclusive license or other disposition of any of the material assets (including Intellectual Property) shown or reflected in the Interim Financial Statements, other than in the Ordinary Course; (k) abandonment, cancellation, withdrawal, refusal, or expiration (excluding expiration in accordance with the statutory period) of any Intellectual Property subject to a registration, filing, or application by any Acquired Company; (l) material damage, destruction or loss (whether or not covered by any Company Policy) to any property; (m) any capital investment in, or any loan to, any other Person, or any capital expenditures in excess of [\*\*\*]; (n) termination, waiver, settlement or compromise of any material right of value or initiation or settlement of any material Proceeding; (o) request for, negotiation, or receipt of any Tax ruling on behalf of any Acquired Company, or entry into any closing agreement, agreement to an extension of the statute of limitations with respect to the assessment or collection of Taxes, amendment to any Tax Return, filing of any Tax Return in a manner that is inconsistent with past custom and practice, making, changing or rescinding of any election relating to Taxes, surrendering of any claim for a refund of Taxes, settlement or compromise of any Tax liability, making of any change to any of its methods of accounting or methods of reporting income or deductions for Tax or accounting practice or policy from those employed in the preparation of its most recent Tax Return; (p) entering into any Tax sharing, Tax allocation, Tax indemnity or similar agreement (other than in the Ordinary Course with respect to Contracts the principal subject of which is not Taxes) or closing or advanced pricing agreement, assuming any liability for the Taxes of any other Person (whether by Contract or otherwise), changing its residence for any Tax purpose or establishing any branch, agency, permanent establishment or other taxable presence in any jurisdiction outside its jurisdiction of incorporation, failing to accrue or pay when due any material Taxes; or (q) authorization of or entry into any agreement or commitment with respect to any of the foregoing, or any action or omission that would result in any of the foregoing.

### **3.9 Real Property.**

**3.9.1** Section 3.9.1(a) of the Disclosure Schedule sets forth a true and complete list of all of the real property owned by any Acquired Company (the “**Owned Real Property**”), including street address, legal description and use. No Acquired Company is party to any agreement to purchase or sell real property. Except as set forth in Section 3.9.1(b) of the Disclosure Schedule, the Acquired Companies own the Owned Real property free and clear of all Liens, except for Permitted Liens. The Acquired Companies have a valid, enforceable title policy for the Owned Real Property in its full market value and has delivered a true and correct copy of it to Buyer.

**3.9.2** Section 3.9.2 of the Disclosure Schedule sets forth all leases (the “**Real Property Leases**”) with respect to each parcel of real property leased by any Acquired Company (the “**Leased Real Property**” and together with the Owned Real Property, the “**Real Property**”). With respect to each Real Property Lease, (a) such Real Property Lease is legal, valid, binding, enforceable and in full force and effect, (b) such Acquired Company’s possession and quiet enjoyment of the Leased Real Property under such Real Property Lease has not been disturbed

and, to the Company's Knowledge, there are no disputes with respect to such Real Property Lease, and (c) such Acquired Company has not subleased, licensed or otherwise granted any Person the right to use or occupy such Leased Real Property or any portion of such Leased Real Property.

**3.9.3** The Real Property comprises all of the real property used in the Business, and, other than the Real Property Leases, no Acquired Company is a party to any other Contract which includes any option to purchase or lease any real property or interest in real property. To the Company's Knowledge, the current use and occupancy of the Leased Real Property does not violate in any material respect any applicable deed restrictions or other applicable covenants, restrictions or agreements, in each case applicable to an Acquired Company. The current use and occupancy of the Owned Real Property does not violate in any material respect any applicable deed restrictions or other applicable covenants, restrictions or agreements, in each case applicable to an Acquired Company. Without limiting Section 3.5 above, the current use and operation of each Real Property by each such Acquired Company is in material compliance with applicable building codes and all applicable zoning, subdivision and land use laws, ordinances and regulations, and (a) to the Company's Knowledge, all certificates of occupancy, use permits and other licenses or authorizations required in connection with the use of each Leased Real Property are in full force and effect and (b) all certificates of occupancy, use permits and other licenses or authorizations required in connection with the use of each Owned Real Property are in full force and effect.

**3.9.4** (i) There is no pending or [\*\*\*] threatened in writing condemnation or similar proceeding affecting any Owned Real Property or any portion thereof, and the Company has no Knowledge that any such action is currently contemplated, (ii) there are no Proceedings pending or [\*\*\*], threatened in writing against any Acquired Company affecting any Owned Real Property, and the Company is not aware of any facts which might result in any such Proceeding and (iii) there are no pending or, to the Knowledge of the Company, threatened special assessments or improvements or activities of any public or quasi-public body either planned, in process, or completed which may give rise to any special assessment against any Owned Real Property. Each Owned Real Property and all of its operating systems are in satisfactory operating condition (allowing for ordinary wear and tear) and free from material structural, physical, mechanical, electrical, plumbing, roof or other defects, is maintained in a manner consistent with industry standards generally followed with respect to similar property, and is suitable for the conduct of the Business.

### **3.10 Material Contracts**

**3.10.1** Section 3.10.1 of the Disclosure Schedule lists the following Contracts to which any Acquired Company is a party (collectively, the "**Material Contracts**"): (a) any Contract of any Acquired Company under which it incurs Indebtedness, any Contract of any Acquired Company in which it is the lender with respect to any Indebtedness or any Contract under which any Acquired Company has guaranteed the Indebtedness of any other third party, or any Contract relating to the issuance of letters of credit in each case in excess of [\*\*\*]; (b) any Contract providing for the sale, assignment, lease or other disposition of any asset of any Acquired Company with a value in excess of [\*\*\*], except for (i) sales of obsolete assets or (ii) Contracts entered into 5 years prior to the date of this Agreement pursuant to which no Acquired Company has any further material obligation thereunder; (c) any Contract granting a Lien upon any asset of any Acquired Company that requires annual aggregate payments by any Acquired Company in excess of [\*\*\*], other than Permitted Liens; (d) any partnership, limited liability company or joint venture agreement in which any Acquired Company and at least one other Person participates as a partner, member or joint venturer; (e) any Real Property Lease that involves annual aggregate payments by any Acquired Company to any Person in excess of [\*\*\*] per annum; (f) any material sales agency, sales representation, distributorship, broker or franchise Contract (which generates over [\*\*\*] in revenue per annum) that is (i) not terminable without penalty on [\*\*\*] days' notice or less; or (ii) requires payment by any Acquired Company in excess of [\*\*\*] per annum; (g) any Contract that limits, or purports to limit, the ability of any Acquired Company to (i) engage in any aspect of its business; (ii) participate or compete in any line of business, market or geographic area; (iii) freely set prices for its products or services; or (iv) solicit potential employees, consultants, contractors or other suppliers or customers; (h) any Contract that grants most favored nation pricing, exclusive sales, distribution, marketing or other exclusive rights, rights of refusal, rights of first negotiation to any Person; (i) any Contract with a Top Supplier or a Top Customer; or (j) any Contract granting any license or right under or assignment of Intellectual Property (A) to any Acquired Company, except for (1) end user licenses with respect to off-the-shelf, shrinkwrap, or

clickwrap software applications (including software provided as a service) made available for an aggregate cost of less than [\*\*\*], (2) non-disclosure agreements entered into in the Ordinary Course by the applicable Acquired Company, and (3) proprietary information and invention assignment Contracts with current and former employees of any Acquired Company entered into in the Ordinary Course and on the Company's or TopCo's standard form thereof; or (B) from any Acquired Company to any Person and on the applicable Acquired Company's standard form thereof, except for (1) non-exclusive end user or other distributor, reseller, OEM partner or customer licenses granted in the Ordinary Course, and (2) non-disclosure agreements entered into in the Ordinary Course by the applicable Acquired Company.

**3.10.2** Material Contracts are in full force and effect and are enforceable against each party thereto in accordance with the express terms thereof. The applicable Acquired Company and, to the best of the Company's Knowledge, any other party thereto is not in breach of or default under (or, to the Company's Knowledge, is alleged to be in breach of or default under), or has provided or received any written notice of any intention to terminate, any Material Contract. There does not exist under any Material Contract any violation, breach or event of default, or alleged violation, breach or event of default, or event or condition that, after notice or lapse of time or both, would constitute a violation, breach or event of default thereunder on the part of the applicable Acquired Company, or, to the Company's Knowledge, any other party thereto, or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder. The Company has provided to Buyer true, complete and correct copies of all written Material Contracts (including all modifications, amendments, , exhibits and supplements thereto and waivers thereunder) and accurate written descriptions of all material terms of all oral Material Contracts (including all modifications, amendments, signatures, exhibits and supplements thereto and waivers thereunder).

**3.11 Insurance.** Section 3.11 of the Disclosure Schedule contains a true, correct and complete list of each insurance policy owned by, or maintained for the benefit of, any Acquired Company (each a "**Company Policy**"). Such Company Policies are in full force and effect and shall remain in full force and effect immediately following the consummation of the Transaction. None of the Sellers nor any Acquired Company has received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Company Policies, other than premium increases in connection with a renewal of a Company Policy in the Ordinary Course. All premiums due on such Company Policies have been paid in accordance with the payment terms of each Company Policy. All such Company Policies (a) are valid and binding in accordance with their terms and (b) have not been subject to any lapse in coverage.

**3.12 Permits.** Each of the Acquired Companies has and maintains in full force and effect, and is in compliance with, all material Permits required for the operation of the Business of the Acquired Companies. No Acquired Company has received any written notice from any Governmental Authority regarding, and to the Company's Knowledge no event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in, (a) any actual or possible failure to comply with any term or requirement of any material Permit, or (b) any actual or possible revocation, withdrawal, suspension, cancellation, termination or modification of any material governmental authorization.

**3.13 Tangible Personal Property; Condition and Sufficiency of Assets.**

**3.13.1** The Acquired Companies have good and valid title to, or a valid leasehold interest in, all material tangible personal property used in the conduct of the Business reflected on the Latest Balance Sheet or acquired the Latest Balance Sheet Date, free and clear of all Liens (except Permitted Liens), except assets disposed of in the Ordinary Course since the Latest Balance Sheet Date. The material tangible personal property owned or used by any Acquired Company is in good operating condition and repair, ordinary wear and tear excepted.

**3.13.2** The material buildings, premises, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property of the Acquired Companies are structurally sound, are in satisfactory operating condition for assets of similar age (allowing for ordinary wear and tear, and are adequate for the uses to which they are being put, and none of such buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property is in need of maintenance or repairs except for

ordinary, routine maintenance and repairs. The material buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of material tangible personal property currently owned or leased by the Acquired Companies, together with all other assets of the Acquired Companies, constitute all the rights, property and assets that are used in, relate to, or are necessary for the operation of the Business by the Acquired Companies in the same manner as conducted since the Latest Balance Sheet Date.

### **3.14 Intellectual Property.**

**3.14.1** Section 3.14.1 of the Disclosure Schedule contains a complete and accurate list of all (i) Owned Registered Intellectual Property, including for each item, the name of the legal owner and owner(s) of record, the applicable jurisdiction, type, subject matter, status, application or registration number, and date of application, registration, or issuance, as applicable and (ii) any pending (*rechtshängige*) or threatened in writing Proceedings (excluding routine prosecution efforts before the United States Patent and Trademark Office or equivalent foreign authority) before any Governmental Authority in which the Owned Registered Intellectual Property is involved. Each item of Owned Registered Intellectual Property is valid and subsisting, and excluding pending applications, enforceable. All necessary registration, maintenance and renewal fees currently due in connection with Owned Registered Intellectual Property have been made, and all necessary documents, recordations and certificates in connection with such Owned Registered Intellectual Property have been filed with the relevant patent, copyright, trademark or other authorities in the United States or foreign jurisdictions, as the case may be, for the purposes of prosecuting, perfecting and maintaining such Owned Registered Intellectual Property.

**3.14.2** No Owned Intellectual Property or Company Offerings are subject to any order, decree, or judgment of a Governmental Authority restricting the use, transfer, or licensing thereof, or which may affect their validity, use or enforceability, except as required to comply with any applicable trade (including import and export), economic or financial sanctions or other laws, regulations, embargoes or restrictive measures imposed by any Governmental Authority on any Acquired Company.

**3.14.3** The Acquired Companies own or have licensed to them all Intellectual Property required to carry on the Business of the Acquired Companies as it has been carried on [\*\*\*] prior to the date of this Agreement. The Acquired Companies own and have good and exclusive title to, each item of Owned Intellectual Property free and clear of any Liens (other than Permitted Liens). No Acquired Company has: (i) transferred or assigned ownership of any Owned Intellectual Property that was, at the time of transfer or assignment [\*\*\*] material to Business; (ii) granted any exclusive or non-exclusive license of or exclusive right to any Owned Intellectual Property, excluding non-exclusive licenses with regard to Copyrights in Technology granted in the Ordinary Course; (iii) authorized or agreed to joint ownership of any Intellectual Property; or (iv) permitted their rights in any Owned Intellectual Property to lapse or enter the public domain.

**3.14.4** [\*\*\*] the operation of the Business, including the design, development, manufacture, use, import, sale licensing or other exploitation of the Company Offerings, has not materially infringed, violated, diluted, or misappropriated any Intellectual Property of any Person or constituted in any material aspect unfair competition or trade practices under applicable law, and does not materially infringe, violate, dilute, or misappropriate any Intellectual Property of any Person. There currently are no, and, for the last [\*\*\*] years there have been no, Proceedings alleging any such infringement, misappropriation, violation, dilution, unfair competition or trade practices by any Acquired Company and no Acquired Company has received written notice from any Person with respect thereto. No Acquired Company has received written notice from any Person alleging that they are obligated or have a duty to defend, indemnify, or hold harmless any other Person with respect to, or has assumed any liabilities or is otherwise responsible for, any such allegations of infringement, misappropriation, violation, dilution, unfair competition or trade practices.

**3.14.5** [\*\*\*] no Person has materially infringed, violated, diluted, or misappropriated, or is infringing, violating, diluting, or misappropriating, any Owned Intellectual Property which would or would reasonably be expected to result in Losses of more than [\*\*\*]. No Acquired Company has provided any Person with any notice alleging such material infringement, violation, dilution, or misappropriation and there are no, and in the [\*\*\*] years prior to this Agreement have been no Proceedings with respect thereto.

**3.14.6** Neither this Agreement nor the transactions contemplated hereby will result in, or give any other Person the right or option to cause (or purport to give any other Person the right or option to cause), pursuant to any contract or agreement to which any Acquired Company is a party: (i) a loss of, or imposition of any Lien on, any material Intellectual Property; (ii) the granting or assigning to any Person any right in or license to any material Intellectual Property; or (iii) any Acquired Company, Buyer, or any of Buyer's Affiliates being bound by, or subject to, any non-compete or other contractual restriction on the operation or scope of their business.

**3.14.7** Each Acquired Company takes and has taken at all times commercially reasonable efforts to protect their rights in their trade secrets and confidential information, and any trade secrets or confidential information of third parties provided to them under an obligation of confidentiality, and [\*\*\*] none of the material trade secrets and confidential information has been leaked or misappropriated by any third person.

**3.14.8** Each current and former director, manager, employee, consultant, and independent contractor of any Acquired Company who is or was involved in, or has participated in or contributed to, the conception, development, authoring, creation, or reduction to practice of any material Technology or Intellectual Property for or on the behalf of such Acquired Company has executed a valid and enforceable agreement that includes customary confidentiality obligations in favor of such Acquired Company and an effective assignment to such Acquired Company of all of such director's, manager's, employee's, consultant's, and independent contractor's rights in such Technology and Intellectual Property. To the Company's Knowledge, no such director, manager, employee, consultant, or independent contractor is, or has been in, breach of such agreements.

**3.14.9** No funding of a Governmental Authority, or funding, facilities or resources of a university, college, hospital, military, other educational institution or research center or direct funding from third parties was used in the creation or development of any Owned Intellectual Property. [\*\*\*] no current or former employee, consultant or independent contractor of any Acquired Company has performed services for a Governmental Authority, university, college, hospital, military, or other educational institution or research center during a period of time during which such employee, consultant or independent contractor was also performing services for such Acquired Company.

**3.14.10** No Acquired Company has participated in any standards-setting process nor made or undertaken any commitment or obligation to license, or offer to license, any Intellectual Property as a result of or in connection with its participation in any standards-setting process.

**3.14.11** [\*\*\*] each Acquired Company has taken commercially reasonable steps to protect and ensure proper operation, monitoring and use of the IT Systems and to provide for backup and recovery of the data and information critical to the conduct of the Business. [\*\*\*] the IT Systems, as a whole have sufficient functionality, capacity and performance to effectively perform all material information technology operations currently necessary, for the conduct of the Business. The applicable Acquired Company and any other party thereto is not in material breach of or material default under (or [\*\*\*] is alleged to be in breach of or default under), or has provided or received any written notice of any intention to terminate, any agreement relating to the IT System. Within the past thirty-six (36) months there has been no material disruption to, or material interruption in, the operation of the business due to a defect, breakdown or other material failure or deficiency in the IT Systems which would result in a damage or costs of more than [\*\*\*]. [\*\*\*], there have been no material unauthorized intrusions or breaches of the security of the IT Systems.

**3.14.12** Each Acquired Company has: (i) put in place procedures and arrangements to ensure and monitor compliance with Data Protection Legislation in all material respects, including taking all steps reasonably necessary (including implementing and monitoring compliance with adequate measures with respect to technical and physical security) to ensure that Personal Data is protected against loss and against unauthorized access, use, modification, disclosure or other misuse to the extent as required under applicable Data Protection Legislation; (ii) [\*\*\*] complied in all material respects with all relevant requirements of Data Protection Legislation, including requests from data subjects for access to any data held and notification to the relevant data protection regulator by data controllers of the processing of Personal Data; and (iii) not received any written notices or offers from the data protection regulator in any jurisdiction, a data controller or a data subject which claimed material compensation under or alleged material

non-compliance with any Data Protection Legislation or prohibited the transfer of Personal Data pursuant to applicable law.

### **3.15 Labor Matters.**

**3.15.1** Section 3.15.1 of the Disclosure Schedule contains [\*\*\*] list of all Persons who are directors, officers, Employees, individual consultants or individual contractors of any Acquired Company as of the day preceding the Signing Date and sets forth for each such Person the following: (a) personnel number; (b) title or position (including whether a director, officer, Employee, consultant or contractor, and in each case whether full- or part-time); (c) hire date; (d) work location; (e) current annual base compensation rate; and (f) commission, bonus or other incentive-based compensation programs. Each Acquired Company has complied in all material respects and is presently in compliance in all material respects with all applicable Laws relating to employment (including, without limitation, classification of employees as exempt or non-exempt and classification of service-providers as employees or independent contractors), equal opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining, the payment of social security and similar taxes, income tax withholding, occupational safety and health, privacy rights of employees and/or obligations relating to subcontractors. There is not now pending (*rechtshängig*) or [\*\*\*] threatened in writing any labor dispute, strike or work stoppage by any Employees. There is not now pending or [\*\*\*] threatened any labor-related charge or written formal complaint against any Acquired Company by or with any Governmental Authority or any representative thereof. [\*\*\*] no Key Employee has provided written notice to terminate his, her or their employment with any Acquired Company. All of the Employees have provided documentation required by applicable Law showing they are validly authorized to be employed in the jurisdiction of their employment and all other applicable state and local jurisdictions where such Employees perform services for the Acquired Companies.

**3.15.2** The Company has made available to Buyer prior to the Signing Date all agreements, promises and regulations applicable to any Acquired Company as of the Signing Date which contain (a) limitations on the termination of employment agreements, including provisions concerning severance payments, (b) limitations to relocate activities of such Acquired Company, (c) guarantees to maintain a certain number of employees in such Acquired Company, or (d) any other restrictions on future restructurings of the workforce or such Acquired Company, in each case except where such limitation or restriction is as a result of law, rule or regulation applicable to any Acquired Company.

**3.15.3** Section 3.15.3 of the Disclosure Schedule contains a list of all collective bargaining agreements and all other agreements with a labor union or an employee representative body (in particular but not limited to works councils) that apply at Acquired Companies. To the Company's Knowledge, there has been no effort by any labor union in the last three (3) prior to the Signing Date to organize any Employees into additional collective bargaining units.

**3.15.4** Section 3.15.4 of the Disclosure Schedule a list of all employers' associations in which the Acquired Companies (except for any member of the BullGuard Group) are members.

**3.15.5** All Persons treated by any Acquired Company as independent contractors are correctly classified as "independent contractors" for Tax, benefits, wage, labor or any other purposes under any applicable Law.

**3.15.6** The Company has provided to Buyer details of all material COVID-19 Measures that any of the Acquired Companies have implemented in relation to their employees (e.g. implementation of short-time work, *Kurzarbeit*) other than those generally applicable to any person under statutory laws, rules, orders or regulations.

### **3.16 Employee Benefits.**

**3.16.1** Section 3.16.1 of the Disclosure Schedule contains a list of all material Employee Benefit Plans. The Company has provided to Buyer true, complete and correct copies of, with respect to each Employee Benefit Plan: (a) the document, if any, constituting such current Employee Benefit Plan (including all amendments thereto) and any related current summary plan description, (b) any material determination, opinion, notification and advisory

letters from a Governmental Authority, to the extent applicable, (c) all material correspondence to or from any Governmental Authority received in the last three (3) years prior to the Signing Date, (d) all material written agreements and contracts currently in effect, and (e) all annual reports (Form 5500) and discrimination tests for the past two (2) years.

**3.16.2** Each Employee Benefit Plan has been administered in all material respects in compliance with its terms and all applicable Laws. Each Employee Benefit Plan intended to be qualified under Section 401(a) of the Code has obtained a currently effective favorable determination letter as to its qualified status (or the qualified status of the master or prototype form on which it is established) from the Internal Revenue Service, and no amendment to such Employee Benefit Plan has been adopted since the date of such letter that would adversely affect such favorable determination. No US Sub is subject to any liability or penalty under Sections 4971 through 4980H of the Code or Title I of ERISA. All contributions, reserves or premium payments required to have been made or accrued, or that are due, as of the Signing Date to or with respect to the Employee Benefit Plans have been timely made or accrued; it being understood that this applies in particular to any employer-financed company pension schemes that apply at any of the Acquired Companies. No Proceeding (excluding claims for benefits incurred in the Ordinary Course) has been brought or is pending (*rechtshängig*) or [\*\*\*] is threatened in writing against or with respect to any Employee Benefit Plan or the assets or any fiduciary thereof.

**3.16.3** No plan currently or in the past [\*\*\*] years maintained, contributed to or required to be contributed to by the US Subs or any of its ERISA Affiliates is or was a “multiemployer plan” as defined in Section 3(37) of ERISA, a plan described in Section 413 of the Code, a plan subject to Title IV of ERISA, or a plan subject to the minimum funding standards of Section 412 of the Code or Section 302 of ERISA.

**3.16.4** No Employee Benefit Plan provides, or represents any liability to provide, benefits (including, without limitation, death or medical benefits), whether or not insured, with respect to any former or current employee of the any Acquired Company, or any spouse or dependent of any such employee, beyond the employee’s retirement or other termination of employment with any Acquired Company, except to the extent required by applicable Law.

**3.16.5** The execution of this Agreement and the consummation of the Transaction will not, either alone or in conjunction with any other event, (a) entitle any Person to any payment, forgiveness of Indebtedness, vesting, distribution, or increase in benefits under or with respect to any Employee Benefit Plan, (b) otherwise trigger any acceleration (of vesting or payment of benefits or otherwise) under or with respect to any Employee Benefit Plan, or (c) trigger any obligation to fund any Employee Benefit Plan. There is no contract, plan or arrangement covering any current or former employee, director or consultant of any Acquired Company that, individually or collectively, would reasonably be expected to give rise as a result of the transactions contemplated by this Agreement to the payment of any amount or provision of any benefit that would not be deductible by such Acquired Company by reason of Section 280G of the Code. No Employee Benefit Plan has failed to comply with Section 409A of the Code in a manner that would result in any unpaid tax, interest or penalty thereunder, and neither US Sub has any liability or obligation to pay or reimburse any taxes, or related penalties or interest that may be incurred pursuant to Code Section 4999 or Code Section 409A or similar provision under applicable Law.

**3.17 Environmental Matters.** [\*\*\*]the operations of the Acquired Companies are, and for [\*\*\*] years prior to the Signing Date have been, in material compliance with all applicable Environmental Laws, which compliance include obtaining and maintaining any Environmental Permits applicable to the business and assets of the Acquired Companies. No Acquired Company is subject to any pending (*rechtshängig*) or [\*\*\*] threatened in writing claim alleging that any Acquired Company is in material violation of, or has any material liability under, any Environmental Law. None of the property owned, leased, occupied or operated by any Acquired Company is affected by any condition, and there has been no activity or failure to take any action by any Acquired Company, that would reasonably be expected to result in any material liability or obligation under any Environmental Law.

**3.18 Tax Matters.**

**3.18.1** Acquired Companies have timely filed, or have caused to be timely filed on their behalf, all Tax Returns required to be filed by them, and all such Tax Returns are true, complete and accurate in all respects. The Acquired Companies have paid all Taxes (whether or not shown as due on a Tax Return) that were due on or prior to the Signing Date, including Taxes which any of them was required to withhold.

**3.18.2** The Latest Balance Sheet contains all Taxes paid as of the Latest Balance Sheet Date. No Acquired Company has incurred any liability for Taxes subsequent to the Latest Balance Sheet Date except in the Ordinary Course.

**3.18.3** The Company has provided to Buyer correct and complete copies of all Tax Returns for income Taxes and value added Taxes (and other similar Taxes) referenced in Section 3.18.1 and filed (a) for the last [\*\*\*] years or (b) to the extent not included in clause (a), for which the applicable statute of limitations has not yet expired. No claim has ever been made by any Governmental Authority in a jurisdiction where any Acquired Company does not file Tax Returns that it is or may be subject to Tax or to a requirement to file Tax Returns in such jurisdiction, which claim has not been resolved.

**3.18.4** Each Acquired Company has complied in all material respects with all applicable Laws relating to the payment and withholding of Taxes from Employees and other Persons.

**3.18.5** There are no material Liens for Taxes (other than Permitted Liens) on the assets of any Acquired Company.

**3.18.6** No Acquired Company has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency which waiver or extension is still in effect as of the Signing Date. There are no outstanding written requests, agreements, consents or waivers to extend the statutory period of limitations applicable to the assessment or collection of any Taxes or deficiencies against any Acquired Company.

**3.18.7** No Acquired Company is a party to or bound by any agreement entered into [\*\*\*] the principal purpose of which is the sharing or allocation of, or indemnification for, Taxes.

**3.18.8** No Acquired Company has been the “distributing corporation” or the “controlled corporation” (in each case, within the meaning of Section 355(a)(1) of the Code or comparable provision of applicable Tax Law) or similar designation under comparable applicable Tax Law with respect to a transaction described in Section 355 of the Code (or comparable provision of applicable Tax Law) (a) within the [\*\*\*] year period ending as of the Closing Date, or (b) in a distribution that could otherwise constitute part of a “plan” or “series of related transactions” (within the meaning of Section 355(e) of the Code or comparable provision of applicable Tax Law) that includes the Transaction.

**3.18.9** No Acquired Company (a) has been a member of any affiliated group filing a consolidated Tax Return or of any affiliated, consolidated, combined or unitary group, as defined under applicable Law (other than a group comprised solely by the Acquired Companies), or (b) has any liability for the Taxes of any Person under Section 1.1502-6 of the Treasury Regulations (or any similar provision of applicable Law), or as a transferee, successor or by Contract.

**3.18.10** No Acquired Company (a) is currently or has in the [\*\*\*] years prior to the Signing Date been the subject of a material Proceeding with respect to Taxes) where the amount in issue could reasonably be expected to be in excess of [\*\*\*] and no Acquired Company has received any written notice of any such material Proceeding against such Acquired Company, (b) has received any written notice of proposed adjustment, deficiency, underpayment of a material amount of Taxes or any other such written notice which is not being contested in good faith or has not been satisfied or withdrawn, or (c) has received any written notice raising any material issues with respect to any Tax Return which issues have not been resolved .

**3.18.11** No Acquired Company has ever engaged in a “listed transaction,” or other similar transaction as set forth in Treasury Regulation Section 1.6011-4(b)(1) (or comparable provision of applicable Tax Law).

**3.18.12** No Acquired Company will be required to include a material item of income, or exclude a material item of deduction, for any period after the Closing Date as a result of (a) an installment sale transaction occurring on or before the Closing Date governed by Code Section 453 (or any similar provision of applicable Law); (b) a transaction occurring on or before the Closing Date reported as an open transaction for federal income tax purposes (or any similar doctrine for foreign, state or local tax purposes); (c) a change in method of accounting requested or occurring on or prior to the Closing Date; (d) a “closing agreement” within the meaning of Code Section 7121 executed on or prior to the Closing Date (or comparable provision of applicable Tax Law); (e) any intercompany transaction or excess loss account described in U.S. Treasury Regulations under Code Section 1502 (or comparable provision of applicable Tax Law), or (f) an election pursuant to Section 965 of the Code (or comparable provision of applicable Tax Law).

**3.18.13** Each Acquired Company has complied in all material respects with all applicable Laws relating to the maintenance, preparation and book-keeping as regards Tax documents and documentation (including transfer pricing documentation) and all such Tax documents are retained and available at each applicable Acquired Company (until the statute of limitations as regards the record-keeping under applicable Laws).

**3.18.14** No Acquired Company is engaged in or has ever been engaged in a trade or business through a “permanent establishment” within the meaning of an applicable income Tax treaty in any country other than the country in which such Acquired Company, as applicable, is formed or organized.

**3.18.15** No Acquired Company is or was a “surrogate foreign corporation” within the meaning of Section 7874(a)(2)(B) of the Code or should be treated as a U.S. corporation under Section 7874(b) of the Code.

**3.18.16** No Acquired Company is or, directly or indirectly, owns an interest in, a “controlled foreign corporation” within the meaning of Section 957(a) of the Code, without taking into account the repeal of Section 958(b)(4) of the Code. No Acquired Company is or has been a passive foreign investment company within the meaning of Section 1297 of the Code. No Acquired Company has made a US entity classification election pursuant to Reg. 301.7701-3. No Acquired Company has ever engaged in any transaction that did not comply with arm’s length principles under applicable Laws.

**3.19 Accounts Receivable.** All accounts receivable that are reflected on the Financial Statements or on the accounting records of any Acquired Company as of the Signing Date, if any, represent valid obligations arising from sales actually made or services actually performed by the Acquired Companies in the Ordinary Course. There is no contest, claim or defense under any Contract with any account debtor of a [\*\*\*] account receivable relating to the amount or validity of such account receivable.

### **3.20 Customers and Suppliers.**

**3.20.1** Section 3.20.1 of the Disclosure Schedule sets forth a list of the [\*\*\*] OEM customers (by billings) of the Company, on a consolidated basis (the “**Top Customers**”) for the fiscal year ended December 31, 2019 and for the period commencing the first Business Day after the Latest Balance Sheet Date and ending on November 29, 2020. Since the Ownership Date, no Acquired Company has received any written or, to the Company’s Knowledge, oral notice from any Top Customer to the effect that such customer is terminating or materially and adversely amending its business relationship with any Acquired Company, intends to stop using the services of any Acquired Company prior to the termination or amendment of any existing agreement with such Top Customer or that such Top Customer intends to materially reduce the services it utilizes from any Acquired Company.

**3.20.2** Section 3.20.2 of the Disclosure Schedule sets forth a list of the [\*\*\*] suppliers (by purchases) of the Company, on a consolidated basis (the “**Top Suppliers**”), for the fiscal year ended December 31, 2019 and for the period commencing on the first Business Day after the Latest Balance Sheet Date and ending on November 29,

2020 (treating affiliated suppliers as a single supplier). Since the Ownership Date, No Acquired Company have received any written notice from any Top Supplier to the effect that such Top Supplier is terminating or materially and adversely amending its business relationship with any Acquired Company, intends to stop providing products or services to any Acquired Company prior to the termination or amendment of any existing agreement with such Top Supplier or that such Top Supplier intends to materially reduce the availability of the products or services supplied to any Acquired Company.

**3.21 Foreign Corrupt Practices.** No Acquired Company nor any of their Affiliates, including the Sellers, or, to the Company's Knowledge, any agent or other Person acting on behalf of any Acquired Company or any of their respective Affiliates, including the Sellers, has (a) directly or indirectly, including through any agent, representative or other person authorized to act on its behalf, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (b) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (c) failed to disclose fully any contribution made by any Acquired Company or any of their respective Affiliates, including the Sellers (or made by any Person acting on its behalf of which any Acquired Company or any of its Affiliates, including the Sellers, is aware) which is in violation of Law, (c) in commercial practice demanded, allowed themselves to be promised or accepted a benefit for themselves or a third party in return for giving an unfair preference to another in the competitive purchase of goods or services in Germany or abroad, (d) in commercial practice offered, promised or granted a benefit to an employee or agent of a business or a third party in return for giving that person or another an unfair preference in the competitive purchase of goods or services or (e) violated any provision of the Foreign Corrupt Practices Act of 1977 (USA), as amended, the U.K. Bribery Act 2010, as amended, Article 198 of Criminal Act of Japan, as amended, the Prevention of Bribery Ordinance (Cap. 201) of Hong Kong, the Prevention of Corruption Act of Singapore or the comparable regulation (including any anti-bribery or anti-corruption legislation) applicable in the relevant jurisdiction, including in Romania.

**3.22 Export and Import Laws and Regulations Compliance.** There are no Proceedings pending (*rechtshängig*) or, to the Company's Knowledge, threatened against any Acquired Company under any, and each Acquired Company is in material compliance with all, export and import Laws. The Company has provided to Buyer accurate copies of issues and pending import and export licenses, technical assistance agreements and other Permits required by applicable export and import Laws.

**3.23 Related Party Transactions.** None of (a) the Acquired Companies, (b) any of the Sellers, (c) any director, officer, direct or indirect shareholder, Employee or Affiliate of any Acquired Company, or (d) [\*\*\*] any other Person who is the spouse or immediate family member of any of the foregoing, or any entity in which any such Person owns any outstanding equity securities is a party to any Contract or transaction with any Acquired Company that pertains to the Business or has any material interest in any property, real or personal or mixed, tangible or intangible, used in or pertaining to the businesses of any Acquired Company. No such Person owns, directly or indirectly, on an individual or joint basis, any interest in, or serves as an officer (or other equivalent position) or director or in another similar capacity of, any competitor, OEM customer or supplier of any Acquired Company, or any organization which is a party to any Contract with any Acquired Company, other than the ownership of any shares of capital stock of a company publicly traded on a recognized national or international stock exchange, provided that such ownership represents less than 1% of the outstanding shares of capital stock of such company and is held only as a passive investment .

**3.24 Brokers.** No investment banker, broker, finder or other intermediary is entitled to any fee or commission in connection with the Transaction based upon arrangements or agreements made by or on behalf any Acquired Company.

**3.25 List of Accounts.** Section 3.25 of the Disclosure Schedule sets forth a list of all bank accounts, and all safe deposit boxes of the Acquired Companies at any bank or other financial institution, and a listing of the Persons authorized to draw thereon or make withdrawals therefrom or, in the case of safe deposit boxes, authorized to obtain access thereto.

**3.26** [\*\*\*] Closing of the acquisition of the entire issued share capital of BullGuard by the BullGuard Buyer (“BullGuard Closing”) occurred on [\*\*\*] in accordance with the terms of the [\*\*\*] SPA. Since BullGuard Closing, the business operations of the BullGuard Group have been conducted in the ordinary course consistent with past practice, save for any changes made in connection with bona-fide plans for integration of the BullGuard Group into the Buyer’s corporate group following BullGuard Closing. To the best of the Company’s Knowledge, the Buyer and no Acquired Company has taken any action that has resulted in the BullGuard [\*\*\*] becoming void or voidable by the BullGuard [\*\*\*]. No notice of any BullGuard SPA Claim has been served on any of the BullGuard Sellers pursuant to the [\*\*\*] SPA and to the best of the Company’s Knowledge there is no fact, matter or circumstance which would entitle the BullGuard Buyer to bring any such [\*\*\*] SPA Claim. The BullGuard Buyer is the sole owner of the entire issued share capital of BullGuard. BullGuard has not issued, and is not under the obligation to issue, any other equity or debt instruments. BullGuard has been duly established and validly exists under the laws of England and Wales. All rights, interests and shares in BullGuard are free and clear of any rights of third parties; in particular: (a) they are not subject to pledges and have not been assigned by way of security; and (b) there are no option rights or other entitlements of third parties including pre-emptive rights, options, voting arrangements or other rights of third parties. The BullGuard Buyer is not, and to the Company’s Knowledge, the other parties thereto are not, in breach of the [\*\*\*] SPA in any respect and all obligations under the [\*\*\*] SPA of an Acquired Company (including the BullGuard Buyer) required to have been performed as of the date hereof and as of the Closing have been performed in accordance with the [\*\*\*] SPA. Neither the BullGuard Buyer nor any of its Affiliates have (i) delivered any Completion Accounts or Balancing Payments (each as defined in the [\*\*\*] SPA) to the BullGuard Sellers or any of their respective Affiliates or (ii) confirmed to the BullGuard Sellers or any of their Affiliates any final agreement of the Completion Accounts or Balancing Payments.

#### **ARTICLE 4**

#### **REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to the Company, TopCo and the Sellers as set forth below as of the Signing Date and the Closing Date, unless explicitly limited to a specific date:

**4.1 Organization and Good Standing.** Buyer is duly organized, validly existing and in good standing under the Laws of its jurisdiction of formation and has all necessary corporate power and authority to carry on its business as presently conducted, and to own and lease the assets and properties which it owns and leases.

**4.2 Power and Authorization; Enforceability.** Buyer has all requisite right, power and authority to execute and deliver this Agreement and the other Buyer Transaction Documents, to perform its obligations under this Agreement and under the other Buyer Transaction Documents and to carry out the Transaction. Buyer has duly executed and delivered this Agreement and, at or prior to the Closing, will have duly executed and delivered each other Buyer Transaction Document. Assuming that this Agreement and each of the other Buyer Transaction Documents are valid and binding obligations of each of the other parties to this Agreement and to each of the other Buyer Transaction Documents, this Agreement is, and each other Buyer Transaction Document, when duly executed and delivered at or prior to the Closing by Buyer, will be, the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its respective terms, except as the enforceability of such obligations may be limited by the Remedies Exception.

**4.3 No Violation or Conflict.** The execution, delivery and performance by Buyer of this Agreement and the other Buyer Transaction Documents, and the consummation of the Transaction do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the organizational documents of Buyer; (b) conflict with or result in a violation or breach of any provision of any Law or Order applicable to Buyer; or (c) give any Governmental Authority or other Person the right to challenge the consummation and performance of the Transaction. No Consent is required to be made or obtained by Buyer in connection with the execution and delivery of this Agreement and the other Buyer Transaction Documents and the consummation of the Transaction.

**4.4 Investment Purpose.** Buyer is acquiring the Transferred Interests solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. Buyer is able to bear the economic risk of holding the Transferred Interests for an indefinite period (including total loss of

its investment), and has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk of its investment.

**4.5 Brokers.** No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transaction based upon arrangements made by or on behalf of Buyer.

**4.6 Sufficiency of Funds.** Buyer, together with its Affiliates, has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Closing Cash and consummate the Transaction.

**4.7 Legal Proceedings.** There are no Proceedings pending or, to Buyer's knowledge, threatened against or by Buyer that challenge or seek to prevent, enjoin or otherwise delay the Transaction.

**4.8 Independent Investigation.** Buyer has conducted its own independent investigation, review and analysis of the Business and results of operations, prospects, condition (financial or otherwise) and assets of the Acquired Companies, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of the Acquired Companies for such purpose. Buyer acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the Transaction, Buyer has relied solely upon its own investigation and the express representations and warranties of the Sellers, TopCo and the Company set forth in Article 2 and Article 3 of this Agreement (including the related portions of the Disclosure Schedule); and (b) none of the Sellers, TopCo, the Company or any other Person has made any representation or warranty as to the Sellers, TopCo or the Company, except as expressly set forth in Article 2 and Article 3 of this Agreement (including the related portions of the Disclosure Schedule). For the avoidance of doubt, nothing in this Section 4.8 shall limit or be deemed to limit the express representations and warranties of the Sellers, TopCo or the Company set forth in this Agreement or any other agreement ancillary to this Agreement or limit or be deemed to limit the rights of any Buyer Indemnified Party pursuant to Article 8.

## **ARTICLE 5** **CERTAIN COVENANTS OF THE PARTIES**

### **5.1 Interim Operations of the Company.**

**5.1.1** Each of the Company and TopCo shall, and shall cause each of the other Acquired Companies to, continue to conduct the business of the Company, TopCo and such Acquired Company as currently conducted and as currently contemplated to be conducted, and use commercially reasonable efforts maintain its business relationships in the ordinary and usual course consistent with its past practices. From the Signing Date until the Closing Date or the earlier termination of this Agreement in accordance with Section 7.1, except as set forth on the corresponding subsection of Section 5.1.1 of the Disclosure Schedules, as expressly contemplated by the terms of this Agreement or as the Company may determine to be reasonably necessary or appropriate in connection with any COVID-19 Measures, unless Buyer has previously consented thereto in writing (which consent will not be unreasonably withheld, conditioned or delayed), the Company, TopCo and the Sellers shall not, and shall not permit any of the Acquired Companies to do any of the following:

- (a) amend any organizational documents of any Acquired Company;
- (b) split, divide, combine, issue or reclassify of any capital stock, shares or other equity securities of any Acquired Company, or issue, sell or otherwise dispose of or grant any rights to purchase or obtain (including upon conversion, exchange or exercise) any such equity securities;
- (c) declare or pay any dividends or distributions on or in respect of any equity securities of any Acquired Company (other than any dividends or distributions declared or paid between Acquired Companies);
- (d) purchase or acquire any equity securities of any Acquired Company;

- (e) except as required by applicable Laws or GAAP, or to align the accounting practices of BullGuard with those of the other Acquired Companies, change any method of accounting or accounting practice of any Acquired Company;
- (f) except as required by applicable Laws or GAAP, revalue any of its properties or assets, including writing-off notes or accounts receivable;
- (g) propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of any Acquired Company (other than the Transaction);
- (h) amend, modify, accelerate, relinquish, terminate or cancel any Material Contract or enter into any Contract that would constitute a Material Contract, other than entering into any such Contract in the ordinary course of business; provided, that such exception shall not apply to any Contract that would constitute a Material Contract under [\*\*\*];
- (i) (i) terminate any Key Employee other than for cause or (ii) hire any, director, officer, Employee, contractor or consultant with an annual compensation of [\*\*\*] or more, except to replace (on substantially similar terms and at a substantially similar cost) any departed individual;
- (j) (i) adopt, amend or materially modify any Employee Benefit Plan, (ii) grant any severance or termination pay to any Employee, (iii) increase the compensation of, or pay any bonus to, any Employee with annual compensation of [\*\*\*] or more, except, in each of (i) through (iii), as required by Law or pursuant to any legally binding obligation entered into by any Acquired Company prior to the date hereof;
- (k) except as required by applicable Law, enter into, amend, or extend any collective bargaining agreement or works council arrangement;
- (l) incur, create, assume, pay, cancel or discharge (i) any Lien on any of its assets (other than Permitted Liens), (ii) any Indebtedness; or (iii) any liability as a guarantor or surety with respect to the obligations of others;
- (m) transfer, assign, sell, exclusively license or other dispose of any of material assets of any Acquired Company shown or reflected in the Financial Statements, other than in the Ordinary Course;
- (n) abandon, cancel or allow to lapse or fail to maintain or protect any Intellectual Property that is subject to a registration, filing, or application by any Acquired Company and material to such Acquired Company;
- (o) except for any arrangements between Acquired Companies and other than in the Ordinary Course: (i) sell, lease, license or transfer to any Person any rights to any Intellectual Property of any Acquired Company, (ii) purchase or license any Intellectual Property or enter into any agreement or modify any existing Contract with respect to the Intellectual Property of any Person, (iii) enter into any Contract or modify any existing Contract with respect to the development of any Intellectual Property with any Third Party, (iv) change pricing or royalties set or charged by any Acquired Company to its customers or licensees, or the pricing or royalties set or charged by Person who have licensed Intellectual Property to any Acquired Company; (v) enter into or amend any Contract pursuant to which any other party is granted marketing, distribution, or similar rights of any type or scope with respect to any products or Technology of any Acquired Company; or (vi) enter into or amend any Contract pursuant to which any other party is granted development, manufacturing or similar rights of any type or scope with respect to any products or Technology of any Acquired Company;
- (p) acquire (by merger, consolidation or acquisition of stock or assets) any other Person or any equity interest therein;

(q) (i) sell, transfer, assign, lease, license or otherwise dispose of any Owned Real Property or any interest therein, (ii) enter into any lease or sublease of real property (whether as a lessor, sublessor, lessee or sublessee) which involves an increase in expenditures or costs or (iii) modify, amend or exercise any right to renew any Real Property Lease or waive or violate any term or condition thereof or grant any consents thereunder; grant or otherwise create or consent to the creation of any easement, covenant, restriction, assessment, Lien or charge affecting any Owned Real Property or Leased Real Property or any part thereof; convey any interest in any Real Property; commit any waste or nuisance on any such property; or make any material changes in the construction or condition of any such property (except as required by applicable Law or to comply with applicable health and safety requirements or as necessary ensure the uninterrupted continuation of the Business);

(r) intentionally damage or destroy any Real Property;

(s) incur, effect, pay or make any capital investment in, or grant, give, pay or make any loan to, any other Person,

(t) forgive any loans to any Employees, officers or directors of any Acquired Company, or any of their respective Affiliates or Related Persons;

(u) incur, pay, become liable for or make any capital expenditures in excess of (a) [\*\*\*] for any individual expenditure or (b) [\*\*\*] [\*\*\*] in the aggregate (provided, in each case, that those items within such thresholds are incurred in the Ordinary Course);

(v) terminate, waive, settle or compromise any right of value or initiate or settle any Proceeding, except for any such Proceeding that is settled or compromised for monetary damages only not in excess of [\*\*\*] individually or [\*\*\*] in the aggregate;

(w) request or negotiate of any Tax ruling on behalf of any Acquired Company, or enter into any closing agreement, agreement to an extension of the statute of limitations with respect to the assessment or collection of Taxes, amend any Tax Return, file any Tax Return in a manner that is inconsistent with past custom and practice, make, change or rescind any election relating to Taxes, surrender any claim for a refund of Taxes, settle or compromise of any Tax liability, make any change to any Acquired Company's methods of accounting or methods of reporting income or deductions for Tax or accounting practice or policy from those employed in the preparation of its most recent Tax Return;

(x) enter into any Tax sharing, Tax allocation, Tax indemnity or similar agreement (other than in the Ordinary Course with respect to Contracts the principal subject of which is not Taxes) or closing or advanced pricing agreement, assume any liability for the Taxes of any other Person (whether by Contract or otherwise), change any Acquired Company's residence for any Tax purpose or establish any branch, agency, permanent establishment or other taxable presence in any jurisdiction outside such Acquired Company's jurisdiction of incorporation or organization, or fail to accrue or pay when due any material Taxes; or

(y) authorize or enter into any agreement or commitment with respect to any of the foregoing, or any action or omission that would result in any of the foregoing.

**5.1.2** If so requested by Buyer, the Company and TopCo shall exercise commercially reasonable efforts to cooperate with Buyer prior to the Closing for the purposes of facilitating an orderly and smooth transition of such relationships to Buyer after the Closing.

**5.1.3** Notwithstanding anything to the contrary in Section 5.1.1 or 5.1.2, or any other provision of this Agreement or any other Transaction Document, the Company and TopCo shall not (i) be prevented from or (ii) be required to obtain the Buyer's consent in relation to, effecting any of the following on or prior to Closing:

(a) compliance with the terms and provisions of the [\*\*\*] SPA and the Minority SPAs and such actions as are necessary to effect the acquisition by the BullGuard Buyer of the entire issued share capital of

BullGuard [\*\*\*]; provided, that the Company shall obtain Buyer's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed) prior to delivering any Completion Accounts or Balancing Payments (each as defined in the [\*\*\*] SPA) to the BullGuard Sellers and/or confirming to the BullGuard Sellers any final agreement of the Completion Accounts and/or Balancing Payments; provided, further, that no Acquired Company (including the BullGuard Buyer) shall (i) amend or modify, and shall not permit to be amended or modified, the [\*\*\*] SPA or any other Contracts contemplated thereby without the prior written consent of Buyer, or (ii) waive, forgive or cancel any rights of any Acquired Company (including the BullGuard Buyer) under the [\*\*\*] SPA or any other Contracts contemplated thereby without the prior written consent of Buyer;

(b) any:

(i) actions set out in the BullGuard Integration Plan; provided, that prior to effecting the transactions contemplated by the BullGuard Integration Plan the Company and TopCo shall afford Buyer a reasonable opportunity to review and comment on the documentation and all other actions proposed to be used or taken by any Acquired Company to effect the BullGuard Integration Plan and the Company and TopCo shall include all reasonable comments and revisions provided by Buyer or any of its Representatives to such documentation and shall apply all reasonable comments of Buyer or its Representatives to the other actions proposed to be used or taken in connection with the BullGuard Integration Plan; and

(ii) other actions which the Company considers reasonably necessary or appropriate in connection with (A) the integration of BullGuard into the Company's corporate group following the acquisition of BullGuard by the Acquired Companies and (B) the integration of the Avira Group following the acquisition of the Avira Group by Glitz F20-33 GmbH provided that the Company has provided the Buyer with not less than [\*\*\*] Business Days' written notice prior to taking any such action and, if the Buyer has notified the Company of any reasonable objections to it taking such actions within such [\*\*\*] Business Day-period, no Acquired Company shall take such action reasonably objected to by Buyer;

(c) any non-renewal and lapse of any Acquired Company's Trademarks as expressly set forth in the Trademark Plan and any non-renewal and lapse of domain names not used by any of the Acquired Companies in the Ordinary Course;

(d) the passing of a resolution of the shareholders of each relevant Acquired Company granting discharge (Entlastung) to the managing directors in respect of their office;

(e) the full release and discharge by the relevant Acquired Company of (i) Seller 2's obligation and liability to pay the Outstanding Loan Amount (including the netting off of the relevant Acquired Company's liability to Seller 2 from the Outstanding Loan Amount and the subsequent writing-off of the resulting amount) and (ii) of [\*\*\*] obligation and liability to pay their outstanding Indebtedness to the relevant Acquired Company in the amounts of [\*\*\*] and [\*\*\*] respectively; and

(f) the incurrence or making of any payment of Permitted Leakage.

**5.2 Further Actions.** From and after the Closing, each Seller and Buyer agree to, from time to time, execute and deliver such other documents, certificates, agreements, and other writings as any other Party reasonably requests, and to take such other actions, as may be reasonably necessary, proper or advisable in order to consummate or implement expeditiously the Transaction.

**5.3 Confidentiality; Books and Records.** From and after the Closing, the Sellers will, and will cause their respective Affiliates and Representatives to, maintain in confidence (a) this Agreement and the other Transaction Documents and any written, oral or other information related to the negotiation of this Agreement or the other Transaction Documents and the Transaction and (b) any written, oral or other information relating to any Acquired Company obtained by virtue of each such Seller's ownership of the Company or TopCo, as applicable, or otherwise prior to the Closing, except, in each case, to the extent that the applicable Seller is required to disclose such information pursuant to applicable Law.

## 5.4 Tax Matters.

**5.4.1 Pre-Closing Acquired Company Taxes.** The term “**Pre-Closing Acquired Company Taxes**” shall mean (a) all liability for Taxes of or arising out of any Acquired Company for any Pre-Closing Tax Period other than Taxes relating to any income, profit or gain arising to an Acquired Company from activities in the ordinary course of business of an Acquired Company in the period from the Locked Box Date; (b) all liability for Taxes of another Person as a transferee or successor or indemnitor or by operation of Law or Contract, which Taxes relate to an event or transaction occurring before the Closing other than an event occurring in the ordinary course of business of an Acquired Company in the period from the Locked Box Date; (c) Taxes imposed by reason of any Acquired Company being a member of an affiliated, consolidated, combined, unitary or similar group on or prior to the Closing Date (including, in the case of the US Subs, pursuant to Treasury Regulation Section 1.1502-6 or similar provisions of applicable Law) other than Taxes relating to any income, profit or gain arising to an Acquired Company from activities in the ordinary course of business of an Acquired Company in the period from the Locked Box Date; (d) all liability for Taxes imposed on any Acquired Company resulting from the Transaction (other than Transfer Taxes), (e) all liability for Taxes that are the consequence of any breach of any covenant contained in this Agreement relating to Taxes; and (f) any Taxes of any Seller for any Tax period. The Buyer Indemnified Parties shall have no indemnification rights against the Sellers for those Taxes included in the EV to Equity Statement, or Taxes that otherwise reduce the Total Purchase Price on a dollar for dollar basis.

**5.4.2 Books and Records; Cooperation.** Buyer and the Sellers will, and will cause their respective Representatives to, (a) provide the other Party and his or its Representatives with such assistance as may be reasonably requested in connection with the preparation of any Tax Return or any audit or other examination by any taxing authority or Proceeding relating to Taxes with respect to any Acquired Company and (b) retain (until the expiration of the statute of limitations of the taxable periods to which the Tax Returns relate), and provide the other Party and his or its Representatives with reasonable access to, all records or information that may be relevant to such Tax Return (including analysis regarding any Tax refunds or Tax benefits), audit, examination or Proceeding, provided, that the foregoing will be done at the expense of the Party making such request and in a manner so as not to interfere unreasonably with the conduct of the business of the Parties.

**5.4.3 Tax Returns.** All income Tax Returns of the Acquired Companies for Pre-Closing Tax Periods and Straddle Periods that are due after the Closing (taking into account duly obtained extensions) shall be prepared by Buyer. Buyer shall deliver to Seller Representative a draft of any such income Tax Return at least [\*\*\*] prior to the due date (taking into account any extension) for the filing of such Tax Return, for Seller Representative’s review and Buyer shall consider in good faith any reasonable comments to such income Tax Return received by Buyer from the Seller Representative within [\*\*\*] days after Buyer delivers such income Tax Return to the Seller Representative.

**5.4.4 Straddle Period.** For all purposes of this Agreement, the portion of Tax with respect to the income, property or operations of the Acquired Companies that is attributable to any Tax period that begins on or before the Closing Date and ends after the Closing Date (a “**Straddle Period**”) will be apportioned between the portion of the Straddle Period that extends before the Closing Date through the Closing Date (the “**Pre-Closing Straddle Period**”) and the portion of the Straddle Period that extends from the day after the Closing Date to the end of the Straddle Period (the “**Post-Closing Straddle Period**”) in accordance with this Section 5.5.4. The portion of such Tax attributable to the Pre-Closing Straddle Period will (a) in the case of any Taxes other than sales or use taxes, value-added taxes, employment taxes, withholding taxes, and any Tax based on or measured by income, receipts or profits earned during a Straddle Period, be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction, the numerator of which is the number of days in the Pre-Closing Straddle Period and denominator of which is the number of days in the Straddle Period and (b) in the case of any sales or use taxes, value-added taxes, employment taxes, withholding taxes, and any Tax based on or measured by income, receipts or profits earned during a Straddle Period, be deemed equal to the amount that would be payable if the Straddle Period ended on and included the Closing Date. The portion of Tax attributable to a Post-Closing Straddle Period will be calculated in a corresponding manner. Corresponding per diem and closing of the books principles will be applied for the purposes of allocating Taxes under this Agreement for tax periods that begin on or before the Locked Box Date and end after the Locked Box Date.

**5.4.5 Transfer Taxes.** All transfer (including Taxes related to the transfer of real property), documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) imposed in connection with the Transaction (“**Transfer Taxes**”) will be borne and paid by the [\*\*\*].

**5.4.6 Tax Sharing Agreements.** All Tax sharing, allocation, indemnity and similar agreements between any Acquired Company, on the one hand, and the Sellers or any of their Affiliates (other than the Acquired Companies), on the other hand, shall be terminated prior to the Closing Date; provided that contracts not primarily related to Taxes are not subject to this provision; and provided further that any amount reflected as an asset in the Locked Box Accounts in respect of any such terminated Tax sharing agreement as an amount owing to the Acquired Companies shall be paid to the Acquired Companies at Closing.

**5.5 Public Announcements.** Notwithstanding anything to the contrary contained in this Agreement (but subject to the last sentence of this Section 5.5), except as may be required to comply with the requirements of any applicable Law or the rules and regulations of any stock exchange upon which the securities of one of the Parties (or a parent entity or other Affiliate thereof) is listed, no press release or similar public announcement or communication shall be made by any of the Parties or caused to be made relating to this Agreement or the Transaction unless specifically approved in advance by Buyer; provided, that prior to the Closing, with respect to any press release or similar public announcement by Buyer, Buyer shall provide the Seller Representative with a reasonable opportunity to review and comment on such press release or similar public announcement and Buyer shall consider any such comments from the Seller Representative in good faith. It is acknowledged and agreed that the Buyer and the Sellers have agreed the form of a press release in respect of the announcement of the execution of this Agreement. Neither the Buyer nor any of the Sellers shall make any changes to such agreed form press release without the consent (a) in the case of the Buyer, Seller 1 and the Seller Representative and (b) in the case of the Sellers, the Company or TopCo, the Buyer (in each case not to be unreasonably withheld or delayed). Notwithstanding the foregoing, Buyer will have the right to approve (such approval not to be unreasonably withheld or delayed) any communication by which any customers or suppliers of any Acquired Company will be informed of the Transaction, and the Sellers and/or the Seller Representative shall not make any such communications unless specifically approved in advance by Buyer. Notwithstanding any of the foregoing, Seller 1 shall be entitled to disclose the Transaction and the contents of this Agreement to (i) its Affiliates, (ii) any funds managed and/or advised by its Affiliates and (iii) subject to the consent of the Buyer (not to be unreasonably withheld or delayed and save where such disclosure is required in order to comply with a legally binding obligation) to the investors and limited partners in any of the funds referred to in (iii) above, in each case on a confidential basis.

**5.6 R&W Insurance.** At or prior to the Closing, Buyer shall cause [\*\*\*] (the “**R&W Insurer**”) to effectuate the Buyer-Side Representations and Warranties Insurance Policy, bound by the R&W Insurer on the Signing Date, having terms and conditions as set forth in the Binder Agreement dated on or around the Signing Date and attached hereto as Exhibit G, with policy number [\*\*\*] (as may be amended, modified or supplemented from time to time in accordance with this Agreement) (the “**R&W Insurance Policy**”). [\*\*\*]. [\*\*\*].

**5.7 Indemnification; Exculpation.**

**5.7.1** All rights to indemnification and exculpation (including the advancement of expenses) from liabilities for acts or omissions occurring at or prior to the Closing (including with respect to the Transaction) existing as of the date hereof in favor of the current or former directors, managers, officers and employees of the Acquired Companies (collectively, the “**Covered Persons**”), as provided in the certificate of formation, operating agreement, other similar organizational or governing documents that have been made available to Buyer prior to the date of this Agreement, or any indemnification or employment agreements of any Acquired Company that have been made available to Buyer prior to the date of this Agreement and pursuant to Law shall survive the Transaction and shall continue in full force and effect without amendment, modification or repeal (other than as required by applicable Law) in accordance with their terms for a period of not less than [\*\*\*] after the Closing; provided, however, that if any claims are asserted or made within such period, all rights to indemnification (and to advancement of expenses) hereunder in respect of any such claims shall continue, without diminution, until disposition of any and all such claims.

**5.7.2** Prior to the Closing, the Company (at the cost and expense of the Sellers) may purchase a [\*\*\*] extended reporting period endorsement under the existing directors' and officers' liabilities insurance policies of the Acquired Companies, providing that such endorsement shall extend the directors' and officers' liability coverage on substantially the same terms and conditions in effect as of the date hereof for a period of [\*\*\*] from the Closing for any claims arising from facts or events which occurred prior to the Closing.

**5.7.3** Notwithstanding anything to the contrary herein, if any Covered Person is entitled to be reimbursed or indemnified by any Person (including any of the Sellers or any of their respective Affiliates) other than the Buyer or any Acquired Company, such Covered Person shall not be required to recover from or be indemnified by, or to seek such recovery or indemnification from, any such other Person prior to or as a condition to being indemnified as described in this Section 5.7.

**5.7.4** The obligations of the Buyer under this Section 5.7 shall not be terminated, amended or modified in any manner so as to adversely affect any Covered Person without the written consent of such Covered Person. The provisions of this Section 5.7 are intended to be for the benefit of, and enforceable by, each party indemnified pursuant to this Section 5.7 (or as otherwise referenced in this Section 5.7), his or her heirs and his or her Representatives, it being expressly agreed that such Persons shall be third party beneficiaries of this Section 5.7. If the Buyer or its successors or assigns (i) shall consolidate with or merge into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) shall transfer all or substantially all of its properties and assets to any Person, then, and in each such case, the Buyer shall use commercially reasonable efforts to ensure that proper provisions are made so that the successors and assigns of the Buyer shall assume all of the obligations of the Buyer set forth in this Section 5.7.

**5.7.5** The Buyer hereby undertakes to repeat and ratify the shareholder resolutions referred to in Section 5.1.3(e) promptly after the financial statements for the financial year ended 2020 have been adopted.

**5.8 Commercially Reasonable Efforts; Cooperation.** Upon the terms and subject to the conditions set forth in this Agreement (including subject to the limitations set forth in Section 5.9), each of the parties hereto agrees to use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties hereto in doing, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, and to obtain satisfaction or waiver of the conditions precedent to the consummation of the transactions contemplated hereby, including: (a) obtaining all of the necessary Consents from Governmental Authorities and other third parties, including obtaining Consents in connection with the Contracts listed on Section 3.3 of the Disclosure Schedules and the making of all filings and the taking of all steps as may be necessary to obtain Consent from, or to avoid an Action by, any Governmental Authority; (b) the defending of any Proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed; (b) the defending of any Proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed; and (c) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. The Company and TopCo will (i) consult with Buyer beforehand regarding the process for seeking Consents contemplated by this Section 5.9, (ii) provide Buyer with a reasonable opportunity to review and comment in advance on the forms of such Consents, and (iii) consider in good faith any reasonable and timely comments thereto made by Buyer.

**5.9 Antitrust Matters.** The Buyer shall, as promptly as practicable, but in no event later than [\*\*\*] following the execution and delivery of this Agreement, make the filing with the Anti-Trust Authority [\*\*\*] (the "**Required Antitrust Filing**"). The Acquired Companies and the Sellers shall furnish to Buyer such necessary information and reasonable assistance as Buyer may request in connection with its preparation of any filing or submission that is necessary in connection with the Required Antitrust Filing. Buyer shall use commercially reasonable efforts to respond to any request for additional information made in response to such Required Antitrust Filing or in information requests made by any such Anti-Trust Authority, and the Acquired Companies and the Sellers shall

provide Buyer with such information and other assistance as reasonably requested by Buyer in connection therewith. The Parties shall promptly keep each other apprised of any communications with, and inquiries or requests for additional information from, the Anti-Trust Authority, shall comply with any inquiry or request made thereby, and shall cooperate to the extent reasonable under the circumstances in complying with any inquiry or request made thereby. [\*\*\*] be responsible [\*\*\*] the filing fees in respect of the Required Antitrust Filing. Buyer shall have the right to direct the strategy of the parties in a manner consistent with the terms of this Agreement in any communications, meetings or proceedings with the Anti-Trust Authority in connection with the expiry or consummation of any waiting period (including any extension thereof) applicable to the consummation of the transactions contemplated hereby under the competition Laws of the countries that are the subject of the Required Antitrust Filing. Notwithstanding anything to the contrary in this Agreement, (a) neither Buyer nor any Acquired Company shall be under any obligation to (and no Acquired Company shall without the prior written consent of Buyer) litigate before or with, or contest any order or decree, or defend against any such actions or proceedings commenced by the Anti-Trust Authority in respect of applicable antitrust and competition Laws, and (b) neither Buyer nor any of its Affiliates shall be obligated to propose or agree to accept any undertaking or condition, to enter into any consent decree, to make any divestiture or accept any operational restriction, or take or commit to take any action that could be expected to in any way limit (i) the freedom of action of Buyer or its Affiliates with respect to the operation of, or Buyer's or its subsidiaries' or Affiliates' ability to retain, the Acquired Companies or any businesses, product lines or assets of the any Acquired Company, (ii) the ability to retain, own or operate any portion of the businesses, product lines, or assets, of Buyer or any of its Affiliates, or (iii) alter or restrict in any way the business or commercial practices of any Acquired Company, Buyer or its Affiliates; provided, that in no event shall the Acquired Company to take any of the actions contemplated by this clause (b) without the prior written consent of Buyer. Buyer shall provide Seller 1 and the Sellers' Representative with a reasonable period of time to review and comment on all submissions, notifications, filings and other material communications to the Anti-Trust Authority prior to the submission thereof and shall consider in good faith any reasonable comments from Seller 1 and the Sellers' Representative thereto. Where permitted by the Anti-Trust Authority, Buyer shall use reasonable efforts to allow reasonable persons nominated by Seller 1 and the Sellers' Representative to attend all meetings and participate in all material telephone or other material conversations with the Anti-Trust Authority. Should Buyer make an antitrust filing after the Closing [\*\*\*] the Sellers shall furnish to Buyer such necessary information and provide such reasonable assistance as Buyer may reasonably request in connection with its preparation of such post-close filing and/or in connection with any request for additional information or inquiry made in response to such filing by the relevant Indonesian competition authorities, and the Sellers shall otherwise cooperate with Buyer to the extent reasonable in the circumstances in relation to any such filing, inquiry or request.

**5.10 Transfer Restrictions** Except for the Transaction in accordance with this Agreement, each Seller hereby agrees that he, she or it will not, prior to the Closing (a) directly or indirectly, transfer, sell, assign, exchange, pledge or otherwise dispose of or encumber any of such Seller's Shares, Company Interests or any other equity securities of any Acquired Company, or enter into any agreement or other arrangement relating thereto, except by will or by the laws of intestacy; or (b) directly or indirectly, grant any proxies or powers of attorney with respect to any of such Seller's Shares, Company Interests or any other equity securities of any Acquired Company, deposit any of such Seller's Shares, Company Interests or any other equity securities of any Acquired Company into a voting trust, or enter into a voting agreement with respect to any of such Seller's Shares, Company Interests or any other equity securities of any Acquired Company.

**5.11 No Solicitation** During the period from the Signing Date through the Closing or the earlier termination of this Agreement pursuant to Section 7.1, neither the Company, TopCo nor any of the Sellers shall, and the Company, TopCo and the Sellers shall cause the Company's Subsidiaries and their respective representatives not to, take any action to knowingly encourage, initiate or engage in discussions or negotiations with, or provide any information to, any Person, or enter into any Contract (other than to or with Buyer and its Affiliates and representatives) concerning any Acquisition Proposal. The Company, TopCo and each of the Sellers shall, and shall cause the other Acquired Companies and their respective Representatives to: (a) cease immediately and cause to be terminated, all existing discussions or negotiations with any third party conducted heretofore with respect to, or that would reasonably be expected to lead to, an Acquisition Proposal; and (b) notify Buyer promptly after any of the Sellers, the Company, TopCo, any of other Acquired Companies or any of their respective Representatives receives any Acquisition Proposal, or any inquiry that would reasonably be expected to lead to an Acquisition Proposal. **"Acquisition**

**Proposal**” means with respect to the Company, TopCo or any other Acquired Companies, any agreement, or bona fide offer, proposal or indication of interest (other than this Agreement or any other offer, proposal or indication of interest by Buyer), or any public announcement of intention to enter into any such agreement or of (or intention to make) any bona fide offer, proposal or indication of interest, relating to, or involving: (i) any acquisition or purchase from any Acquired Company, or from the holders of capital stock of any Acquired Company, by any Person or group any equity interests of any Acquired Company, (ii) any sale, lease, mortgage, pledge, exchange, transfer, license (other than in the ordinary course of business), acquisition, or disposition of more than 10% of the fair market value of the consolidated assets of the Company or TopCo in any single transaction or series of related transactions, (iii) any liquidation, dissolution, recapitalization or other significant corporate reorganization of the Company, TopCo or any other Acquired Companies, or any extraordinary dividend or distribution, whether of cash or other property, or (iv) any other transaction outside of the ordinary course of the business of the Company, TopCo and any other Acquired Companies, as currently conducted and as currently proposed to be conducted, the consummation of which would reasonably be expected to impede, interfere with, prevent or materially delay the Transaction.

#### **5.12 Reasonable Access; Confidentiality.**

**5.12.1** From the Signing Date until the Closing or the earlier termination of this Agreement in accordance with Section 7.1, and subject to applicable Law, the Company and TopCo shall give and shall cause each of the other Acquired Companies to give Buyer and its Representatives, upon reasonable advance notice to the Company, reasonable access, during normal business hours, to the assets, properties, books, records, personnel, offices, financial information, and agreements of the Acquired Companies and the Company and TopCo shall, and shall cause each of the other Acquired Companies to, permit Buyer to make such inspections as Buyer may reasonably request and to reasonably promptly furnish Buyer during such period with all such information relating to the Acquired Companies as Buyer may from time to time reasonably request. The Company and TopCo shall cause its and each of its Subsidiaries’ accountants and other representatives to cooperate with Buyer and its Representatives in making available all financial information reasonably requested by Buyer and its Representatives, including the right to examine all working papers pertaining to all financial statements prepared or audited by such accountants.

**5.12.2** Any information provided to or obtained by Buyer or its Representatives pursuant to Section 5.12.1 will be subject to the Confidential Disclosure Agreement Strategic Matters [\*\*\*] (the “**Confidentiality Agreement**”), and must be held by Buyer in accordance with and be subject to the terms of the Confidentiality Agreement.

**5.12.3** Buyer agrees to be bound by and comply with the provisions set forth in the Confidentiality Agreement as if such provisions were set forth herein, and such provisions are hereby incorporated herein by reference.

**Notifications.** The Company and TopCo shall promptly advise Buyer in writing of (a) any event occurring subsequent to the Signing Date that would render any representation or warranty of the Company, TopCo or any Seller contained in Article 2 or Article 3, untrue or inaccurate such that the condition set forth in Section 6.2.1 would not be timely satisfied, (b) any breach of any covenant or obligation of the Company, TopCo or any Seller pursuant to this Agreement, any Seller Transaction Document or any Company Transaction Document such that the condition set forth in Section 6.2.2 would not be timely satisfied, or (c) any Material Adverse Effect relating to any of the Acquired Companies; provided, that the delivery of any notice pursuant to this Section 5.13 shall not be deemed to amend or supplement the Disclosure Schedule, affect the representations, warranties, covenants or other agreements herein, affect the satisfaction or non-satisfaction of any conditions to the obligations of the parties hereto under this Agreement or otherwise limit or affect the remedies available hereunder to Buyer and the other Buyer Indemnified Parties; [\*\*\*]

### **ARTICLE 6 CONDITIONS TO CLOSING**

**6.1 Conditions to Obligations of the Company, TopCo and the Sellers.** The obligations of the Company, TopCo and the Sellers to consummate the transactions contemplated by this Agreement, including the Transaction, are subject to the satisfaction or waiver in accordance with Section 9.5 (if permitted by applicable Law) at or prior to the Closing of each of the following conditions:

**6.1.1** The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all respects (without giving effect to any materiality or Material Adverse Effect qualifications contained therein) as of the Signing Date and as of the Closing Date as though made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case, as of such date), except where the failure of such representations and warranties to be so true and correct would not be and would not reasonably be expected to be, individually or in the aggregate, materially adverse to the ability of Buyer to consummate the Transaction by the Termination Date.

**6.1.2** Buyer shall have performed and complied with in all material respects all covenants, agreements and obligations required to be performed by them under this Agreement at or prior to the Closing Date.

**6.1.3** Buyer shall have confirmed in writing and provided Seller 1 and the Seller Representative with adequate information confirming that the Anti-Trust Condition has been fulfilled ([\*\*\*) following the date on which the Anti-Trust Condition is fulfilled being the “**Unconditional Date**”).

**6.1.4** No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Order or any Law that is in effect and has the effect of making the Transaction and the other transactions contemplated hereby illegal, otherwise restraining or prohibiting consummation of the Transaction or the other transactions contemplated hereby or causing the Transaction or any of the other transactions contemplated hereby to be rescinded following completion of the Transaction and such other transactions contemplated hereby.

**6.1.5** Prior to or at the Closing, Buyer shall deliver, or cause to be delivered, a counterpart to each Buyer Transaction Document shall have been executed by Buyer and delivered to the Company and TopCo.

**6.2 Conditions to Obligations of Buyer.** The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver (if permitted by applicable Law) at or prior to the Closing of each of the following conditions:

**6.2.1** The Fundamental Representations shall be true and correct in all respects (without giving effect to any materiality, Material Adverse Effect or other similar qualifications contained therein) [\*\*\*) at and as of the Signing Date and at and as of the Closing Date as if made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case, as of such date). The other representations and warranties of the Company, TopCo and the Sellers set forth in this Agreement shall be true and correct in all respects (without giving effect to any materiality or Material Adverse Effect qualifications contained therein) as of the Signing Date and as of the Closing Date as though made on and as of the Closing Date (except to the extent expressly made as of an earlier date, in which case, as of such date), except where the failure of such representations and warranties to be so true and correct would not have and would not reasonably be expected to have, individually or in the aggregate [\*\*\*)].

**6.2.2** The Sellers, TopCo and the Company must have performed and complied in all respects with all covenants, agreements and obligations required to be performed by them under this Agreement at or prior to the Closing Date, except where the failure to perform or comply would not, and would not reasonably be expected to be, individually or in the aggregate, material to the Acquired Companies, taken as a whole.

**6.2.3** The Anti-Trust Condition shall have been fulfilled.

**6.2.4** No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Order or any Law that is in effect and has the effect of making the Transaction and the other transactions contemplated hereby illegal, otherwise restraining or prohibiting consummation of the Transaction or the other transactions contemplated hereby or causing the Transaction or any of the other transactions contemplated hereby to be rescinded following completion of the Transaction and such other transactions contemplated hereby.

**6.2.5** There shall not have been any Material Adverse Effect on the Acquired Companies, taken as a whole, between the Signing Date and the Closing.

**6.2.6** At or prior to the Closing, the Company, TopCo and the Sellers shall deliver, or cause to be delivered, to Buyer the items set forth in Section 1.3.1.

**6.2.7** No later than three (3) Business Days prior to the Closing, the Company, TopCo and the Sellers shall deliver, or cause to be delivered, to Buyer the Closing Statement.

**6.3 Frustration of Closing Conditions.** No party hereto may rely on the failure of any condition set forth in Section 6.1 or Section 6.2, as the case may be, to be satisfied if such failure was caused by such party's failure to comply with its obligations to consummate the transactions contemplated by this Agreement as required by and subject to Section 5.8 and Section 5.9.

## **ARTICLE 7**

### **TERMINATION OF AGREEMENT**

**7.1 Termination.** Notwithstanding any other provision of this Agreement, this Agreement may be terminated at any time prior to the Closing:

**7.1.1** by the mutual written consent of Buyer and the Company;

**7.1.2** by the Buyer, upon written notice to the Company if the condition to Section 6.2.5 is not capable of being satisfied by the Termination Date;

**7.1.3** by the Buyer, upon written notice to the Company if the condition to Section 6.2.1 or Section 6.2.2 is not capable of being satisfied by the Termination Date;

**7.1.4** by the Company, upon written notice to the Buyer if the condition to Section 6.1.1 or Section 6.1.2 is not capable of being satisfied by the Termination Date.

**7.2** Notwithstanding any other provision of this Agreement, this Agreement will terminate automatically on [\*\*\*] or such later date, if any, as Buyer and the Company agree upon in writing (the "Termination Date") if the Unconditional Date has not occurred on or before such date.

**7.3 Effect of Termination.** In the event of termination of this Agreement pursuant to Section 7.1 by either Buyer or the Company, this Agreement will become void and have no further effect other than the provisions of Section 5.5, Section 5.12.1, Section 5.12.2, Section 5.14.2, this Section 7.3, and Article 9, which will survive any termination of this Agreement and there will be no liability or obligation on the part of Buyer, the Company, TopCo or the Sellers, provided, however, that nothing herein will relieve any party hereto from any liability for any intentional and material pre-termination breach by such party of its covenants or agreements set forth in this Agreement.

## **ARTICLE 8**

### **INDEMNIFICATION**

**8.1 Indemnification by the Sellers.**

**8.1.1** Subject to the terms of this Article 8, from and after the Closing, each of the Sellers (together with their respective successors, assigns and heirs, the "Seller Indemnifying Parties") [\*\*\*] shall indemnify, defend and hold Buyer and its Affiliates (including, after the Closing, the Acquired Companies) and each of their respective officers, directors, equityholders, managers, members, employees, agents, Representatives, successors and assigns (each a "Buyer Indemnified Party" and, collectively, the "Buyer Indemnified Parties") harmless against and in

respect of any and all Losses, which such Buyer Indemnified Party may have suffered, incurred or become subject to, arising out of, based upon or otherwise in respect of:

(a) any breach or inaccuracy of any representation or warranty made by the Company or TopCo in [\*\*\*] of this Agreement; provided, however, that in determining whether there has been a breach or inaccuracy of a representation or warranty by the Company or TopCo for purposes of this Section 8.1.1 or in determining the amount of any Losses with respect to such breach, such representations and warranties will be read without regard to any materiality (including, without limitation, any reference to “material,” “in all material respects” or Material Adverse Effect) contained therein;

(b) any breach or non-fulfillment of any covenant, agreement or obligation of the Company or TopCo under this Agreement;

(c) any Pre-Closing Acquired Company Taxes;

(d) any [\*\*\*] Fraud by the Company or TopCo; and/or

(e) any amount by which the sum of the Specific Indemnity Items, when aggregated together, exceeds the aggregate amount of Specific Indemnity Items that have been included in the calculation of Total Purchase Price, the Notified Leakage Amount, any Leakage, and/or the EV to Equity Statement (and for this purpose the EV to Equity Statement will be deemed to include an amount of Undisclosed Third Party Indebtedness equal to zero).

**8.1.2** Subject to the terms of this Article 8, from and after the Closing, each of the Sellers [\*\*\*] shall indemnify, defend and hold the Buyer Indemnified Parties harmless against and in respect of any and all Losses, which such Buyer Indemnified Party may have suffered, incurred or become subject to, arising out of, based upon or otherwise in respect of:

(a) any breach or inaccuracy of any representation or warranty made by such Seller in Article 2 or Article 3 of this Agreement; provided, however, that in determining the amount of any Losses with respect to such breach, such representations and warranties will be read without regard to any materiality (including, without limitation, any reference to “material,” “in all material respects” or Material Adverse Effect) contained therein;

(b) any breach or non-fulfillment of any covenant, agreement or obligation of such Seller under this Agreement; and/or

(c) any [\*\*\*] Fraud by any Seller.

**8.2 Survival.** The representations and warranties contained in or made pursuant to this Agreement and the indemnification obligations set forth in (a) [\*\*\*] with respect to such representations and warranties (other than of the Fundamental Representations) and [\*\*\*] will survive the Closing and will expire [\*\*\*]; provided, however, that the Fundamental Representations and the indemnification obligations [\*\*\*] with respect to the Fundamental Representations [\*\*\*] shall survive [\*\*\*], unless otherwise specifically set forth in this Agreement. The indemnification obligations set forth in [\*\*\*] will survive the Closing and expire on the date [\*\*\*] after the Closing Date. A Buyer Claim may be asserted against a Seller Indemnifying Party if such Buyer Claim is asserted in good faith and if a Buyer Claim Notice is received by the Seller Representative and Seller 1 within the survival time period applicable to such claim set forth in this Section 8.2, and any such timely claim will survive until such claim is finally and fully resolved. Notwithstanding anything herein to the contrary (but subject to the immediately following sentence), the parties, intending to modify any applicable statute of limitations, agree that (i) the covenants and agreements in this Agreement that do not expressly contemplate any performance after the Closing (the “Pre-Closing Covenants”), and the indemnification obligations set forth in Section 8.1.1(b) (other than with respect to any breach or non-fulfillment of any covenant, agreement or obligation of the Company or TopCo set forth in Section 5.1.1 (a “Company Interim Operating Breach”)), Section 8.1.1(e) and Section 8.1.2(b) (other than with respect to any breach or non-fulfillment of any covenant, agreement or obligation of a Seller set forth in Section

5.1.1 (a “Seller Interim Operating Breach” and together with the Company Interim Operating Breach, an “Interim Operating Breach”)) in respect thereof, shall, in each case, survive the Closing and will expire [\*\*\*], and (ii) the covenants and agreements in this Agreement other than the Pre-Closing Covenants shall survive the Closing until such covenants and agreements are fully satisfied. Notwithstanding anything herein to the contrary, the parties, intending to modify any applicable statute of limitations, agree that any Interim Operating Breach and the indemnification obligations set forth in Section 8.1.1(b) with respect to a Company Interim Operating Breach and Section 8.1.2(b) with respect to a Seller Interim Operating Breach shall, in each case, survive the Closing and will expire [\*\*\*]. Any pending Buyer Claim validly brought in accordance with this Article 8 prior to the expiration of the applicable survival period (including any corresponding indemnification rights relating thereto) shall survive until such pending Buyer Claim is finally resolved pursuant hereto.

### **8.3 Procedures.**

#### **8.3.1 Notices of Claims.**

(a) **Claims with Determinable Losses.** Subject to the limitations set forth in this Article 8, if any Buyer Indemnified Party believes in good faith that it has a claim for indemnification pursuant to Section 8.1 (a “**Buyer Claim**”), the amount of which is then known by Buyer, then Buyer shall, as soon as reasonably practicable after it actually becomes aware of such Buyer Claim, notify both Seller 1 and the Seller Representative and, if applicable, the R&W Insurer of such Buyer Claim by means of a written notice (with a copy to the Escrow Agent if the Claim involves recovery against the Escrow Amount) describing the Buyer Claim in reasonable detail and setting forth Buyer’s good faith calculation of the Losses with respect thereto (a “**Buyer Claim Notice**”). The failure by Buyer to promptly deliver a Buyer Claim Notice under this Section 8.3.1(a) will not adversely affect the applicable Buyer Indemnified Party’s right to indemnification pursuant to Section 8.1, except to the extent (and only to the extent) any of the Sellers are materially prejudiced thereby in terms of the amount of Losses for which the Seller Indemnifying Parties are obligated to indemnify the Buyer Indemnified Parties. If, by the [\*\*\*] following receipt by Seller 1 or the Seller Representative (the later thereof) of a Buyer Claim Notice (the “**Dispute Period**”), Buyer has not received from either Seller 1 or the Seller Representative notice in writing that Seller 1 or the Seller Representative objects to the Buyer Claim (or the amount of Losses set forth therein) asserted in such Buyer Claim Notice (a “Dispute Notice”), then (i) Seller 1 and the Seller Representative (on behalf of the Seller Indemnifying Parties) and the Seller Indemnifying Parties shall be conclusively deemed to have consented to the recovery by the applicable Buyer Indemnified Parties of the full amount of Losses specified in the Buyer Claim Notice and (ii) Seller 1, the Seller Representative and Buyer shall deliver a joint written instruction to the Escrow Agent instructing the Escrow Agent to pay to Buyer from the Escrow Amount the amount of Losses specified in the Buyer Claim Notice, subject to the provisions contained in this Article 8.

(b) **Claims without Determinable Losses.** Subject to the limitations set forth in this Article 8, if any Buyer Indemnified Party believes in good faith that it has a Buyer Claim, the amount of which cannot reasonably be determined by Buyer, then Buyer shall, as soon as reasonably practicable after it actually becomes aware of such Buyer Claim, notify both Seller 1 and the Seller Representative and, if applicable, the R&W Insurer by means of a Buyer Claim Notice (with a copy to the Escrow Agent if the Buyer Claim involves recovery against the Escrow Amount) that contains the information required by Section 8.3.1(a) (other than a good faith calculation of the Losses relating thereto) and a good faith estimate, if reasonably practicable, of Buyer’s calculation of the Losses with respect thereto. The failure by Buyer to promptly deliver a Buyer Claim Notice under this Section 8.3.1(b) will not adversely affect the applicable Buyer Indemnified Party’s right to indemnification pursuant to Section 8.1, except to the extent (and only to the extent) any Seller is materially prejudiced thereby in terms of the amount of Losses for which the Seller Indemnifying Parties are obligated to indemnify the Buyer Indemnified Parties. If Buyer has not received a Dispute Notice from either Seller 1 or the Seller Representative within the Dispute Period, then (i) Seller 1 and the Seller Representative (on behalf of the Seller Indemnifying Parties) and the Seller Indemnifying Parties shall be conclusively deemed to have consented to the recovery by the applicable Buyer Indemnified Parties of the full amount of Losses specified in the Buyer Claim Notice and (ii) Seller 1, the Seller Representative and Buyer shall deliver a joint written instruction to the Escrow Agent instructing the Escrow Agent to pay to Buyer from the Escrow Amount the amount of Losses specified from time to time as the amount of any such Buyer Claim becomes known, subject to the provisions contained in this Article 8.

(c) **Disputes.** If either Seller 1 or the Seller Representative timely delivers a Dispute Notice to Buyer within the Dispute Period (with a copy to the Escrow Agent if the Buyer Claim involves recovery against the Escrow Amount), Buyer, Seller 1 and the Seller Representative shall promptly meet and use their reasonable efforts to settle the dispute as to whether and to what extent the Buyer Indemnified Parties are entitled to indemnification hereunder on account of such Buyer Claim. If Buyer, Seller 1 and the Seller Representative are able to reach agreement [\*\*\*] after Buyer receives such Dispute Notice, then Seller 1, the Seller Representative and Buyer shall deliver a joint written instruction to the Escrow Agent setting forth such agreement and instructing the Escrow Agent to pay to Buyer from the Escrow Amount an amount in accordance with such agreement. If Buyer, Seller 1 and the Seller Representative are unable to reach agreement [\*\*\*] after Buyer receives such Dispute Notice, then either Buyer or Seller 1 or the Seller Representative may resort to other legal remedies in accordance with Section 9.8, subject to the limitations set forth in this Article 8. For all purposes of this Article 8, Buyer, Seller 1 and the Seller Representative shall cooperate with and make available to the other Party and its respective representatives all information, records and data, and shall permit reasonable access to its facilities and personnel, as may be reasonably required and reasonably requested in connection with the resolution of such dispute.

(d) **Buyer Claim Notice.** Notwithstanding anything in this Section 8.3.1 to the contrary, a Buyer Claim Notice may be updated and amended from time to time by Buyer delivering an updated or amended Buyer Claim Notice, so long as such update or amendment relates to the underlying facts and circumstances specifically set forth in such original Buyer Claim Notice.

**8.3.2 Third Party Claims.** Buyer shall determine and conduct the investigation, defense and the settlement, adjustment or compromise of any claim by a third party (including any Governmental Authority) against any Buyer Indemnified Party (a “**Third Party Claim**”), and all costs, expenses and other amounts incurred by Buyer in connection with such investigation, defense or settlement of such claim and the enforcement and protection of its rights under this Agreement in respect thereof (including reasonable attorneys’ fees, other professionals’ and experts’ fees and court or arbitration costs), shall constitute Losses for which the Buyer Indemnified Parties shall obtain indemnification for hereunder if it is ultimately determined that such Third Party Claim itself is indemnifiable under Section 8.1. No settlement, adjustment, compromise or entry of judgment shall be determinative of the existence or amount of Losses relating to such matter, except for any such settlement, adjustment, compromise or entry of judgement entered into or agreed to with the prior written consent of both Seller 1 and the Seller Representative (on behalf of the Seller Indemnifying Parties), such consent not to be unreasonably withheld conditioned or delayed. In the event that both Seller 1 and the Seller Representative have consented in writing to any such settlement, adjustment, compromise or entry of judgement, neither the Seller 1, Seller Representative nor any Seller Indemnifying Party shall have any power or authority to object under any provision of this Article 8 to the amount of any Buyer Claim by or on behalf of any Buyer Indemnified Party against the Escrow Amount or the Seller Indemnifying Parties in accordance with the provisions of this Article 8 for indemnification with respect to the amount of Losses contemplated by such settlement, adjustment, compromise or entry of judgement.

**8.3.3 Seller Representative Participation.** Seller 1 and the Seller Representative shall have the right to receive copies of all pleadings, notices and other written communications with the third party claimant or its counsel with respect to the Third Party Claim and may participate (with its own counsel and at the expense of the Seller Indemnifying Parties, which cannot be satisfied from the Escrow Amount) in, but not determine, the conduct of the defense of the Third Party Claim or settlement, adjustment or compromise negotiations with respect to the Third Party Claim. Buyer shall have the right, in its sole discretion, to determine the conduct of the defense of the Third Party Claim or the settlement, adjustment or compromise thereto.

**8.3.4 Other Releases of the Escrow Amount.** The then remaining portion of the Indemnity Escrow Amount held under the Escrow Agreement minus the amounts reasonably necessary to satisfy any and all unresolved or disputed Buyer Claims (and less the employer portion of any applicable social security, Medicare, unemployment or other employment, withholding or payroll Tax or similar amount owed by or imposed upon Buyer (or any of its Affiliated entities) as a result of or with respect to or attributable to the release of such funds to the extent such Tax or similar amount would constitute Transaction Expenses) set forth in any then pending Buyer Claim Notices shall automatically be released to the Sellers based on their Pro Rata Share thereof within five (5) Business Days after the date that is twenty-four (24) months after the Closing Date (the “**Escrow Release Date**”) in

accordance with this Agreement and the Escrow Agreement. Any portion of the Indemnity Escrow Amount held by the Escrow Agent following the Escrow Release Date with respect to any unresolved or disputed Buyer Claims that are not awarded to a Buyer Indemnatee upon the resolution of thereof (and less the employer portion of any applicable social security, Medicare, unemployment or other employment, withholding or payroll Tax or similar amount owed by or imposed upon Buyer (or any of its Affiliated entities) as a result of or with respect to or attributable to the release of such funds to the extent such Tax or similar amount would constitute Transaction Expenses) shall be released to the Sellers based on their Pro Rata Share thereof. All Losses payable to any Buyer Indemnified Party pursuant to this Agreement shall be paid in United States dollars.

8.4 [\*\*\*]

8.5 **Characterization of Indemnification Payments.** All indemnification payments made pursuant to this Agreement shall be deemed to be and treated, to the extent permitted by Law, as an adjustment to the Total Purchase Price for all purposes.

8.6 **Specific Performance; Exclusive Remedy.** The Parties acknowledge and agree that any breach of this Agreement would give rise to irreparable harm for which monetary damages would not be an adequate remedy. The Parties accordingly agree that, in addition to other rights or remedies, each Party shall be entitled to enforce the terms of this Agreement by decree of specific performance without the necessity of proving the inadequacy of monetary damages as a remedy and to obtain preliminary, temporary and permanent injunctive relief against any breach or threatened breach of this Agreement, without posting any bond or other undertaking. With the exception of the foregoing, and except as provided in [\*\*\*] and (in the case of the Sellers) excluding in respect of any payment obligation of the Buyer (including the payment of the Total Purchase Price and the VAT Refund) the Parties acknowledge and agree that, after the Closing, their sole and exclusive remedy with respect to any and all claims arising out of or pursuant to this Agreement, whether in contract or tort, in law or in equity, shall be pursuant to the indemnification provisions set forth in this Article 8.

## **ARTICLE 9** **MISCELLANEOUS**

9.1 **Fees and Expenses.** Except as expressly provided in this Agreement., each Party will pay all fees and expenses incurred by him, her or it incident to preparing for, entering into and performing his, her or its obligations under this Agreement and the consummation of the Transaction, whether or not the Transaction is consummated.

9.2 **Notices.** All notices or other communications permitted or required under this Agreement will be in writing and will be sufficiently given if and when hand delivered to the Persons set forth below or if sent by documented overnight delivery service or registered or certified mail, postage prepaid, return receipt requested, or by facsimile or email, provided that the receipt of such facsimile or email is promptly confirmed, electronically or otherwise, addressed as set forth below or to such other Person or Persons and/or at such other address or addresses as will be furnished in writing by any Party to the other Parties. Any such notice or communication will be deemed to have been given as of the date received, in the case of personal delivery, or on the date shown on the receipt or confirmation therefor in all other cases.

If to Buyer (or, following the Closing, the Company or TopCo):

NortonLifeLock Inc.  
60 E. Rio Salado Parkway, Suite 1000  
Temp, Arizona 85281  
Attn: [\*\*\*]  
Email: [\*\*\*]

With a copy (which will not constitute notice) to:

O'Melveny & Myers LLP

Two Embarcadero Center, 28th Floor  
San Francisco, California 94111  
Attn: [\*\*\*]  
Email: [\*\*\*]

If to the Company or TopCo prior to the Closing:

[\*\*\*] c/o Investcorp  
Investcorp House  
48 Grosvenor St.,  
Mayfair  
London  
W1K 3HW  
United Kingdom

Attn: [\*\*\*]  
Email: [\*\*\*]

With a copy (which will not constitute notice) to:

[\*\*\*] Proskauer Rose (UK) LLP  
110 Bishopsgate  
London  
EC2N 4AY  
United Kingdom

Attn: [\*\*\*]  
Email: [\*\*\*]

If to Seller 1:

[\*\*\*]c/o Investcorp International Inc.  
280 Park Avenue  
New York NY 10017  
United States of America  
Attn: [\*\*\*]  
Email: [\*\*\*]

And:

[\*\*\*]Paget-Brown Trust Company Ltd  
Century Yard, Cricket Square  
PO Box 1111, Grand Cayman KY1-1102  
Cayman Islands  
Email: [\*\*\*]

Email: [\*\*\*]

With a copy (which will not constitute notice) to:

[\*\*\*] Proskauer Rose (UK) LLP  
110 Bishopsgate  
London  
EC2N 4AY

United Kingdom

Attn: [\*\*\*]  
Email: [\*\*\*]

If to the Seller Representative:

[\*\*\*] c/o Avira, Inc.  
c/o WeWork  
75 E Santa Clara St.,  
Suite 600 6th floor  
San José  
CA 95113

Attn: [\*\*\*]  
Email: [\*\*\*]

With a copy (which will not constitute notice) to:

[\*\*\*] Proskauer Rose (UK) LLP  
110 Bishopsgate  
London  
EC2N 4AY  
Attn: [\*\*\*]  
Email: [\*\*\*]

Any Party may at any time change the address to which notices may be sent under this Section 9.2 by the giving of notice of the change to the other Parties in the manner set forth in this Section 9.2.

### **9.3 General Release.**

**9.3.1** Effective at the Closing, the Sellers, for themselves and their respective heirs, executors, beneficiaries, administrators, successors and assigns of each of the foregoing (each a “**Releasor**” and collectively, the “**Releasors**”), hereby irrevocably and unconditionally releases and forever discharges Buyer, the Acquired Companies, and each of their respective Affiliates, and the respective present and former directors, officers, managers, equityholders, partners, members, employees, controlling persons, predecessors, heirs, successors and assigns of each of the foregoing (collectively, the “**Releasees**”) from any and all claims, suits, demands, causes of action, contracts, covenants, obligations, debts, costs, expenses, attorneys’ fees, and other liabilities of whatever kind or nature in law or equity, by statute or otherwise, whether now known or unknown, vested or contingent, suspected or unsuspected, and whether or not concealed or hidden, which have existed or may have existed, or which do exist or may exist (“**Claims**”), which such Releasor now has, has ever had or may hereafter have against any of the Releasees arising out of any matter, cause or event occurring contemporaneously with or prior to the Closing relating to the Acquired Companies, including any released Claims relating to or arising out of such Releasor’s direct or indirect ownership of the Transferred Interests, with the exception of, in each case, with respect to the applicable Releasor: (a) any rights of such Releasor relating to or arising out of this Agreement and the other Seller Transaction Documents, (b) any accrued or earned and unpaid salary, wages, expenses or reimbursements relating to employment with the Acquired Companies in the period prior to Closing, and (c) unreimbursed claims under employee health and welfare plans in the period prior to the Closing, if applicable (collectively, but not including the matters in clauses (a) through (c), the “**Released Claims**”).

**9.3.2** Each Releasor hereby irrevocably covenants to refrain from, directly or indirectly, asserting any Released Claim or commencing, instituting or causing to be commenced any Proceeding of any kind against any Releasee based upon any matter purported to be released hereby. Each Releasor understands that applicable Law may give him, her or it the right not to release existing claims of which he, she or it is not aware, unless he, she or it

voluntarily chooses to waive this right. Having been so apprised, each Releasor nevertheless hereby voluntarily elects to and does waive the rights described in any such applicable Law, and elects to assume all risks for claims that exist, existed or may hereafter exist in his, her or its favor, known or unknown, arising out of or related to liabilities arising from any claims or other matters released pursuant to this release.

**9.3.3 Disclaimer.** Notwithstanding anything herein to the contrary, the representations and warranties of Sellers expressly set forth in Article 2 and the representations and warranties regarding the Sellers, TopCo and the Company expressly set forth in Article 3, are and shall constitute the sole and exclusive representations and warranties made with respect to Sellers, TopCo and the Company in connection with this Agreement and the transactions contemplated hereby. Except for the representations and warranties expressly set forth in Article 2 and Article 3, none of Sellers, TopCo nor the Company nor any other Person has made or is making any express or implied representations or warranties, statutory or otherwise, of any nature, including with respect to any express or implied representation or warranties as to the merchantability, quality, quantity, suitability or fitness for any particular purpose of the business or the assets of the Acquired Companies. Except for the representations and warranties expressly set forth in Article 2 and Article 3, all other warranties, express or implied, statutory or otherwise, of any nature, including with respect to any express or implied representation or warranty as to the merchantability, quality, quantity, suitability or fitness for any particular purpose of the business or the assets of the Acquired Companies, are hereby expressly disclaimed. Buyer represents, warrants, covenants and agrees, on behalf of itself and its Affiliates, that (a) in determining to enter into and consummate this Agreement and the transactions contemplated hereby, it is not relying upon, and has not been induced by, any representation or warranty made or purportedly made by or on behalf of any Person, other than those expressly made in Article 2 and Article 3, and (b) any estimate, projection forecast, plan, budget or other prediction, any data, any financial information or any memoranda or offering materials or presentations, including any memoranda and materials provided by or on behalf of Sellers, the Acquired Companies or any other Person (including information contained in any data room, management presentation, due diligence call, meeting or discussion, estimate, projection or forecast or similar materials), are not, and all of the foregoing materials and all similar materials shall not be deemed to be or to include, representations or warranties, except to the extent explicitly set forth in Article 2 and Article 3.

**9.3.4 Due Diligence Review and Disclaimer.** The Buyer represents, warrants, covenants and agrees, on behalf of itself and its Affiliates, that: (a) it is a sophisticated purchaser and, together with its own expert advisors including legal counsel, has completed to its satisfaction its own analysis, and due diligence investigation, and based thereon, formed its own independent judgment with respect to the Transferred Interests and the Acquired Companies; (b) it has been furnished with or given access to such documents and information about the Acquired Companies and their respective businesses and operations as it and its representatives have deemed necessary to enable it to make an informed decision with respect to the execution, delivery and performance of this Agreement and the transactions contemplated hereby; (c) in entering into this Agreement, it has relied solely upon its own investigation and analysis and the representations and warranties regarding (i) Sellers expressly contained in Article 2 and Article 3 hereof, (ii) the Company and TopCo expressly contained in Article 3 hereof; (d) other than the representations and warranties contained in Article 2 and Article 3, hereof, no representation or warranty has been or is being made, whether directly or indirectly, by Sellers, the Company, TopCo or any other Person as to the accuracy or completeness of any of the information provided or made available to Buyer or any of its representatives, including the accuracy or completeness of any information contained in any data room, management presentation, due diligence call, meeting or discussion, estimate, projection or forecast or similar materials; and (e) there are uncertainties inherent in attempting to make estimates, projections, forecasts, plans, budgets and similar materials and information. Buyer also acknowledges and agrees that neither it nor any other Person has relied or will rely on any information (including the information described above) regarding the Sellers, TopCo or the Company with respect to this Agreement and the transactions contemplated hereby except to the extent any such information is expressly included in the representations set forth in Article 2 and Article 3. Notwithstanding any of the foregoing, the Buyer acknowledges and agrees that it is not entitled to bring any claim for indemnification under Section 8.1.1(a) to the extent relating to any member of the BullGuard Group to the extent that [\*\*\*]. [\*\*\*].

**9.3.5 Waiver of Conflict.** Recognizing that Proskauer Rose LLP (“**Proskauer**”), has acted as legal counsel to the Acquired Companies, Sellers, and certain of their respective Affiliates prior to date hereof, and that Proskauer intends to act as legal counsel to Sellers and their Affiliates after the Closing, Buyer hereby waives, on its

own behalf and agrees to cause its Affiliates and the Acquired Companies to waive, any conflicts that may arise in connection with Proskauer representing Sellers or their respective Affiliates after the Closing as such representation may relate to [\*\*\*]. [\*\*\*]. [\*\*\*] Notwithstanding the foregoing, none of the Acquired Companies is waiving any attorney-client privilege (including relating to the negotiation, documentation and consummation of the transactions contemplated hereby) in connection with any third party litigation.

**9.4 Assignment and Benefit** Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned, by operation of Law or otherwise, by any Party to any other Person without the prior written consent of Buyer and the Seller Representative, and any such attempted assignment will be null and void; provided, however, that Buyer may assign its rights and obligations under this Agreement or any of the Buyer Transaction Documents to an Affiliate of Buyer or to the acquiror or successor in interest in connection with any direct or indirect sale (whether equity or all or substantially all of the assets), merger, consolidation or similar reorganization of such Person or its business, in each case without the consent of any other party to this Agreement or the Buyer Transaction Documents, provided further, however, that no such assignment shall relieve the assigning party of any of its obligations hereunder. Subject to the foregoing, this Agreement and the rights and obligations in this Agreement will inure to the benefit of, and be binding upon, the Parties and each of their respective permitted successors, heirs and assigns.

**9.5 Amendment, Modification and Waiver; Remedies Cumulative** Any provision of this Agreement may be amended, modified, extended or waived, but only by a written instrument signed by Buyer and the Seller Representative (or, with respect to a waiver, by a written instrument signed by the Party entitled to receive the benefit of the matter being waived). The waiver by a Party of any breach of any provision of this Agreement will not constitute or operate as a waiver of any other breach of such provision or of any other provision hereof, nor will any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies herein provided to Buyer shall be cumulative and not exclusive of any rights or remedies provided by Law except as otherwise expressly provided in Article 8.

#### **9.6 Interpretation**

**9.6.1** Except as otherwise provided or unless the context otherwise requires, whenever used in this Agreement, (a) any noun or pronoun will be deemed to include the plural and the singular, (b) the use of masculine pronouns will include the feminine and neuter, (c) the terms “include” and “including” will be deemed to be followed by the phrase “without limitation,” (d) the word “or” will be inclusive and not exclusive, (e) all references to Sections or Articles refer to the Sections or Articles of this Agreement, all references to Schedules refer to the Schedules attached to or delivered with this Agreement, as appropriate, and all references to Exhibits refer to the Exhibits attached to this Agreement, each of which is made a part of this Agreement for all purposes, (f) each reference to “herein” means a reference to “in this Agreement,” (g) each reference to “\$” or “dollars” will be to United States dollars and each reference to “€” will be to the Euro, (h) each reference to “days” will be to calendar days, and (i) unless otherwise specified, each reference to any Law will be to such Law as amended, supplemented, or otherwise modified from time to time.

**9.6.2** The provisions of this Agreement will be construed according to their fair meaning and neither for nor against any Party irrespective of which Party caused such provisions to be drafted. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the Party that drafted it is of no application and is hereby expressly waived. Each Party acknowledges that he, she or it has been represented or has had the opportunity to be represented by an attorney in connection with the preparation and execution of the Transaction Documents. Each Party warrants that he, she or it is of legal competence or legal capacity, and is free, without duress, to execute this Agreement, and that he, she or it has done so of his, her or its own free will and accord, without reliance on any representation of any kind or character not expressly set forth herein. Each Party acknowledges that O’Melveny & Myers LLP is acting solely as counsel to Buyer and no other party in connection with this Agreement and the other Transaction Documents and all transactions set forth herein and therein.

**9.6.3 Data Room and Disclosure Schedule.** The Disclosure Schedule is arranged in sections and subsections corresponding to the numbered and lettered sections and subsections contained in this Agreement, and the disclosures in any section or subsection of the Disclosure Schedule will qualify its corresponding section or subsection in Article 2 or Article. [\*\*\*]. Any matter disclosed in any of the Data Room or Disclosure Schedule will not be deemed an admission or representation as to the materiality of the item so disclosed. Nothing in the Data Room or Disclosure Schedule constitutes an admission of any liability or obligation of the Company, TopCo or any Seller, as the case may be, to any third party or will confer or give to any third party any remedy, claim, liability, reimbursement, cause of action or other right.

**9.7 Governing Law.** This Agreement is made pursuant to, and will be construed and enforced in accordance with, the laws of the State [\*\*\*], USA irrespective of the principal place of business, residence or domicile of the Parties, and without giving effect to otherwise applicable principles of conflicts of Law that would give effect to the Laws of another jurisdiction, except that the Transfer Deed shall be governed by German law.

**9.8 Disputes.** Except as contemplated by Section 1.4.3, any disputes under or in connection with this Agreement (“**Disputes**”) shall be resolved pursuant to this Section 9.8 by traditional court proceedings. Each Party (a) irrevocably submits to the exclusive jurisdiction of the Court of Chancery of the State of [\*\*\*] or if such dispute may not be brought in such court for jurisdictional reasons, in the United States District Court in [\*\*\*] (the “**Chosen Courts**”); (b) irrevocably waives any objection to laying venue in any such action or proceeding in the Chosen Courts; and (c) irrevocably waives any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over such Party. Each of the Parties irrevocably waives any objections or immunities to jurisdiction to which he, she or it may otherwise be entitled or become entitled (including sovereign immunity, immunity to pre-judgment attachment, post-judgment attachment and execution) in any Proceeding against him, her or it arising out of or relating to this Agreement or the Transaction which is instituted in any Chosen Court. Each Seller hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any Proceeding against such Seller by serving a copy thereof upon Seller 1 and the Seller Representative (whether or not the appointment of such agent shall for any reason prove to be ineffective or such agent shall accept or acknowledge such service) or by sending copies thereof by a recognized next day courier service to such Seller. Each of the Seller 2, Seller 3 and Seller 4 hereby irrevocably and unconditionally designates, appoints and empowers the Seller Representative (including any replacement thereof) as their designee, appointee and agent to receive, accept and acknowledge for and on each of their respective behalves service of any and all legal process, summons, notices and documents that may be served in any Proceeding brought against any such Seller in any Chosen Court with respect to their obligations, liabilities or any other matter arising out of or in connection with this Agreement and the Transaction. Each Seller agrees that the failure of either Seller 1 or the Seller Representative to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any Proceeding based thereon. Each Seller agrees that service of process may also be effected by certified or registered mail, return receipt requested, or by reputable overnight courier service, directed to Seller 1 and the Seller Representative at the address set forth herein in Section 9.2, and service so made shall be completed when received. Each Party agrees that a final judgment in any action so brought will be conclusive and may be enforced by suit on the judgment or in any other manner provided at law or in equity. [\*\*\*].

**9.9 Severability.** If any provision of this Agreement (or portion thereof) or the application of any such provision (or portion thereof) to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced pursuant to any applicable Law or public policy, all other provisions of this Agreement (or remaining portion of such provision) will nevertheless remain in full force and effect. Upon such determination by a court of competent jurisdiction that any provision (or portion thereof) of this Agreement is invalid, illegal or incapable of being enforced, the Parties will negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner, to the end that the Transaction as originally contemplated is fulfilled to the extent possible.

**9.10 Counterparts; Third-Party Beneficiaries.** This Agreement may be executed in one or more counterparts, including by facsimile or PDF transmission, each of which will be deemed an original, but all of such counterparts together will be deemed to be one and the same agreement. This Agreement will be binding upon and inure solely to the benefit of each Party, and, with respect to the Buyer Indemnified Parties and Article 9 nothing in this

Agreement, express or implied, is intended to or will confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

**9.11 Entire Agreement.** This Agreement, together with the Disclosure Schedule, and the other Transaction Documents, constitute the entire agreement among the Parties with respect to the Transaction and supersede all prior and contemporaneous agreements and understandings, both written and oral, with respect to the subject matter hereof.

**9.12 Attorneys' Fees; Notary Fees.**

**9.12.1 Attorneys' Fees.** Except as set forth in this Agreement, in the event of any dispute related to or based upon this Agreement, [\*\*\*].

**9.12.2 Notary Fees.** Any notary fees in connection with signing of this Agreement or any transaction contemplated under this Agreement shall be borne [\*\*\*] (the "Notary Fees").

**9.13 Seller Representative.**

**9.13.1** [\*\*\*] is hereby constituted and appointed as agent and attorney-in-fact for and on behalf of the Sellers 2 to 4 and is the Seller Representative for all purposes under this Agreement. The Seller Representative is not appointed as agent or attorney-in-fact for or on behalf of Seller 1. Without limiting the generality of the foregoing, the Seller Representative has full power and authority, on behalf of each Seller (excluding Seller 1) and his, her or its successors and assigns, to (a) interpret the terms and provisions of this Agreement, any ancillary agreement contemplated hereby and the documents to be executed and delivered by the Sellers in connection herewith, including the Escrow Agreement, (b) execute and deliver and receive deliveries of all agreements, certificates, statements, notices, approvals, extensions, waivers, undertakings, amendments and other documents required or permitted to be given in connection with the consummation of the transactions contemplated by this Agreement, including the Escrow Agreement, (c) receive service of process in connection with any claims under this Agreement or the Escrow Agreement, (d) agree to, negotiate and enter into settlements and compromises of, and assume the defense of, claims, and demand arbitration and comply with orders of courts and awards of arbitrators with respect to any claims under this Agreement, any ancillary agreement contemplated hereby or any other documents to be executed and delivered by any of the Sellers (excluding Seller 1), and take all actions necessary or appropriate in the judgment of the Seller Representative for the accomplishment of the foregoing, (e) give and receive notices and communications, (f) take all actions necessary or appropriate in the judgment of the Seller Representative on behalf of the Sellers (excluding Seller 1) in connection with this Agreement, (g) make any determinations and settle any matters in connection with the adjustments to the Total Purchase Price contemplated by this Agreement, (h) authorize delivery to any Buyer Indemnified Party of the Escrow Amount or any portion thereof in satisfaction of claims brought by any Buyer Indemnified Party for Losses, (i) distribute the Escrow Amount and any earning and proceeds thereon, and (j) deduct, hold back or redirect any funds that may be payable to any Seller pursuant to the terms of this Agreement, the Escrow Agreement or any agreements or documents executed and delivered in connection herewith in order to pay, or establish a reserve for, (i) any amount that may be payable by such Seller hereunder or (ii) any costs, fees, expenses and other liabilities incurred by the Seller Representative (in its capacity as such) in connection with this Agreement or its rights or obligations hereunder. The Seller Representative shall have authority and power to act on behalf of each Seller Indemnifying Party (excluding Seller 1) with respect to the disposition, settlement or other handling of all claims under Article 8 and all rights or obligations arising under Article 8. The Seller Indemnifying Parties (excluding Seller 1) shall be bound by all actions and decisions taken and consents and instructions given by the Seller Representative in connection with Article 8, and Buyer and other Buyer Indemnified Parties and the Escrow Agent shall be entitled to rely on, and shall be relieved from any liability to any Person for any acts done by them in accordance with, any such action, decision, consent or instruction of the Seller Representative. After the Closing, notices or communications to or from the Seller Representative shall constitute notice to or from each Seller Indemnifying Party other than Seller 1.

**9.13.2** Such agency may be changed by the Sellers holding a majority of the Shares (the "Requisite Majority") from time to time upon not less than five days' prior written notice to Buyer. The Seller Representative,

or any successor hereafter appointed, may resign at any time by providing prior written notice to Buyer and the Escrow Agent at least five days prior to such resignation, which notice shall specify the Person replacing the Seller Representative, the effective date of such replacement, the U.S. mailing address, electronic mail address and telephone and facsimile numbers for such Person and other information reasonably requested by Buyer or the Escrow Agent. A successor Seller Representative will be named by the Requisite Majority, and agree to serve as the Seller Representative pursuant to the terms of this Agreement and the Escrow Agreement, prior to any such resignation and shall be a Person principally located in the United States. All power, authority, rights and privileges conferred in this Agreement to Travis Witteveen as the Seller Representative will apply to any successor Seller Representative.

**9.13.3** The Seller Representative will not be liable for any act done or omitted under this Agreement as the Seller Representative while acting in good faith, and any act taken or omitted to be taken pursuant to the advice of counsel will be conclusive evidence of such good faith. Buyer agrees that it will not look to the personal assets of the Seller Representative, acting in such capacity, for the satisfaction of any obligations to be performed by the Company (pre-Closing), TopCo (pre-Closing) or the Sellers. In performing any of its duties under this Agreement or any agreements or documents executed and delivered in connection herewith, the Seller Representative will not be liable to the Sellers for any Losses that any Person may incur as a result of any act, or failure to act, by the Seller Representative under this Agreement or any agreements or documents executed and delivered in connection herewith, and the Seller Representative will be indemnified and held harmless by the Sellers for all Losses, except to the extent that the actions or omissions of the Seller Representative were taken or omitted not in good faith. The limitation of liability provisions of this Section 9.13.3 will survive the termination of this Agreement and the resignation of the Seller Representative.

**[Remainder of Page Intentionally Left Blank]**

**IN WITNESS WHEREOF**, each Party has duly executed this Agreement, or has caused this Agreement to be duly executed on his, her or its behalf by a duly authorized Representative, all as of the date first set forth above.

**“COMPANY”**

On behalf s **Alpaca HoldCo GmbH**

By: /s/

Name:

Title:

**SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT**

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**IN WITNESS WHEREOF**, each Party has duly executed this Agreement, or has caused this Agreement to be duly executed on his, her or its behalf by a duly authorized Representative, all as of the date first set forth above.

**“SELLER REPRESENTATIVE”**

/s/ Travis Witteveen  
**Travis Witteveen**

**SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT**

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**IN WITNESS WHEREOF**, each Party has duly executed this Agreement, or has caused this Agreement to be duly executed on his, her or its behalf by a duly authorized Representative, all as of the date first set forth above.

**“BUYER”**

**NortonLifeLock Inc.**

By: /s/ Vincent Pilette  
Name: Vincent Pilette  
Title: CEO

**SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT**

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**IN WITNESS WHEREOF**, each Party has duly executed this Agreement, or has caused this Agreement to be duly executed on his, her or its behalf by a duly authorized Representative, all as of the date first set forth above.

**“TOPCO”**

On behalf of **Alpaca TopCo GmbH**

By: /s/ Travis Witteveen

Name:

Title:

**SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT**

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**IN WITNESS WHEREOF**, each Party has duly executed this Agreement, or has caused this Agreement to be duly executed on his, her or its behalf by a duly authorized Representative, all as of the date first set forth above.

**“SELLER 1”**

On behalf of **Cyber Holdings Limited**

By: /s/ The Director Ltd.  
Name: The Director Ltd.  
Title: Director

**SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT**

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**IN WITNESS WHEREOF**, each Party has duly executed this Agreement, or has caused this Agreement to be duly executed on his, her or its behalf by a duly authorized Representative, all as of the date first set forth above.

**“SELLER 2”**

/s/ Tjark Engelhard Auerbach  
**Tjark Engelhard Auerbach**

**SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT**

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**IN WITNESS WHEREOF**, each Party has duly executed this Agreement, or has caused this Agreement to be duly executed on his, her or its behalf by a duly authorized Representative, all as of the date first set forth above.

**“SELLER 3”**

/s/ Travis Witteveen  
**Travis Witteveen**

**SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT**

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**IN WITNESS WHEREOF**, each Party has duly executed this Agreement, or has caused this Agreement to be duly executed on his, her or its behalf by a duly authorized Representative, all as of the date first set forth above.

**“SELLER 4”**

/s/ Matthias Ollig  
**Matthias Ollig**

**SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT**

**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: February 5, 2021

**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: February 5, 2021

**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 January 1, 2021, 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: February 5, 2021

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 January 1, 2021, 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: February 5, 2021

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.