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 December 30, 2022

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

Gen Digital Inc.

(Exact name of the registrant as specified in its charter)

Delaware	**77-0181864**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. employer Identification no.)*
60 E. Rio Salado Parkway, Suite 1000, Tempe, Arizona	**85281**
(Address of principal executive offices)	*(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	**GEN**	**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 Gen common stock, $0.01 par value per share, outstanding as of January 27, 2023 was 639,129,470 shares.

GEN DIGITAL INC.

FORM 10-Q

Quarterly Period Ended December 30, 2022

TABLE OF CONTENTS

“Gen,” “we,” “us,” “our,” and “the Company” refer to Gen Digital Inc. and all of its subsidiaries. Gen, the Gen Logo, the Checkmark Logo, Norton, LifeLock, the LockMan Logo, Avast, Piriform and AVG are trademarks or registered trademarks of Gen Digital 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 (Unaudited)***

GEN DIGITAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in millions, except par value per share amounts)

	December 30, 2022	April 1, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 812	$ 1,887
Short-term investments	—	4
Accounts receivable, net	168	120
Other current assets	366	193
Assets held for sale	30	56
Total current assets	1,376	2,260
Property and equipment, net	104	60
Operating lease assets	49	74
Intangible assets, net	3,212	1,023
Goodwill	10,124	2,873
Other long-term assets	638	653
Total assets	$ 15,503	$ 6,943
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 75	$ 63
Accrued compensation and benefits	106	81
Current portion of long-term debt	233	1,000
Contract liabilities	1,643	1,264
Current operating lease liabilities	26	18
Other current liabilities	795	639
Total current liabilities	2,878	3,065
Long-term debt	9,831	2,736
Long-term contract liabilities	86	42
Deferred income tax liabilities	386	75
Long-term income taxes payable	928	996
Long-term operating lease liabilities	38	75
Other long-term liabilities	46	47
Total liabilities	14,193	7,036
Commitments and contingencies (Note 18)		
Stockholders' equity (deficit):		
Common stock and additional paid-in capital, $0.01 par value: 3,000 shares authorized; 639 and 582 shares issued and outstanding as of December 30, 2022 and April 1, 2022, respectively	2,838	1,851
Accumulated other comprehensive income (loss)	(28)	(4)
Retained earnings (accumulated deficit)	(1,500)	(1,940)
Total stockholders' equity (deficit)	1,310	(93)
Total liabilities and stockholders' equity (deficit)	$ 15,503	$ 6,943

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

GEN DIGITAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
Net revenues	$ 936	$ 702	$ 2,391	$ 2,080
Cost of revenues	178	105	399	307
Gross profit	758	597	1,992	1,773
Operating expenses:				
Sales and marketing	183	160	506	466
Research and development	91	60	225	194
General and administrative	11	42	225	150
Amortization of intangible assets	61	21	111	63
Restructuring and other costs	44	12	55	24
Total operating expenses	390	295	1,122	897
Operating income (loss)	368	302	870	876
Interest expense	(154)	(32)	(233)	(95)
Other income (expense), net	2	(9)	3	165
Income (loss) before income taxes	216	261	640	946
Income tax expense (benefit)	51	59	206	230
Net income (loss)	$ 165	$ 202	$ 434	$ 716
Net income (loss) per share - basic	$ 0.26	$ 0.35	$ 0.72	$ 1.23
Net income (loss) per share - diluted	$ 0.25	$ 0.34	$ 0.70	$ 1.21
Weighted-average shares outstanding:				
Basic	647	582	605	581
Diluted	651	591	617	591

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

GEN DIGITAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited, in millions)

	Three Months Ended		Nine Months Ended	
	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
Net income (loss)	$ 165	$ 202	$ 434	$ 716
Other comprehensive income (loss), net of taxes:				
Foreign currency translation gain (loss)	(13)	(12)	(24)	(25)
Other comprehensive income (loss), net of taxes	(13)	(12)	(24)	(25)
Comprehensive income (loss)	$ 152	$ 190	$ 410	$ 691

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

GEN DIGITAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(Unaudited, in millions, except share amounts)

Three months ended December 30, 2022	**Common Stock and Additional Paid-In Capital**		**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings (Accumulated Deficit)**	**Total Stockholders' Equity (Deficit)**
	Shares	**Amount**			
Balance as of September 30, 2022	661	$ 3,378	$ (15)	$ (1,665)	$ 1,698
Net income (loss)	—	—	—	165	165
Other comprehensive income (loss), net of taxes	—	—	(13)	—	(13)
Common stock issued under employee stock incentive plans	1	—	—	—	—
Shares withheld for taxes related to vesting of stock units	—	(1)	—	—	(1)
Repurchases of common stock	(23)	(500)	—	—	(500)
Cash dividends declared ($0.125 per share of common stock) and dividend equivalents accrued	—	(81)	—	—	(81)
Stock-based compensation	—	42	—	—	42
Balance as of December 30, 2022	639	$ 2,838	$ (28)	$ (1,500)	$ 1,310

Nine months ended December 30, 2022	**Common Stock and Additional Paid-In Capital**		**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings (Accumulated Deficit)**	**Total Stockholders' Equity (Deficit)**
	Shares	**Amount**			
Balance as of April 1, 2022	582	$ 1,851	$ (4)	$ (1,940)	$ (93)
Net income (loss)	—	—	—	434	434
Other comprehensive income (loss), net of taxes	—	—	(24)	—	(24)
Common stock issued under employee stock incentive plans	4	6	—	—	6
Shares withheld for taxes related to vesting of stock units	(1)	(17)	—	—	(17)
Repurchases of common stock	(40)	(904)	—	—	(904)
Cash dividends declared ($0.375 per share of common stock) and dividend equivalents accrued	—	(227)	—	—	(227)
Stock-based compensation	—	95	—	—	95
Extinguishment of convertible debt	—	(100)	—	—	(100)
Cumulative effect adjustment from adoption of ASU 2020-06 (1)	—	(7)	—	6	(1)
Merger consideration	94	2,141	—	—	2,141
Balance as of December 30, 2022	639	$ 2,838	$ (28)	$ (1,500)	$ 1,310

(1) Effective on April 2, 2022, the Company adopted ASU 2020-06 (*Debt with Conversion and Other Options, ASC 470-20*) using a modified retrospective method. See Note 2 for further information about this recently adopted guidance.

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

GEN DIGITAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(Unaudited, in millions, except share amounts)

Three months ended December 31, 2021	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance as of October 1, 2021	582	$ 1,996	$ 34	$ (2,262)	$ (232)
Net income (loss)	—	—	—	202	202
Other comprehensive income (loss), net of taxes	—	—	(12)	—	(12)
Shares withheld for taxes related to vesting of stock units	—	(1)	—	—	(1)
Cash dividends declared ($0.125 per share of common stock) and dividend equivalents accrued	—	(73)	—	—	(73)
Stock-based compensation	—	18	—	—	18
Balance as of December 31, 2021	582	$ 1,940	$ 22	$ (2,060)	$ (98)

Nine months ended December 31, 2021	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance as of April 2, 2021	580	$ 2,229	$ 47	$ (2,776)	$ (500)
Net income (loss)	—	—	—	716	716
Other comprehensive income (loss), net of taxes	—	—	(25)	—	(25)
Common stock issued under employee stock incentive plans	3	8	—	—	8
Shares withheld for taxes related to vesting of stock units	(1)	(16)	—	—	(16)
Cash dividends declared ($0.375 per share of common stock) and dividend equivalents accrued	—	(220)	—	—	(220)
Stock-based compensation	—	51	—	—	51
Extinguishment of convertible debt	—	(112)	—	—	(112)
Balance as of December 31, 2021	582	$ 1,940	$ 22	$ (2,060)	$ (98)

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

GEN DIGITAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in millions)

	Nine Months Ended	
	December 30, 2022	December 31, 2021
OPERATING ACTIVITIES:		
Net income	$ 434	$ 716
Adjustments:		
Amortization and depreciation	203	108
Impairments and write-offs of current and long-lived assets	(5)	8
Stock-based compensation expense	95	51
Deferred income taxes	(50)	(16)
Loss (gain) on extinguishment of debt	9	5
Gain on sale of property	—	(175)
Non-cash operating lease expense	17	16
Other	(15)	8
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	8	2
Accounts payable	(10)	29
Accrued compensation and benefits	—	(27)
Contract liabilities	(62)	1
Income taxes payable	(125)	(67)
Other assets	38	29
Other liabilities	(104)	(40)
Net cash provided by (used in) operating activities	433	648
INVESTING ACTIVITIES:		
Purchases of property and equipment	(5)	(4)
Payments for acquisitions, net of cash acquired	(6,547)	(39)
Proceeds from the maturities and sales of short-term investments	4	9
Proceeds from the sale of property	—	355
Other	2	(5)
Net cash provided by (used in) investing activities	(6,546)	316
FINANCING ACTIVITIES:		
Repayments of debt	(2,738)	(391)
Proceeds from issuance of debt, net of issuance costs	8,954	512
Net proceeds from sales of common stock under employee stock incentive plans	6	8
Tax payments related to vesting of stock units	(20)	(15)
Dividends and dividend equivalents paid	(234)	(230)
Repurchases of common stock	(904)	—
Net cash provided by (used in) financing activities	5,064	(116)
Effect of exchange rate fluctuations on cash and cash equivalents	(26)	(10)
Change in cash and cash equivalents	(1,075)	838
Beginning cash and cash equivalents	1,887	933
Ending cash and cash equivalents	$ 812	$ 1,771

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

GEN DIGITAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Description of Business and Significant Accounting Policies

Business

On August 10, 2021, we announced a transaction under which we intended to acquire the entire issued and to be issued ordinary share capital of Avast plc, a public company incorporated in England and Wales and a global leader of digital security and privacy headquartered in Prague, Czech Republic (Avast and such transaction, the Merger). On September 12, 2022, we completed the Merger with Avast, and its results of operations have been included in our Condensed Consolidated Statements of Operations beginning September 12, 2022. See Note 4 for further information about this business combination.

In connection with the Merger, effective November 7, 2022, we changed our corporate name from NortonLifeLock Inc. to Gen Digital Inc. (Gen).

Gen is a global, leading provider of consumer Cyber Safety solutions. Our portfolio provides protection across three Cyber Security categories: security, identity protection and online privacy. We help customers protect their computer and mobile devices from online threats, safeguard their identity and personal information and strengthen online privacy capabilities and functionalities.

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 1, 2022. The results of operations for the three and nine months ended December 30, 2022 are not necessarily indicative of the results expected for the entire fiscal year.

Fiscal calendar

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 December 30, 2022 and December 31, 2021. The three and nine months ended December 30, 2022 and December 31, 2021 each consisted of 13 and 39 weeks, respectively. Our 2023 fiscal year consists of 52 weeks and ends on March 31, 2023.

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. On an ongoing basis, management determines these estimates and assumptions based on historical experience and on various other assumptions that are believed to be reasonable. Third-party valuation specialists are also utilized for certain estimates. Actual results could differ from such estimates and assumptions due to risks and uncertainties, including uncertainty in the current economic environment as a result of macroeconomic factors such as inflation, fluctuations in foreign currency exchange rates relative to the U.S. dollars, our reporting currency, changes in interest rates, the COVID-19 pandemic and Russia's invasion of Ukraine, and such differences may be material to the Condensed Consolidated Financial Statements.

Significant accounting policies

With the exception of those discussed in Note 2, there have been no material changes to our significant accounting policies as of and for the three and nine months ended December 30, 2022, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended April 1, 2022.

Note 2. Recent Accounting Standards

Recently adopted authoritative guidance

Debt with Conversion and Other Options. In August 2020, the FASB issued Accounting Standards Update 2020-06 (ASU 2020-06) which 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, entities will no longer separately present embedded conversion features in equity. A convertible debt instrument will be accounted for wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, *Derivatives and Hedging*, or (2) a convertible debt instrument was issued at a substantial premium. In addition, the debt discount, which is equal to the carry value of the embedded conversion feature upon issuance, will no longer be amortized as interest expense over the life of the instrument. The new guidance also requires the use of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share and include the effect of share settlement for instruments that may be settled in cash or shares. See Note 16 for further information related to the diluted earnings per share calculation.

We adopted this standard as of April 2, 2022, the first day of fiscal 2023, using a modified retrospective method of transition, under which, financial results and earnings per share amounts reported in prior periods were not adjusted or restated in the Condensed Consolidated Financial Statements. As such, the new guidance was applied to the convertible debt instruments outstanding as of the beginning of this fiscal year, with the cumulative effect of adoption recognized through an adjustment to the opening balance of retained earnings. We increased the carrying amount of the New 2.0% Convertible Notes (as defined in Note 10) by approximately $1 million and reduced additional paid-in capital by approximately $7 million, net of tax. The net effect of these adjustments was recorded as an increase to retained earnings as of April 2, 2022.

Reference Rate Reform. In March 2020, the FASB issued new guidance providing temporary optional expedients and exceptions to ease the financial reporting burden of the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate (SOFR). The standard was effective upon issuance and may generally be applied through December 31, 2024, to any new or amended contracts, hedging relationships and other transactions that reference LIBOR. As of December 30, 2022, we have fully transitioned to SOFR and no longer use LIBOR on any debt or material contractual arrangements that are outstanding. Any future contracts, hedging relationships and other transactions will be SOFR denominated.

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 Condensed Consolidated Financial Statements and disclosures.

Note 3. Assets Held for Sale

Assets held for sale

During 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. However, the commercial real estate market was adversely affected by the COVID-19 pandemic, which delayed the expected timing of such sales.

During the second quarter of fiscal 2023, we determined certain land and buildings in Mountain View, California, which were previously reported as assets held for sale as of April 1, 2022, no longer qualify as held for sale classification. As a result, we reclassified the aggregate $26 million carrying value from assets held for sale to property and equipment, net, in our Condensed Consolidated Balance Sheets and recorded an immaterial catch-up depreciation adjustment, which is included in our Condensed Consolidated Statements of Operations.

We continue to actively market the remaining property for sale. We have taken into consideration the current real estate values and demand and continue to execute plans to sell this property. As of December 30, 2022, this property remains classified as assets held for sale. During the three and nine months ended December 30, 2022, there were no impairments because the fair value of the properties less costs to sell either equals or exceeds their carrying value.

Note 4. Business Combinations

Merger with Avast

On August 10, 2021, we announced a transaction under which we intended to acquire the entire issued and to be issued share capital of Avast plc, a public company incorporated in England and Wales (Avast and such transaction, the Merger). The Merger was implemented by means of a court-sanctioned scheme of arrangement under Part 26 of the UK Companies Act 2006 (the Scheme). Under the terms of the Merger, Avast shareholders were entitled to elect to receive, for each ordinary share of Avast held, in respect of their entire holding of Avast shares, either: (i) $7.61 in cash and 0.0302 of a new share of our common stock (such option, the Majority Cash Option); or (ii) $2.37 in cash and 0.1937 of a new share of our common stock (such option, the Majority Stock Option). Each Avast Director who held Avast shares elected for the Majority Stock Option in respect to their entire beneficial holdings of Avast shares.

The Merger was approved by our Board of Directors and by our shareholders, the Board of Directors and shareholders of Avast, and regulators including the Federal Trade Commission under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act) and in Europe, the German Federal Cartel Office, the Spanish National Markets and Competition Commission and the U.K. Competition and Markets Authority.

Closing of Merger with Avast

On September 12, 2022 (the Closing Date), we completed the Merger with Avast, and as a result, we have changed our corporate name to Gen Digital Inc. and have become dual headquartered in Tempe, Arizona and Prague, Czech Republic. Prior to the Merger, Avast was a global leader in consumer cybersecurity, offering a comprehensive range of digital security and privacy products and services that protected and enhanced users' online experiences. With this Merger, we are positioned to provide a broad and complementary consumer product portfolio with greater geographic diversification and access to a larger user base.

Upon completion of the Merger, we acquired all of the outstanding common stock of Avast. Based on the election of the Avast shareholders, we paid cash consideration of approximately $6,910 million and issued 94,201,223 shares of our common stock to Avast shareholders. As a result, immediately following the closing of the Merger, Avast shareholders owned approximately 14% of our outstanding common stock. The fair value of our common stock provided on September 12, 2022 in exchange for all outstanding ordinary shares of Avast was approximately $2,141 million.

Consideration transferred

The total consideration for the Merger with Avast was approximately $8,688 million, net of cash acquired, and consisted of the following:

(In millions)	September 12, 2022
Cash and equity consideration for outstanding Avast common shares (1)	$ 8,109
Repayment of outstanding Avast debt (2)	942
Total consideration	9,051
Cash acquired	363
Net consideration transferred	$ 8,688

(1) Represents the total value of cash paid and our common stock issued to Avast shareholders pursuant to the Majority Cash/Stock Option in the Scheme.

(2) Represents the cash consideration paid concurrent with the close of the Merger to retire certain Avast debt, including repayment of the associated principal, accrued interest, premiums and other costs.

Fair value of assets acquired and liabilities assumed

We accounted for the Merger as a business combination. The identifiable assets acquired and liabilities assumed of Avast were recorded at their estimated fair values as of the acquisition date and consolidated with those of our company. The allocation of purchase price requires management to make significant estimates and assumptions in determining the fair values of the assets acquired and liabilities assumed, especially with respect to intangible assets. Third-party valuation specialists were also utilized for certain estimates.

Our preliminary allocation of the aggregate purchase price, based on the estimated fair values of the assets acquired and liabilities assumed, as of the acquisition date, is as follows:

(In millions)	September 12, 2022
Assets:	
Accounts receivable	$ 63
Other current assets	18
Property and equipment	29
Operating lease assets	18
Intangible assets	2,383
Goodwill	7,265
Other long-term assets	10
Total assets acquired	9,786
Liabilities:	
Current liabilities	181
Contract liabilities	508
Operating lease liabilities	18
Long-term deferred tax liabilities	345
Other long-term obligations	46
Total liabilities assumed	1,098
Total purchase price	$ 8,688

The allocation of the purchase price is based upon a preliminary valuation, and as additional information becomes available, our estimates and assumptions may be subject to refinement within the measurement period, which may be up to one year from the acquisition date. Adjustments to the purchase price may require adjustments to goodwill prospectively. The primary areas of preliminary purchase price allocation that are not yet finalized include intangible assets and certain tax and litigation matters.

The preliminary goodwill of $7,265 million represents the excess of the consideration transferred over the fair values of the assets acquired and liabilities assumed. It is attributable to the expected synergies of the Merger, including future cost savings from planned integration of infrastructure, facilities, personnel and systems, and other benefits that are anticipated to be generated by combining both companies. Goodwill is allocated to our single reportable segment. Substantially all of the goodwill recognized is expected to be deductible for U.S. tax purposes. See Note 6 for further information on goodwill.

Preliminary identified intangible assets and their respective useful lives, as of September 12, 2022, are as follows:

(In millions, except for useful lives)	Fair Value	Weighted-Average Estimated Useful Life (Years)
Customer relationships (1)	$ 1,055	7 years
Developed technology (2)	1,244	6 years
Finite-lived trade names (2)	84	10 years
Total identified intangible assets	$ 2,383	

(1) Customer relationships were valued using the multi-period excess earnings method, which is a form of the income approach that primarily considers customer retention rate.

(2) Developed technology and finite-lived trade names were valued using the relief-from-royalty method, which is a form of the income approach that primarily considers technology migration and probability of use, respectively.

Financing

In connection with the Merger, on September 12, 2022, we entered into the Amended and Restated Credit Agreement (Credit Agreement) with certain financial institutions, in which they agreed to provide us with (i) a $1,500 million revolving credit facility (Revolving Facility), a $3,910 million term loan A facility (Term A Facility), (iii) a $3,690 million term loan B facility (Term B Facility) and (iv) a $750 million tranche A bridge loan (Bridge Loan) (collectively, the senior credit facilities). The Bridge Loan was undrawn and immediately terminated upon the Merger's close. The proceeds were or will be used (i) to finance the cash consideration payable for the Merger, (ii) to repay in full and terminate all commitments under Avast's credit facility, (iii) to pay expenses relating to the Merger, (iv) to add cash to the balance sheet and (v) for general corporate purposes and on-going business activities. See Note 10 for further information about these debt instruments and the related debt covenants.

In connection with the financing provided by the Term B Facility, we incurred customary ticking fees with respect to the undrawn commitments that began accruing on the 61st day post-syndication. The ticking fees were payable at the per annum rate of (i) 50% of the interest rate margin for adjusted SOFR (or applicable replacement rate) loans for 61-90 days from January 28, 2022, the syndication date, and (ii) 100% of the interest rate margin for adjusted SOFR (or applicable replacement rate) loans on and after 91 days from the syndication date. Ticking fees were payable on the Closing Date of the Merger. During the nine months ended December 30, 2022, we paid $31 million in ticking fees.

Impact on operating results

The operating results of Avast have been included in our Condensed Consolidated Statements of Operations beginning September 12, 2022. Our results of operations for the three and nine months ended December 30, 2022 include $234 million and $282 million, respectively, of net revenues booked through the Avast enterprise resource planning system. This total post-acquisition revenue extracted from the legacy Avast system is not comparable to pre-acquisition results due to our product integration strategy, cross-selling activities and the reallocation of performance marketing spend deployed to maximize total GEN revenue and not revenue by brand. It is also impracticable to provide income before income taxes attributable to Avast subsequent to the Merger due to the integration of our operations. The Company does not consider it to be a separate operating unit or a separate reporting segment, pursuing an integrated brand, selling and marketing strategy, and is in the advanced stages of completing the full integration of Avast with our ongoing operations.

We recognized transaction and integration costs of $5 million and $7 million for the three months ended December 30, 2022 and December 31, 2021, respectively, and $71 million and $28 million for the nine months ended December 30, 2022 and December 31, 2021, respectively. These costs were primarily associated with legal and professional services and other regulatory closing fees, which were expensed as incurred and included in general and administrative expenses in our Condensed Consolidated Statements of Operations.

On the Closing Date of the Merger, we incurred $145 million of debt issuance costs associated with the senior credit facilities, of which $132 million was capitalized and recorded as a reduction of outstanding debt balances and $10 million was capitalized and included in Other long-term assets in our Condensed Consolidated Balance Sheets. The remaining $3 million was capitalized but immediately extinguished in conjunction with the termination of the Bridge Loan.

Unaudited pro forma information

The following unaudited pro forma financial information represents the combined historical results for the three and nine months ended December 30, 2022 and December 31, 2021, as if the Merger had been completed on April 3, 2021, the first day of fiscal 2022. The results presented below include adjustments to conform Avast financial information, prepared in accordance with International Financial Reporting Standards (IFRS), to U.S. GAAP as well as the impacts of material, nonrecurring pro forma adjustments, including amortization of acquired intangible assets, interest on debt issued to finance the Merger, and acquisition-related transaction costs, and the income tax effect of the other pro forma adjustments. The unaudited pro forma results do not include any anticipated synergies or other expected benefits of the Merger. The following table summarizes the unaudited pro forma financial information:

	Three Months Ended		Nine Months Ended	
(In millions)	**December 30, 2022**	**December 31, 2021**	**December 30, 2022**	**December 31, 2021**
Net revenues	$ 936	$ 939	$ 2,857	$ 2,784
Net income (loss)	$ 204	$ 113	$ 323	$ 341

The unaudited pro forma financial information is provided for informational purposes only and are not indicative of future operations or results that would have been achieved had the Merger been completed as of the beginning of fiscal 2022.

Fiscal 2022 acquisition

On September 15, 2021, we completed an acquisition of an online reputation management and digital privacy solutions company for total aggregate consideration of $39 million, net of $1 million cash acquired. The purchase price was primarily allocated to intangible assets and goodwill. Our estimates and assumptions were subject to refinement within the measurement period, which is up to one year from the acquisition date. Adjustments to the purchase price during the measurement period required adjustments to be made to goodwill. The measurement period ended on September 14, 2022.

Note 5. Revenues

Contract liabilities

During the three and nine months ended December 30, 2022, we recognized $686 million and $1,116 million from the contract liabilities balances as of September 30, 2022 and April 1, 2022, respectively. During the three and nine months ended December 31, 2021, we recognized $505 million and $1,093 million from the contract liabilities balances as of October 1, 2021 and April 2, 2021, respectively.

Remaining performance obligations

Remaining performance obligations represent contract 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 December 30, 2022, we had $1,179 million of remaining performance obligations, excluding customer deposit liabilities of $550 million, of which we expect to recognize approximately 93% as revenue over the next 12 months.

See Note 17 for tabular disclosures of disaggregated revenue by solution and geographic region.

Note 6. Goodwill and Intangible Assets

Goodwill

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

(In millions)	
Balance as of April 1, 2022	$ 2,873
Merger with Avast	7,265
Translation adjustments	(14)
Balance as of December 30, 2022	$ 10,124

Intangible assets, net

	December 30, 2022			April 1, 2022		
(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 1,639	$ (490)	$ 1,149	$ 583	$ (382)	$ 201
Developed technology	1,460	(222)	1,238	217	(143)	74
Other	91	(5)	86	8	(3)	5
Total finite-lived intangible assets	3,190	(717)	2,473	808	(528)	280
Indefinite-lived trade names	739	—	739	743	—	743
Total intangible assets	$ 3,929	$ (717)	$ 3,212	$ 1,551	$ (528)	$ 1,023

As a result of the Merger with Avast, we recorded $2,383 million of acquired intangible assets during the second quarter of fiscal 2023. See Note 4 for further information about this business combination.

Amortization expense for purchased intangible assets is summarized below:

	Three Months Ended		Nine Months Ended		
(In millions)	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021	Condensed Consolidated Statements of Operations Classification
Customer relationships and other	$ 61	$ 21	$ 111	$ 63	Operating expenses
Developed technology	57	11	78	32	Cost of revenues
Total	$ 118	$ 32	$ 189	$ 95	

As of December 30, 2022, future amortization expense related to intangible assets that have finite lives is as follows by fiscal year:

(In millions)	
Remainder of 2023	$ 118
2024	461
2025	400
2026	394
2027	381
Thereafter	719
Total	$ 2,473

Note 7. Supplementary Information

Cash and cash equivalents:

(In millions)	December 30, 2022	April 1, 2022
Cash	$ 468	$ 609
Cash equivalents	344	1,278
Total cash and cash equivalents	$ 812	$ 1,887

Accounts receivable, net:

(In millions)	December 30, 2022	April 1, 2022
Accounts receivable	$ 169	$ 121
Allowance for doubtful accounts	(1)	(1)
Total accounts receivable, net	$ 168	$ 120

Other current assets:

(In millions)	December 30, 2022	April 1, 2022
Prepaid expenses	$ 118	$ 107
Income tax receivable and prepaid income taxes	206	35
Other tax receivable	24	27
Other	18	24
Total other current assets	$ 366	$ 193

Property and equipment, net:

(In millions)	December 30, 2022	April 1, 2022
Land	$ 14	$ 2
Computer hardware and software	496	462
Office furniture and equipment	27	27
Buildings	41	27
Leasehold improvements	63	56
Construction in progress	1	1
Total property and equipment, gross	642	575
Accumulated depreciation and amortization	(538)	(515)
Total property and equipment, net	$ 104	$ 60

During the second quarter of fiscal 2023, we reclassified $26 million of buildings and leasehold improvements, which were previously reported as held for sale as of April 1, 2022, to property and equipment, net. Adjustments associated with catch-up depreciation were immaterial. Refer to Note 3 for further information about our assets held for sale.

Other long-term assets:

(In millions)	December 30, 2022	April 1, 2022
Non-marketable equity investments	$ 182	$ 178
Long-term income tax receivable and prepaid income taxes	21	25
Deferred income tax assets	348	351
Long-term prepaid royalty	41	53
Other	46	46
Total other long-term assets	$ 638	$ 653

Short-term contract liabilities:

(In millions)	December 30, 2022	April 1, 2022
Deferred revenue	$ 1,093	$ 743
Customer deposit liabilities	550	521
Total short-term contract liabilities	$ 1,643	$ 1,264

Other current liabilities:

(In millions)	December 30, 2022	April 1, 2022
Income taxes payable	$ 243	$ 109
Other taxes payable	88	87
Accrued legal fees	273	273
Accrued royalties	43	49
Accrued interest	42	32
Other	106	89
Total other current liabilities	$ 795	$ 639

Long-term income taxes payable:

(In millions)	December 30, 2022	April 1, 2022
Deemed repatriation tax payable	$ 310	$ 437
Other long-term income taxes	4	3
Uncertain tax positions (including interest and penalties)	614	556
Total long-term income taxes payable	$ 928	$ 996

Other income (expense), net:

	Three Months Ended		Nine Months Ended	
(In millions)	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
Interest income	$ 5	$ —	$ 10	$ —
Foreign exchange gain (loss)	(7)	1	(8)	3
Gain (loss) on early extinguishment of debt	—	—	(9)	(5)
Gain on sale of properties	—	—	—	175
Other	4	(10)	10	(8)
Other income (expense), net	$ 2	$ (9)	$ 3	$ 165

Supplemental cash flow information:

	Nine Months Ended	
(In millions)	December 30, 2022	December 31, 2021
Income taxes paid, net of refunds	$ 378	$ 297
Interest expense paid	$ 212	$ 105
Cash paid for amounts included in the measurement of operating lease liabilities	$ 18	$ 19
Non-cash operating activities:		
Operating lease assets obtained in exchange for operating lease liabilities	$ 23	$ 35
Reduction of operating lease assets as a result of lease terminations and modifications	$ 29	$ 16
Non-cash investing and financing activities:		
Purchases of property and equipment in current liabilities	$ —	$ 1
Extinguishment of debt with borrowings from same creditors	$ —	$ 494
Non-cash consideration for the Merger with Avast	$ 2,141	$ —

Note 8. 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:

	December 30, 2022			April 1, 2022		
(In millions)	Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
Assets:						
Money market funds	$ 343	$ 343	$ —	$ 1,278	$ 1,278	$ —
Corporate bonds	—	—	—	4	—	4
Total	$ 343	$ 343	$ —	$ 1,282	$ 1,278	$ 4

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 December 30, 2022 and April 1, 2022, the carrying value of our non-marketable equity investments was $182 million and $178 million, respectively.

Current and long-term debt

As of December 30, 2022 and April 1, 2022, the total fair value of our fixed rate debt was $2,552 million and $2,021 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 9. 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 8 years for our facilities, 1 year to 3 years for equipment and 1 year to 5 years for data center co-locations. Some of our leases contain renewal options, escalation clauses, rent concessions and leasehold improvement incentives.

The following summarizes our lease costs:

	Three Months Ended		Nine Months Ended	
(In millions)	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
Operating lease costs	$ 5	$ 4	$ 12	$ 12
Short-term lease costs	—	—	1	2
Variable lease costs	2	1	5	4
Total lease costs	$ 7	$ 5	$ 18	$ 18

Other information related to our operating leases was as follows:

	Three Months Ended	
	December 30, 2022	December 31, 2021
Weighted-average remaining lease term	2.9 years	4.8 years
Weighted-average discount rate	4.44 %	4.04 %

See Note 7 for cash flow information related to our operating leases.

As of December 30, 2022, the maturities of our lease liabilities by fiscal year are as follows:

(In millions)	
Remainder of 2023	$ 8
2024	27
2025	17
2026	9
2027	6
Thereafter	1
Total lease payments	68
Less: Imputed interest	(4)
Present value of lease liabilities	$ 64

Note 10. Debt

The following table summarizes components of our debt:

(In millions, except percentages)	December 30, 2022	April 1, 2022	Effective Interest Rate
3.95% Senior Notes due June 15, 2022	$ —	$ 400	4.05 %
New 2.00% Convertible Unsecured Notes due August 15, 2022	—	525	2.62 %
5.00% Senior Notes due April 15, 2025	1,100	1,100	5.00 %
Initial Term Loan due May 7, 2026	—	1,010	LIBOR plus [2]
Delayed Term loan due May 7, 2026	—	703	LIBOR plus [2]
Term A Facility due September 12, 2027	3,910	—	SOFR + % [3]
6.75% Senior Notes due September 30, 2027	900	—	6.75 %
Term B Facility due September 12, 2029	3,690	—	SOFR + % [4]
1.29% Avira Mortgage due December 30, 2029 [1]	4	5	1.29 %
7.125% Senior Notes due September 30, 2030	600	—	7.13 %
0.95% Avira Mortgage due December 30, 2030 [1]	3	4	0.95 %
Total principal amount	10,207	3,747	
Less: unamortized discount and issuance costs	(143)	(11)	
Total debt	10,064	3,736	
Less: current portion	(233)	(1,000)	
Total long-term debt	$ 9,831	$ 2,736	

(1) The Avira Mortgages are denominated in a foreign currency so the balances of these mortgages may fluctuate based on changes in foreign currency exchange rates.

(2) The term loans bear interest at a rate equal to 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.

(3) Term A Facility due 2027 bears interest at a rate equal to Term SOFR plus a credit spread adjustment (CSA) 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.

(4) Term B Facility due 2029 bears interest at a rate equal to Term SOFR plus CSA plus 2.00%.

The interest rates for the outstanding term loans are as follows:

	December 30, 2022	April 1, 2022
Term A Facility due September 12, 2027	5.80 %	N/A
Term B Facility due September 12, 2029	6.15 %	N/A
Initial Term Loan due May 7, 2026	N/A	1.75 %
Delayed Term Loan due May 7, 2026	N/A	1.75 %

As of December 30, 2022, the future contractual maturities of debt by fiscal year are as follows:

(In millions)	
Remainder of 2023	$ 58
2024	233
2025	234
2026	1,333
2027	233
Thereafter	8,116
Total future maturities of debt	$ 10,207

Credit facility

We have a credit agreement with financial institutions, which provides a revolving line of credit of $1 billion, a 5-year term loan of $500 million (the Initial Term Loan) and a delayed draw 5-year term loan commitment of $750 million (the Delayed Draw Term Loan). An amendment to the credit agreement (the First Amendment) also provides for an incremental increase under the Initial Term Loan of $525 million. All term loans and revolver credit facilities mature in May 2026, and the credit facilities remain senior secured.

The principal amount of the Initial Term Loan and the additional borrowings under the First Amendment must be repaid in quarterly installments on the last business day of each calendar quarter in an amount equal to 1.25% of the aggregate principal amount as of the date of the First Amendment. The principal amount of the Delayed Draw Term Loan must be repaid in quarterly installments on the last business day of each calendar quarter in an amount equal to 1.25% of aggregate principal amount as of the borrowing date of the Delayed Draw Term Loan. We may voluntarily repay outstanding principal balances without penalty.

Interest on borrowings under the credit agreement can be based on a base rate or the LIBOR at our election. Based on our debt ratings and our consolidated leverage ratios as determined in accordance with the credit agreement, loans borrowed bear interest, in the case of base rate loans, at a per annum rate equal to the applicable base rate plus a margin ranging from 0.125% to 0.75%, and in the case of LIBOR loans, LIBOR, as adjusted for statutory reserves, plus a margin ranging from 1.125% to 1.75%. The unused revolving line of credit is subject to a commitment fee ranging from 0.125% to 0.30% per annum.

On September 12, 2022, we fully repaid the outstanding principal and accrued interest under the Initial Term Loan and Delay Draw Term Loan, which had an aggregate principal amount outstanding of $1,703 million. In addition, we paid $3 million of accrued and unpaid interest through the redemption date. The repayments resulted in a loss on extinguishment of $2 million. We also terminated our undrawn revolving line of credit of $1,000 million, resulting in a loss on extinguishment of $4 million.

Senior credit facilities

Upon the close of the Merger, on September 12, 2022, we entered into the Amended and Restated Credit Agreement (Credit Agreement) with certain financial institutions, in which they agreed to provide us with (i) a $1,500 million revolving credit facility (Revolving Facility), a $3,910 million term loan A facility (Term A Facility), (iii) a $3,690 million term loan B facility (Term B Facility) and (iv) a $750 million tranche A bridge loan (Bridge Loan) (collectively, the senior credit facilities). The Bridge Loan was undrawn and immediately terminated upon the Merger's close, resulting in a loss on extinguishment of $3 million. The Credit Agreement provides that we have the right at any time, subject to customary conditions, to request incremental revolving commitments and incremental term loans up to an unlimited amount, subject to certain customary conditions precedent and other provisions. The lenders under these facilities will not be under any obligation to provide any such incremental loans or commitments. We drew down the aggregate principal amounts of the Term A Facility and Term B Facility to finance the cash consideration payable for the transaction and to fully repay the outstanding principal and accrued interest of the existing credit facilities. The Credit Agreement replaced the existing credit facilities upon the close of the transaction. The Revolving Facility and Term A Facility will mature in September 2027, and the Term Facility B will mature in September 2029; the senior credit facilities remain senior secured.

The principal amounts of Term Facility A must be repaid in quarterly installments on the last business day of each calendar quarter equal to 1.25% of the aggregate principal amount as of the date of the Credit Agreement. The principal amounts of Term Facility B must be repaid in quarterly installments on the last business day of each calendar quarter equal to 0.25% of the aggregate principal amount as of the date of the Credit Agreement. Quarterly installment payments commence on March 31, 2023. We may voluntarily repay outstanding principal balances under the Revolving Facility and both Term Loan facilities without penalty. On January 19, 2023, we made a voluntary prepayment of $250 million pursuant to Section 2.05(a) of the Credit Agreement dated September 12, 2022. The prepayment amount was applied exclusively to the Term B Facility. As of December 30, 2022, there were no borrowings outstanding under our Revolving Facility.

Interest on borrowings under the Credit Agreement can be based on a base rate or the SOFR at our election. Based on our debt ratings and our consolidated leverage ratios as determined in accordance with the Credit Agreement, loans borrowed bear interest, in the case of base rate loans, at a per annum rate equal to the applicable base rate plus CSA plus a margin ranging from 0.125% to 0.75%, and in the case of the SOFR loans, SOFR, as adjusted for statutory reserves, plus a margin ranging from 1.125% to 1.75%.

Debt covenant compliance

The Credit Agreement contains customary representations and warranties, affirmative and negative covenants. Each of the Revolving Facility and Term A Facility will be subject to a covenant that we maintain a consolidated leverage ratio less than or equal to (i) 6.0 to 1.0 from the Closing Date through the last day of the fourth full fiscal quarter following the Closing Date, (ii) 5.75 to 1.0 following the last day of the fourth fiscal quarter after the Closing Date through the last day of the eighth full fiscal quarter following the Closing Date and (iii) 5.25 to 1.0 for each fiscal quarter thereafter; provided that such maximum consolidated leverage ratio will increase to 5.75 to 1.0 for the four fiscal quarters ending immediately should we acquire property, business or assets in an aggregate amount greater than $250 million.

In addition, the Credit Agreement contains customary events of default under which our payment obligations may be accelerated, including, among others, non-payment of principal, interest or other amounts when due, inaccuracy of representations and warranties, violation of certain covenants, payment and acceleration cross defaults with certain other indebtedness, certain undischarged judgments, bankruptcy, insolvency or inability to pay debts, change of control, the occurrence of certain events related to the Employee Retirement Income Security Act of 1974 (ERISA), and the Company experiencing a change of control. As of December 30, 2022, we were in compliance with all debt covenants.

Senior notes

On June 1, 2022, we fully repaid the principal and accrued interest under the 3.95% Senior Notes due June 2022, which had an aggregate principal amount outstanding of $400 million. In addition, we paid $7 million of accrued and unpaid interest through the redemption date.

On September 19, 2022, we issued two series of senior notes, consisting of 6.75% Senior Notes due 2027 and 7.125% Senior Notes due 2030, for an aggregate principal of $1,500 million. They are senior unsecured obligations that rank equally in right of payment with all of our existing and future senior, unsecured, unsubordinated obligations and may be redeemed at any time, subject to the make-whole provisions contained in the applicable indenture relating to such series of notes. Interest on these series of notes is payable semi-annually in arrears on March 31 and September 30 for both the 6.75% Senior Notes and 7.125% Senior Notes, commencing on March 31, 2023. We may redeem some or all of the 6.75% Senior Notes due 2027 and 7.125% Senior Notes due 2030 at any time, subject to a prepayment penalty that expires one year prior to the maturity of each respective note. The First Call Dates of the 6.75% Senior Notes due 2027 and 7.125% Senior Notes due 2030 are September 30, 2024 and September 30, 2025, respectively.

New 2.0% Convertible Notes

As described in Note 2, on April 2, 2022, we adopted ASU 2020-06 using the modified retrospective method. Prior to the adoption of this guidance, we accounted for our convertible debt instruments under the cash conversion model, requiring the convertible notes to be separated into an equity and liability component. We recognized $56 million in equity, net of tax, which consisted of $9 million in debt discount, representing the difference between the fair value of the liability component and par value, and $47 million in substantial premium due to the fiscal year 2020 amendment, which was accounted for as a debt extinguishment and resulted in the recognition of the New 2.0% Convertible Notes.

Upon adoption of ASU 2020-06, the cash conversion model is now eliminated. We de-recognized the remaining unamortized debt discount of $1 million on the New 2.0% Convertible Notes and therefore will no longer recognize the related amortization as interest expense. Additionally, we recorded a cumulative adjustment to retained earnings of $6 million, net of tax, for the debt discount amortization incurred from issuance through April 2, 2022. The remaining $47 million of substantial premium will remain in equity, as the new guidance did not eliminate the substantial premium model for convertible instruments. Under this new guidance, the New 2.0% Convertible Notes included in our Condensed Consolidated Balance Sheet reflect the par value of the liability

On August 15, 2022, we settled the $525 million principal and conversion rights of our New 2.0% Convertible Notes in cash. The aggregate settlement amount of $630 million was based on $20.41 per underlying share into which the New 2.0% Convertible Notes were convertible. In addition, we paid $5 million of accrued and unpaid interest through the date of settlement. The repayments resulted in an adjustment to stockholders' equity of $100 million.

Note 11. Derivatives

Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flow associated with changes in foreign currency exchange rates and interest rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse foreign exchange rate and interest rate movements. We do not use our derivative instruments for speculative trading purposes. By using derivative financial instruments to hedge exposures to changes in foreign exchange and interest rates, we are exposed to credit risk; however, we mitigate this risk by entering into hedging instruments with highly rated institutions that can be expected to fully perform under the terms of the applicable contracts.

Foreign currency exchange forward contracts

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 impact our operating results. As part of our foreign currency risk mitigation strategy, we have entered into monthly foreign exchange forward contracts to hedge foreign currency balance sheet exposure. These forward contracts are not designated as hedging instruments. We do not hedge our foreign currency exposure in a manner that entirely offsets the effects of the changes in foreign exchange rates.

As of December 30, 2022 and April 1, 2022, the fair value of these contracts was immaterial. The related gain (loss) recognized in Other income (expense), net in our Condensed Consolidated Statements of Operations was as follows:

	Three Months Ended		Nine Months Ended	
(In millions)	**December 30, 2022**	**December 31, 2021**	**December 30, 2022**	**December 31, 2021**
Foreign exchange forward contracts gain (loss)	$ 2	$ (1)	$ (8)	$ (4)

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

(In millions)	December 30, 2022	April 1, 2022
Foreign exchange forward contracts purchased	$ 234	$ 155
Foreign exchange forward contracts sold	$ 68	$ 191

Note 12. Restructuring and Other Costs

Our restructuring costs generally consist of severance and termination benefits, contract cancellation charges, asset write-offs and impairments and other exit and disposal costs. Severance costs generally include severance payments, outplacement services, health insurance coverage and legal costs. Contract cancellation charges primarily include penalties for early termination of contracts and write-offs of related prepaid assets. Other exit and disposal costs include costs to exit and consolidate facilities in connection with restructuring events.

September 2022 Plan

In connection with the Merger, our Board of Directors approved a restructuring plan (the September 2022 Plan) to realize cost savings and operational synergies, which became effective upon the close of the Merger on September 12, 2022. Actions under this plan include the reduction of our workforce, contract terminations, facilities closures, and the sale of underutilized facilities as well as stock-based compensation charges for accelerated equity awards to certain terminated employees. We expect that we will incur total costs up to $280 million, with $180 million and $100 million estimated to be incurred within the first and second full years, respectively, following the completion of the Merger. These actions are expected to be completed by fiscal 2024. As of December 30, 2022, we have incurred costs of $48 million related to the September 2022 Plan.

December 2020 Plan

In December 2020, our Board of Directors approved a restructuring plan (the December 2020 Plan) to consolidate facilities and reduce operating costs in connection with our acquisition of Avira. These actions were completed in fiscal 2022. Any remaining costs or adjustments are immaterial. We incurred total costs of $24 million under the December 2020 Plan.

Restructuring and other costs summary

Our restructuring and other costs are presented in the table below:

	Three Months Ended		Nine Months Ended	
(In millions)	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
Severance and termination benefit costs	$ 31	$ 1	$ 32	$ 5
Contract cancellation charges	1	1	1	2
Stock-based compensation charges	8	—	8	—
Asset write-offs and impairments	2	—	2	—
Other exit and disposal costs	2	10	12	17
Total restructuring and other costs	$ 44	$ 12	$ 55	$ 24

Restructuring summary

Our activities and liabilities related to our September 2022 Plan are presented in the table below:

(in millions)	Liability Balance as of April 1, 2022	Costs, Net of Adjustments	Cash Payments	Non-Cash Items	Liability Balance as of December 30, 2022
Severance and termination benefit costs	$ —	$ 32	$ (17)	$ —	$ 15
Stock-based compensation charges	—	8	—	(8)	—
Asset write-offs and impairments	—	2	—	(2)	—
Other exit and disposal costs	—	6	(4)	(2)	—
Total	$ —	$ 48	$ (21)	$ (12)	$ 15

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

Note 13. Income Taxes

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

	Three Months Ended		Nine Months Ended	
(In millions, except percentages)	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
Income (loss) before income taxes	$ 216	$ 261	$ 640	$ 946
Income tax expense (benefit)	$ 51	$ 59	$ 206	$ 230
Effective tax rate	24 %	23 %	32 %	24 %

Our effective tax rate for the three and nine months ended December 30, 2022 differs from the federal statutory income tax rate primarily due to state taxes and the U.S. taxation on foreign earnings, and certain discrete items including the tax impacts of internal restructuring, deductibility of transaction costs from the Merger, and the limitations of foreign taxes due to the increase of interest expense.

Our effective tax rate for the three and nine months ended December 31, 2021 differs from the federal statutory income tax rate primarily due to state taxes and U.S. taxation on foreign earnings.

In connection with the Merger, we established $345 million of net deferred tax liabilities primarily related to the excess of book basis over the tax basis of acquired identified intangible assets. The net deferred tax liabilities are based upon certain assumptions underlying our preliminary purchase price allocation. Upon finalization of the purchase price allocation, additional adjustments to the amount of our net deferred taxes may be required.

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 14. Stockholders' Equity

Dividends

On February 2, 2023, we announced that our Board of Directors declared a cash dividend of $0.125 per share of common stock to be paid in March 2023. 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. However, the 4 million unvested RSUs assumed in connection with the Merger will not be entitled to DERs. See Note 15 for further information about these equity awards. 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 on the open market and through accelerated stock repurchase transactions. As of December 30, 2022, we had $870 million remaining under the authorization to be completed in future periods with no expiration date. No shares were repurchased in the prior fiscal year during the three and nine months ended December 31, 2021.

The following table summarizes activity related to this program during the three and nine months ended December 30, 2022:

(In millions, except per share amounts)	Three Months Ended December 30, 2022	Nine Months Ended December 30, 2022
Number of shares repurchased	23	40
Average price per share	$ 21.91	$ 22.63
Aggregate purchase price	$ 500	$ 904

Accumulated other comprehensive income (loss)

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

(In millions)	Foreign Currency Translation Gain (Loss)
Balance as of April 1, 2022	$ (4)
Other comprehensive income (loss), net of taxes	(24)
Balance as of December 30, 2022	$ (28)

Note 15. Stock-Based Compensation

Avast equity awards

In connection with the Merger, we assumed the outstanding equity awards under two of Avast's equity incentive plans (the Avast Holding B.V. 2014 Share Option Plan and the Rules of the Avast plc Long Term Incentive Plan (collectively, the Avast Plans)), which consisted of 4 million unvested RSUs. The assumed RSUs generally retain the terms and conditions under which they were originally granted. We intend to grant all additional shares that remain available for issuance under the Avast Plans. Upon vesting, these assumed RSUs and any additional shares granted will settle into shares of our common stock. See Note 4 for further information about this business combination.

The following table sets forth the stock-based compensation expense recognized for our equity incentive plans:

	Three Months Ended		Nine Months Ended	
(In millions)	**December 30, 2022**	**December 31, 2021**	**December 30, 2022**	**December 31, 2021**
Cost of revenues	$ 1	$ —	$ 3	$ 1
Sales and marketing	9	5	24	13
Research and development	9	5	21	14
General and administrative	15	8	39	23
Restructuring and other costs	8	—	8	—
Total stock-based compensation expense	$ 42	$ 18	$ 95	$ 51
Income tax benefit for stock-based compensation expense	$ (5)	$ (4)	$ (13)	$ (11)

As of December 30, 2022, the total unrecognized stock-based compensation expense related to our unvested stock-based awards was $259 million, which will be recognized over an estimated weighted-average amortization period of 2.1 years.

The following table summarizes additional information related to our stock-based awards:

	Nine Months Ended	
(In millions, except per grant data)	**December 30, 2022**	**December 31, 2021**
Restricted stock units (RSUs):		
Weighted-average fair value per award granted	$ 22.48	$ 22.48
Awards granted	7	4
Total fair value of awards released	$ 64	$ 54
Outstanding and unvested	9	6
Performance-based restricted stock units (PRUs):		
Weighted-average fair value per award granted	$ 27.07	$ 26.01
Awards granted	2	3
Total fair value of awards released	$ 4	$ —
Outstanding and unvested at target payout	5	3

Dividend equivalent rights (DERs)

Our RSUs and PRUs, except the 4 million unvested RSUs assumed under the Avast Plans, 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 December 30, 2022 and April 1, 2022, current dividends payable related to DER was $4 million and $11 million, respectively, recorded as part of Other current liabilities in the Condensed Consolidated Balance Sheets, and long-term dividends payable related to DER was $2 million and $2 million, respectively, recorded as part of Other long-term liabilities.

Note 16. 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. Dilutive potentially issuable common shares include the dilutive effect of the shares underlying our employee equity awards and convertible debt until its extinguishment on August 15, 2022.

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

(In millions, except per share amounts)	Three Months Ended December 30, 2022	Three Months Ended December 31, 2021	Nine Months Ended December 30, 2022	Nine Months Ended December 31, 2021
Net income (loss)	$ 165	$ 202	$ 434	$ 716
Net income (loss) per share - basic	$ 0.26	$ 0.35	$ 0.72	$ 1.23
Net income (loss) per share - diluted	$ 0.25	$ 0.34	$ 0.70	$ 1.21
Weighted-average shares outstanding - basic	647	582	605	581
Dilutive potentially issuable shares:				
Convertible debt	—	6	8	7
Employee equity awards	4	3	4	3
Weighted-average shares outstanding - diluted	651	591	617	591
Anti-dilutive shares excluded from diluted net income per share calculation:				
Employee equity awards	3	1	1	1
Total	3	1	1	1

Upon adoption of ASU 2020-06 under the modified retrospective method, we are required to apply the if-converted method to our calculation of diluted earnings per share. For the three and nine months ended December 30, 2022, we adjust for the dilutive effect of the maximum number of potential shares to be issued upon settlement of our outstanding convertible debt instruments. Prior period earnings per share amounts are not restated under the modified retrospective method. For the three and nine months ended December 31, 2021, the dilutive effect of our debt instruments is calculated using the treasury stock method, under which our convertible debt instruments generally had 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 initial adoption of ASU 2020-06 had a $0.01 impact on dilutive earnings per share, with the dilutive shares underlying the convertible debt increasing by 18 million shares.

Note 17. 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 and prioritize resources.

The following table summarizes net revenues for our major solutions:

(In millions)	Three Months Ended December 30, 2022	Three Months Ended December 31, 2021	Nine Months Ended December 30, 2022	Nine Months Ended December 31, 2021
Consumer security revenues	$ 590	$ 406	$ 1,428	$ 1,211
Identity and information protection revenues	323	284	915	835
Total Cyber Safety revenues	913	690	2,343	2,046
Legacy revenues	23	12	48	34
Total net revenues (1)	$ 936	$ 702	$ 2,391	$ 2,080

(1) During the three months ended December 30, 2022, total net revenues include an unfavorable foreign exchange impact of $34 million, consisting of $33 million from our consumer security solutions and $1 million from our identity and information protection solutions. During the nine months ended December 30, 2022, total net revenues include an unfavorable foreign exchange impact of $92 million, consisting of $89 million from our consumer security solutions, $2 million from our identity and information protection solutions and $1 million from our legacy solutions.

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. The changes have been reflected for all periods presented above. Consumer security includes revenues from our Norton 360 Security offerings, Norton Security, Avast Security offerings, Norton Secure VPN, Avira Security and other consumer security and device performance solutions through our direct, partner and small business channels. Identity and information protection includes revenues from our Norton 360 with LifeLock offerings, LifeLock identity theft protection and other information protection and privacy solutions. Legacy includes revenues from products or solutions that are no longer in operations in exited markets, have been discontinued or identified to be discontinued, or remain in maintenance mode as a result of integration and product portfolio decisions.

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	
	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
Americas	$ 622	$ 493	$ 1,659	$ 1,455
EMEA	220	128	479	380
APJ	94	81	253	245
Total net revenues (1)	$ 936	$ 702	$ 2,391	$ 2,080

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

(1) During the three months ended December 30, 2022, total net revenues include an unfavorable foreign exchange impact of $34 million, consisting of $1 million from Americas, $21 million from EMEA and $12 million from APJ. During the nine months ended December 30, 2022, total net revenues include an unfavorable foreign exchange impact of $92 million, consisting of $1 million from Americas, $55 million from EMEA and $36 million from APJ.

Revenues from customers inside the U.S. were $537 million and $1,509 million during the three and nine months ended December 30, 2022, respectively, and $467 million and $1,383 million during the three and nine months ended December 31, 2021, 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)	December 30, 2022	April 1, 2022
U.S.	$ 372	$ 1,220
International	440	671
Total cash, cash equivalents and short-term investments	$ 812	$ 1,891

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)	December 30, 2022	April 1, 2022
U.S.	$ 39	$ 16
Ireland	24	27
Czech Republic	20	—
Germany	13	13
Other countries (1)	8	4
Total property and equipment, net	$ 104	$ 60

(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)	December 30, 2022	April 1, 2022
U.S.	$ 28	$ 66
Czech Republic	12	—
Other countries (1)	9	8
Total operating lease assets	$ 49	$ 74

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

Significant customers and channel partners

No individual, end-user customer accounted for 10% or more of our net revenues during the nine months ended December 30, 2022 and December 31, 2021.

Distributors that accounted for over 10% of our total accounts receivable were as follows:

	December 30, 2022	April 1, 2022
Distributor A	16 %	23 %
Distributor B	14 %	N/A

Note 18. Commitments and Contingencies

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, product warranties and losses arising out of our breach of agreements or representations and warranties made by us, including claims alleging that our software infringes on the intellectual property rights of a third party. 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. We monitor the conditions that are subject to indemnification to identify if a loss has occurred. 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 our Enterprise Security business to Broadcom, we assigned several leases to Broadcom or certain of its 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 Broadcom's or such subsidiaries' breach of payment obligations under the terms of such 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.

Litigation contingencies

Trustees of the University of Columbia in the City of New York v. NortonLifeLock

As previously disclosed in our public filings, on May 2, 2022, a jury returned its verdict in a patent infringement case filed in 2013 by the Trustees of Columbia University in the City of New York (Columbia) in the U.S. District Court for the Eastern District of Virginia. Columbia originally brought suit alleging infringement of six patents owned by the university. We won a favorable claim construction order on all six patents, and the claim construction was upheld by the Federal Circuit in 2016 on all but U.S. Patent Nos. 8,601,322 and 8,074,115. We also sought inter partes review by the Patent Trial and Appeal Board of the claims of the '322 and '115 Patents and all but two claims of the '322 Patent and three claims of the '115 Patent were invalidated. The remaining claims of the '322 and '115 Patents were the only claims that remained in suit at trial.

The jury found that our Norton Security products and Symantec Endpoint Protection products (the latter of which were sold by us to Broadcom as part of an Asset Purchase Agreement dated November 4, 2019) willfully infringe the '322 and '115 Patents through the use of SONAR/BASH behavioral protection technology. The jury awarded damages in the amount of $185 million. Columbia did not seek injunctive relief against us. We intend to cease use of the technology found by the jury to infringe. The jury also found that we did not fraudulently conceal its prosecution of U.S. Patent No. 8,549,643 but did find that two Columbia professors were coinventors of this patent. No damages were awarded related to this patent.

A formal judgment has not yet been entered in the case. Post-verdict motions have been filed, and we intend to file an appeal challenging the verdict.

At this time, our current estimate of the low end of the range of probable estimated losses from this matter is approximately $234 million, reflecting the jury award and prejudgment interest, which we have accrued. The jury's verdict may be enhanced and, should it be upheld on appeal, could ultimately result in the payment of somewhere between one and three times the jury's verdict, plus interest and attorneys' fees. There is a reasonable possibility that a loss may be incurred in excess of our accrual for this matter; however, such loss cannot be reasonably estimated.

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 of 1934, as amended (the 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. On April 20, 2021, to resolve an alleged conflict of interest raised with respect to the lead plaintiff and its counsel, the Court ordered a second Class Notice disclosing the circumstances of the alleged conflict and providing a further period for class members to opt out, which closed on July 2, 2021. The initial class opt out period closed on August 25, 2020.

On May 24, 2021, the parties reached a proposed settlement and release of all claims in the class action, for $70 million, and on June 8, 2021, the parties executed a Stipulation and Agreement of Settlement, subject to Court approval and exclusive of any claims that may be brought by shareholders who opted out of the class action. Of the $70 million, $67.1 million was covered under the applicable insurance policy with the remainder to be paid by us. The Court approved the settlement on February 12, 2022.

On November 22, 2021, investment funds managed by Orbis Investment Management Ltd. which previously opted out of the securities class action, filed suit under the Exchange Act of 1934, the Arizona Securities Act, the Arizona Consumer Fraud Act and certain common law causes of action to recover alleged damages for losses incurred by the funds for their purchases or acquisitions of our common stock during the class period. In the fourth quarter of fiscal 2022, we made an immaterial settlement offer in this matter, for which we have accrued. Our Motion to Dismiss is now pending.

Purported shareholder derivative lawsuits have been filed against us and certain of our former officers and current and former directors in the Delaware Court of Chancery (*In re Symantec Corp. S'holder. Deriv. Litig.*), Northern District of California (*Lee v. Clark et al.,*), and the District of Delaware (*Milliken vs. Clark et al.*). These assert generally the same facts and circumstances as alleged in the securities class action and alleging claims for breach of fiduciary duty and related claims. On January 4, 2023, after reaching an agreement on the terms of the proposed settlement including a payment of $12 million by the Company's D&O insurers to the Chancery plaintiffs, the parties to the Chancery action filed a Stipulation and Agreement of Settlement, Compromise and Release in that Court, which if approved by the Court will extinguish all claims in the Chancery, *Lee*, and *Milliken* actions. On January 10, 2023, the Court entered a scheduling order regarding the settlement notice, objection and approval process. Under the scheduling order, the Company will provide notice of the settlement to current stockholders, and stockholders will have until March 24, 2023, to lodge objections to the settlement. The *Lee* action has been stayed pending the settlement hearing in the Chancery Court. A fourth lawsuit filed in the Delaware Superior Court, *Kukard v. Symantec*, brings claims derivatively on behalf of our 2008 Employee Stock Purchase Plan. Motions to Dismiss are on file and fully briefed in the *Lee*, *Milliken* and *Kukard* actions. 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. At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible as a result of the derivative lawsuits or estimate the range of any potential loss.

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.

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 would 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 us 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 our announcement of our plans to distribute the after-tax proceeds of the sale of the Symantec enterprise business to Broadcom to our 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 our available cash, cash equivalents and short-term investments. The Court permitted the DOJ limited discovery of facts relevant to our 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 September 30, 2020, we filed a Motion for Reconsideration of certain rulings in the Court's March 30 Summary Judgment Order. A second Motion for Reconsideration of certain rulings in the Summary Judgement Order based on significant change in the law was filed on July 23, 2021. Both Motions for Reconsideration were denied. Court ordered mediations in July 2020 and February 2021 were not successful.

On March 23, 2021, Plaintiffs withdrew their demand for a jury trial and we consented to proceed with a bench trial, which concluded on March 24, 2022. On January 19, 2023, the Court issued its Findings of Facts and Conclusions of Law in which it found in favor of the United States in part and awarded damages and penalties in the amount of $1.3 million. The Court also found in favor of the State of California in part and awarded penalties in the amount of $0.4 million. The resulting Judgment was filed by the Court on January 20, 2023. At this time, we are considering whether to appeal the Court's decision. Plaintiffs have not yet indicated if they intend to appeal.

On May 13, 2021, we reached a settlement in principle with the State of Florida to resolve all claims it asserted in the litigation for $0.5 million, plus the relator's statutory attorney's fees with respect to the State of Florida's claims. On February 28, 2022, we reached a settlement in principle with the State of New York and the relator to resolve all of the New York claims asserted in the litigation for $5 million.

At this time, our current estimate of the low end of the range of probable estimated losses from this matter was reduced to $3 million, inclusive of the judgment and potential related awards, which we have accrued. It is possible that an appeal of the Court's judgment by the Plaintiffs, if brought, could lead to further 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 a reasonable possibility that a loss may have been incurred in excess of our accrual for this matter; however, such loss cannot be reasonably estimated.

Jumpshot Matters

At the end of 2019, Avast came under media scrutiny for provision of Avast customer data to its data analytics subsidiary Jumpshot Inc. Jumpshot was a subsidiary of Avast with its own management team and technical experts. Avast announced the decision to terminate its provision of data to, and wind down, Jumpshot on January 30, 2020. As Avast has previously disclosed, it has been in communication with certain regulators and authorities prior to completion of the Merger, and we will continue cooperating fully in respect of all regulatory enquiries.

On December 23, 2019, the United States Federal Trade Commission (FTC) issued a Civil Investigative Demand (CID) to Avast seeking documents and information related to its privacy practices, including Jumpshot's past use of consumer information that was provided to it by Avast. Avast responded cooperatively to the CID and related follow-up requests from the FTC. On October 29, 2021, staff at the FTC sent Avast a draft complaint and proposed settlement order. We have been engaged in ongoing negotiations with the FTC staff regarding the scope and terms of the proposed settlement. Any negotiated settlement with the FTC, or absent settlement, any litigation or other legal proceeding between us and the FTC could result in material monetary remedies and/or compliance requirements that impose significant and material cost and resource burdens on us, and may impact our ability to use data in the future. There can be no assurance that we will be successful in negotiating a favorable settlement or in litigation. Any remedies or compliance requirements could adversely affect our ability to operate our business or have a materially adverse impact on our financial results. At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible as a result of this investigation or estimate the range of any potential loss. On February 27, 2020, the Czech Office for Personal Data Protection (the Czech DPA) initiated offense proceedings concerning Avast`s practices with respect to Jumpshot, which remain ongoing and we continue to evaluate our options.

In addition, we received a letter and notification before action from Stichting CUIC – Privacy Foundation for Collective Redress, a Dutch foundation (the Foundation). The Foundation has asserted it represents the interests of Avast customers in the Netherlands whose data was provided to Jumpshot and that by doing so Avast violated the requirements of the GDPR and other provisions in Dutch and European Union privacy and consumer law entitling those customers to damages and other compensation, all of which we dispute. No specific amount of damages has been alleged and to date, no action has been filed. At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible as a result of this notification before action or estimate the range of any potential loss.

On December 12, 2022, a putative class action, *Lau v. Gen Digital Inc. and Jumpshot Inc*., was filed in the Northern District of California alleging violations of the Electronic Communications Privacy Act, California Invasion of Privacy Act, statutory larceny, unfair competition and various common law claims related to the provision of customer data to Jumpshot. At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible as a result of this action or estimate the range of any potential loss. We dispute these claims and intend to defend them vigorously.

The outcome of the regulatory proceedings, government enforcement actions and litigation 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 large or indeterminate amounts or seek to impose sanctions, including significant monetary penalties, as well as equitable relief. 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. The amount of time that will be required to resolve these matters is unpredictable, and these matters may divert management's attention from the day-to-day operations of our business. Any future investigations or additional lawsuits may also adversely affect our business, financial condition, results of operations and cash flows.

Other

We are involved in a number of other judicial and administrative proceedings that are incidental to our business. Although adverse decisions (or settlements) may occur in one or more of the cases, it is not possible to estimate the possible loss or losses from each of these cases. The final resolution of these lawsuits, individually or in the aggregate, is not expected to have a material adverse effect on our business, results of operations, financial condition or cash flows.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Forward-looking statements and factors that may affect future results

The discussion below contains forward-looking statements, which are subject to safe harbors under the Securities Act of 1933, as amended (the Securities Act) and the Exchange Act. 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, including trends in revenue, costs of revenue, gross profit or gross margin, operating expenses, paying users, annual recurring revenue, average revenue per user, free cash flow, and the assumptions underlying such trends; anticipated growth and trends in our businesses and in our industries; the consummation of or anticipated impacts of acquisitions (including our ability to achieve synergies from the Merger with Avast), divestitures, restructurings, stock repurchases, financings, debt repayments 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 products and solutions; anticipated tax rates, benefits and expenses; the impact of inflation, fluctuations in foreign currency exchange rates, changes in interest rates, Russia's invasion of Ukraine, the COVID-19 pandemic and other global macroeconomic factors 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 economic recessions, inflationary pressures and those other factors 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

Gen is a global, leading provider of consumer Cyber Safety solutions, empowering over 500 million users in more than 150 countries. Our portfolio provides protection across three Cyber Security categories: security, identity protection and online privacy. We help customers protect their computer and mobile devices from online threats, safeguard their identity and personal information and strengthen online privacy capabilities and functionalities.

Merger with Avast

On September 12, 2022, we completed the Merger with Avast with the issuance of 94,201,223 shares of our common stock to Avast shareholders and cash consideration of $6,910 million, which includes repayment of Avast's outstanding debt. In connection with the Merger, we changed our corporate name to Gen Digital Inc. and became dual headquartered in Tempe, Arizona and Prague, Czech Republic. Prior to the Merger, Avast was a global leader in consumer cybersecurity, offering a comprehensive range of digital security and privacy products and services that protected and enhanced users' online experiences. We believe combining Avast's strength in privacy and our strength in identity creates a broad and complementary consumer product portfolio beyond core security and towards adjacent trust-based solutions. We also believe the Merger provides greater geographic diversification and access to a larger user base and will accelerate the transformation of global consumer cyber safety. All financial information related to Avast that is discussed below in key financial metrics, results of operations and liquidity and capital resources is inclusive as of the Closing Date.

Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The three and nine months ended December 30, 2022 and December 31, 2021 each consisted of 13 and 39 weeks, respectively. Our 2023 fiscal year consists of 52 weeks and ends on March 31, 2023.

Key financial metrics

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

	Three Months Ended		Nine Months Ended	
(In millions, except for per share amounts)	**December 30, 2022**	**December 31, 2021**	**December 30, 2022**	**December 31, 2021**
Net revenues	$ 936	$ 702	$ 2,391	$ 2,080
Operating income (loss)	$ 368	$ 302	$ 870	$ 876
Net income (loss)	$ 165	$ 202	$ 434	$ 716
Net income (loss) per share - diluted	$ 0.25	$ 0.34	$ 0.70	$ 1.21
Net cash provided by (used in) operating activities	$ 306	$ 330	$ 433	$ 648

	As Of	
(In millions)	**December 30, 2022**	**April 1, 2022**
Cash, cash equivalents and short-term investments	$ 812	$ 1,891
Contract liabilities	$ 1,729	$ 1,306

Below are our financial highlights for the third quarter of fiscal 2023, compared to the corresponding period in the prior year:

- Net revenues increased $234 million and Operating income increased $66 million, primarily due to revenue attributable to Avast and higher sales in our identity and information protection products, offset by FX headwinds.
- Net income decreased $37 million and Net income per share - diluted decreased 0.09, primarily due to an increase in interest expense associated with our new senior credit facilities and two senior notes.

Below are our financial highlights for the first nine months of fiscal 2023, compared to the corresponding period in the prior year:

- Net revenues increased $311 million, primarily due to revenue attributable to Avast and higher sales in our identity and information protection products, offset by FX headwinds.
- Net income decreased $282 million and Net income per share - diluted decreased $0.51, primarily due to the increase in non-operating other expense.
- Cash, cash equivalents and short-term investments decreased by $1,079 million compared to April 1, 2022, primarily due to the completion of the Merger and repurchases of our common stock, offset by proceeds from the issuance of the senior credit facilities and the two senior notes. Additionally, subsequent to December 30, 2022, we made a voluntary prepayment of $250 million for our senior credit facilities, which was applied exclusively to the Term B Facility.
- Contract liabilities increased $423 million compared to April 1, 2022, primarily due to contract liabilities assumed as part of the Merger, partially offset by seasonally lower billings than recognized revenue during the period.

The Merger has altered the size and scope of our operations, impacting our assets, liabilities, obligations, capital requirements and performance measures. We expect the key financial metrics and results of operations of the combined company to be materially different than the trends experienced during the three and nine months ended December 30, 2022. As a combined company, we expect to achieve synergies, rapidly launch a broad and innovative product portfolio, expand into new and diversified sales channels and enhance customer experience and retention. Refer to Note 4 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information about this business combination.

GLOBAL MACROECONOMIC CONDITIONS

Our results of operations and cash flows are subject to fluctuations due to inflation, changes in foreign currency exchange rates relative to U.S. dollars, our reporting currency, as well as changes in interest rates. Volatile market conditions related to Russia’s invasion of Ukraine and retaliatory sanctions against the Russian Federation and Belarus, the COVID-19 pandemic and other macroeconomic events have, at times, and may in the future negatively impact our results of operations and cash flows. Conversely, we have seen and may continue to see cost savings from the shift to remote and distributed work for certain of our employees in areas including events, travel, utilities and other benefits. Due to our subscription-based business model, the effect of recent macroeconomic events may not be fully reflected in our results of operations until future periods, if at all. For a further discussion of the potential impacts of the global macroeconomic conditions on our business, 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 1, 2022. There have been no material changes in the matters for which we make critical accounting estimates in the preparation of our Condensed Consolidated Financial Statements during the three and nine months ended December 30, 2022.

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	
	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
Net revenues	100 %	100 %	100 %	100 %
Cost of revenues	19	15	17	15
Gross profit	81	85	83	85
Operating expenses:				
Sales and marketing	20	23	21	22
Research and development	10	9	9	9
General and administrative	1	6	9	7
Amortization of intangible assets	7	3	5	3
Restructuring and other costs	5	2	2	1
Total operating expenses	42	42	47	43
Operating income (loss)	39	43	36	42
Interest expense	(16)	(5)	(10)	(5)
Other income (expense), net	—	(1)	—	8
Income (loss) before income taxes	23	37	27	45
Income tax expense (benefit)	5	8	9	11
Net income (loss)	18 %	29 %	18 %	34 %

Note: Percentages may not add due to rounding.

Net revenues

	Three Months Ended			Nine Months Ended		
(In millions, except for percentages)	December 30, 2022	December 31, 2021	Change in %	December 30, 2022	December 31, 2021	Change in %
Net revenues	$ 936	$ 702	33 %	$ 2,391	$ 2,080	15 %

Three Months Ended December 30, 2022 Compared with Three Months Ended December 31, 2021

Net revenues increased $234 million, primarily due to revenue attributable to Avast and an increase in sales of our identity and information protection products, offset by $34 million of foreign exchange headwinds, primarily in our consumer security solutions.

Nine Months Ended December 30, 2022 Compared with Nine Months Ended December 31, 2021

Net revenues increased $311 million, primarily due to revenue attributable to Avast and an increase in sales of our identity and information protection products, offset by $92 million of foreign exchange headwinds, primarily in our consumer security solutions.

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 supplemental key performance metrics:

	Three Months Ended [2]		
(In millions, except for per user amounts)	**December 30, 2022 [3]**	**September 30, 2022 [3]**	**December 31, 2021**
Direct customer revenues [1]	$ 818	$ 660	$ 624
Partner revenues	$ 95	$ 74	$ 68
Total Cyber Safety revenues	$ 913	$ 734	$ 692
Legacy revenues	$ 23	$ 14	$ 12
Direct customer count (at quarter end)	38.4	38.6	24.2
Direct average revenue per user (ARPU)	$ 7.09	$ 6.98	$ 8.62

(1) Direct customer revenues during the three months ended December 31, 2021 excludes a $2 million reduction of revenue, from contract liability purchase accounting adjustments. We believe that eliminating the impact of these adjustments improves the comparability of revenues between periods. In addition, although the adjustment amounts will never be recognized in our GAAP financial statements, we do not expect the acquisitions to affect the future renewal rates of revenues excluded by the adjustments.

(2) From time to time, changes in our product hierarchy cause changes to the revenue channels above. When changes occur, we recast historical amounts to match the current revenue channels. Direct revenues currently includes Mobile App Store customers, and legacy revenues includes revenues from products or solutions that are no longer in operations in exited markets, have been discontinued or identified to be discontinued, or remain in maintenance mode as a result of integration and product portfolio decisions. As such, the changes to historical revenue amounts and the other performance metrics, including direct customer count and ARPU, are reflected for all periods presented above.

(3) The performance metrics for the three months ended December 30, 2022 and three months ended September 30, 2022 include the revenues earned and customers acquired through our Merger with Avast. ARPU is based on average customer count and assumes full quarter of revenue for both companies.

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. We exclude users on free trials and users who have indirectly purchased our product or services through partners unless such users convert or renew their subscription directly with us, or sign up for a paid membership through our web store or third party app stores.

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	
	December 30, 2022	**December 31, 2021**	**December 30, 2022**	**December 31, 2021**
Americas	66 %	70 %	69 %	70 %
EMEA	24 %	18 %	20 %	18 %
APJ	10 %	12 %	11 %	12 %

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 three and nine months ended December 30, 2022 remains primarily in the Americas but is beginning to shift more into the EMEA markets, as the Merger with Avast has contributed to a stronger presence in those regional countries.

Cost of revenues

	Three Months Ended			Nine Months Ended		
(In millions, except for percentages)	**December 30, 2022**	**December 31, 2021**	**Change in %**	**December 30, 2022**	**December 31, 2021**	**Change in %**
Cost of revenues	$ 178	$ 105	70 %	$ 399	$ 307	30 %

Three Months Ended December 30, 2022 Compared with Three Months Ended December 31, 2021

Our cost of revenues increased $73 million, primarily due to a $46 million increase in the amortization of acquired intangible assets and $24 million increase in payment processing fees.

Nine Months Ended December 30, 2022 Compared with Nine Months Ended December 31, 2021

Our cost of revenues increased $92 million, primarily due to a $46 million increase in the amortization of acquired intangible assets, $29 million increase in payment processing fees, and $18 million increase in revenue share costs and royalty charges.

Operating expenses

	Three Months Ended			Nine Months Ended		
(In millions, except for percentages)	**December 30, 2022**	**December 31, 2021**	**Change in %**	**December 30, 2022**	**December 31, 2021**	**Change in %**
Sales and marketing	$ 183	$ 160	14 %	$ 506	$ 466	9 %
Research and development	91	60	52 %	225	194	16 %
General and administrative	11	42	(74)%	225	150	50 %
Amortization of intangible assets	61	21	190 %	111	63	76 %
Restructuring and other costs	44	12	267 %	55	24	129 %
Total operating expenses	$ 390	$ 295	32 %	$ 1,122	$ 897	25 %

Our operating expenses increased in the three and nine months ended December 30, 2022 compared to the three and nine months ended December 31, 2021 primarily due to increased headcount, IT and facility occupancy costs, as well as efforts to realize cost synergies, in connection with the Merger which was completed during the second quarter of fiscal 2023.

Three Months Ended December 30, 2022 Compared with Three Months Ended December 31, 2021

Sales and marketing expense increased $23 million, primarily due to a $21 million increase of headcount, IT and facility occupancy costs.

Research and development expense increased $31 million, primarily due to a $23 million increase of headcount, IT and facility occupancy costs, $5 million increase of outside services and software expense and $4 million increase of stock-based compensation expense.

General and administrative expense decreased $31 million, primarily due to a $42 million legal accrual reversal relating to an ongoing contract compliance lawsuit, partially offset by a $11 million increase of headcount costs.

Amortization of intangible assets increased $40 million primarily as a result of the Merger with Avast.

Restructuring and other costs increased $32 million, primarily due to severance and termination benefit costs in connection with the September 2022 Plan. See Note 12 of the Notes to the Condensed Consolidated Financial Statements for details of the fiscal 2023 restructuring activities.

Nine Months Ended December 30, 2022 Compared with Nine Months Ended December 31, 2021

Sales and marketing expense increased $40 million, primarily due to a $28 million increase of headcount and IT costs and a $11 million increase of stock-based compensation expense.

Research and development expense increased $31 million, primarily due to a $19 million increase of headcount and IT costs, a $7 million increase of stock-based compensation expense and a $6 million increase in outside services and software expense.

General and administrative expense increased $75 million, due to a $43 million increase of transaction and integration costs incurred in connection with the Merger, a $57 million legal accrual, of which $49 million was prejudgment interest, relating to an ongoing patent infringement lawsuit and the corresponding legal fees, and a $16 million increase of stock-based compensation expense. This was partially offset by a $42 million legal accrual reversal relating to an ongoing contract compliance lawsuit.

Amortization of intangible assets increased $48 million primarily as a result of the Merger with Avast.

Restructuring and other costs increased $31 million, primarily due to severance and termination benefit costs in connection with the September 2022 Plan. See Note 12 of the Notes to the Condensed Consolidated Financial Statements for details of the fiscal 2023 restructuring activities.

Non-operating income (expense), net

(In millions)	Three Months Ended December 30, 2022	Three Months Ended December 31, 2021	Nine Months Ended December 30, 2022	Nine Months Ended December 31, 2021
Interest expense	$ (154)	$ (32)	$ (233)	$ (95)
Interest income	5	—	10	—
Foreign exchange gain (loss)	(7)	1	(8)	3
Gain (loss) on early extinguishment of debt	—	—	(9)	(5)
Gain on sale of properties	—	—	—	175
Other	4	(10)	10	(8)
Total non-operating income (expense), net	$ (152)	$ (41)	$ (230)	$ 70

Three Months Ended December 30, 2022 Compared with Three Months Ended December 31, 2021

Non-operating income (expense), net, increased by $111 million in expense, primarily due to an increase in interest expense associated with our new senior credit facilities and two senior notes, all of which were issued during the second quarter of fiscal 2023.

Nine Months Ended December 30, 2022 Compared with Nine Months Ended December 31, 2021

Non-operating income (expense), net, increased by $300 million in expense, primarily due to the absence of the $175 million gain on sale of certain land and buildings in Mountain View, California during the second quarter of fiscal 2022 and an increase in interest expense associated with our new senior credit facilities and two senior notes, all of which were issued during the second quarter of fiscal 2023.

Provision for income taxes

(In millions, except for percentages)	Three Months Ended December 30, 2022	Three Months Ended December 31, 2021	Nine Months Ended December 30, 2022	Nine Months Ended December 31, 2021
Income (loss) before income taxes	$ 216	$ 261	$ 640	$ 946
Income tax expense (benefit)	$ 51	$ 59	$ 206	$ 230
Effective tax rate	24 %	23 %	32 %	24 %

Our effective tax rate for income for the three and nine months ended December 30, 2022 differs from the federal statutory income tax rate primarily due to state taxes and the U.S. taxation on foreign earnings, and certain discrete items this quarter including the tax impacts of internal restructuring, deductibility of transaction costs from the Merger, and the limitations of foreign taxes due to the increase of interest expense.

Our effective tax rate for the three and nine months ended December 31, 2021 differs from the federal statutory income tax rate primarily due to state taxes and U.S. taxation on foreign earnings.

We are a multinational company dual headquartered in the U.S. and Czech Republic, 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. Our results can also be impacted by the costs incurred and the potential deductibility of the expenses. Any change in our mix of earnings is dependent upon many factors and therefore, is difficult to predict.

In connection with the Merger, we established $345 million of net deferred tax liabilities primarily related to the excess of book basis over the tax basis of acquired identified intangible assets. The net deferred tax liabilities are based upon certain assumptions underlying our preliminary purchase price allocation. Upon finalization of the purchase price allocation, additional adjustments to the amount of our net deferred taxes may be required.

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 and Capital Resources

We have historically relied on cash generated from operations, borrowings under credit facilities, issuances of debt and proceeds from divestitures for our liquidity needs.

Our capital allocation strategy is to balance driving stockholder returns, managing financial risk and preserving our flexibility to pursue strategic options, including acquisitions and mergers. Historically, this has included a quarterly cash dividend, the repayment of debt and the repurchase of shares of our common stock.

Based on past performance and current expectations, we believe that our existing cash and cash equivalents, together with cash generated from operations and amounts available under our Revolving Facility, will be sufficient to meet our working capital needs, support on-going business activities and finance the expected synergy costs related to the Merger through at least the next 12 months and to meet our known long-term contractual obligations. We are currently not aware of any trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in our liquidity increasing or decreasing in any material way that will impact our capital needs during or beyond the next 12 months. However, our future liquidity and capital requirements may vary materially from those as of December 30, 2022 depending on several factors, including, but not limited to, economic conditions; political climate; the expansion of sales and marketing activities; the costs to acquire or invest in businesses; and the risks and uncertainties discussed in “Risk Factors” in Part II, Item 1A below.

Cash flows

The following summarizes our cash flow activities:

(In millions)	Nine Months Ended	
	December 30, 2022	December 31, 2021
Net cash provided by (used in):		
Operating activities	$ 433	$ 648
Investing activities	$ (6,546)	$ 316
Financing activities	$ 5,064	$ (116)

See Note 7 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for our supplemental cash flow information.

Cash from operating activities

Our cash flows provided by operating activities decreased by $215 million, primarily due to an increase in cash payments during the first nine months of fiscal 2023, including payments of federal income taxes, debt interest, and transaction costs and other regulatory closing fees in connection with the Merger.

Cash from investing activities

Our cash flows used in investing activities increased by $6,862 million, primarily due to the $6,547 million total cash consideration paid for the Merger with Avast, net of $363 million cash acquired and $2,141 million non-cash consideration transferred, as well as the absence of $355 million in proceeds from the sale of certain Mountain View, California properties during the first six months of fiscal 2022.

Cash from financing activities

Our cash flows provided by financing activities increased $5,180 million, primarily due to proceeds from the issuance of debt, partially offset by repayment of debt and the continuation of our stock repurchase program. The first six months of fiscal 2023 reflects $8,954 million of aggregate proceeds: $3,910 million from Term Facility A, $3,690 million from Term Facility B, $900 million from the 6.75% Senior Notes and $600 million from the 7.125% Senior Notes, net of $146 million of debt issuance costs. This was partially offset by the $400 million repayment of our 3.95% Senior Notes, $1,010 million repayment of our Initial Term Loan, $703 million repayment of our Delayed Draw Term Loan, settlement of the $525 million principal and $100 million equity rights associated with our New 2.0% Convertible Notes, and common stock repurchases of $904 million. In contrast, the first three months of fiscal 2022 reflects $512 million of proceeds from the issuance of our Initial Term Loan, partially offset by the $364 million settlement of our New 2.5% Convertible Notes.

Cash and cash equivalents

As of December 30, 2022, we had cash, cash equivalents and short-term investments of $812 million, of which $440 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 foreign taxes.

Debt

On June 1, 2022, we fully repaid the principal and accrued interest under the 3.95% Senior Notes due June 2022, which had an aggregate principal amount outstanding of $400 million. In addition, we paid $7 million of accrued and unpaid interest through the redemption date.

On August 15, 2022, we settled the $525 million principal and conversion rights of our New 2.0% Convertible Notes in cash. The aggregate settlement amount of $630 million was based on $20.41 per underlying share into which the New 2.0% Convertible Notes were convertible. In addition, we paid $5 million of accrued and unpaid interest through the date of settlement.

On September 12, 2022, upon close of the Merger with Avast, we entered into the Amended and Restated Credit Agreement (Credit Agreement) with certain financial institutions, in which they agreed to provide us with (i) a $1,500 million revolving credit facility (Revolving Facility), a $3,910 million term loan A facility (Term A Facility), (iii) a $3,690 million term loan B facility (Term B Facility) and (iv) a $750 million tranche A bridge loan (Bridge Loan) (collectively, the senior credit facilities). The Bridge Loan was undrawn and immediately terminated upon the Merger's close. We drew down the aggregate principal amounts of the Term A Facility and Term B Facility to finance the cash consideration payable for the transaction and to fully repay the outstanding principal of $1,703 million and accrued and unpaid interest of $3 million under the Initial Term Loan and Delay Draw Term Loan from the existing credit facilities. The Credit Agreement replaced the existing credit facilities upon the close of the transaction. During the nine months ended December 30, 2022, we paid an aggregate $145 million in debt issuance costs associated with the senior credit facilities.

On September 19, 2022, we issued two series of senior notes, consisting of 6.75% Senior Notes due 2027 and 7.125% Senior Notes due 2030, for an aggregate principal of $1,500 million. They are senior unsecured obligations that rank equally in right of payment with all of our existing and future senior, unsecured, unsubordinated obligations and may be redeemed at any time, subject to the make-whole provisions contained in the applicable indenture relating to such series of notes. Interest on these series of notes is payable semi-annually in arrears on March 31 and September 30 for both the 6.75% Senior Notes and 7.125% Senior Notes, commencing on March 31, 2023. During the nine months ended December 30, 2022, we paid an aggregate $14 million in debt issuance costs associated with the two senior notes.

In connection with the financing provided for Term B Facility, we incurred customary ticking fees with respect to the undrawn commitments that began accruing on the 61st day post-syndication. The ticking fees were accrued at the per annum rate of (i) 50% of the interest rate margin for adjusted SOFR (or applicable replacement rate) loans for 61-90 days from January 28, 2022, the syndication date, and (ii) 100% of the interest rate margin for adjusted SOFR (or applicable replacement rate) loans on and after 91 days from the syndication date. Ticking fees were payable on the Closing Date of the transaction. During the nine months ended December 30, 2022, we paid $31 million in ticking fees.

Subsequent to December 30, 2022, on January 19, 2023, we made a voluntary prepayment of $250 million for our senior credit facilities, which was applied exclusively to the Term B Facility.

Share repurchases

During the three and nine months ended December 30, 2022, we executed repurchases of 23 million and 40 million shares of our common stock, respectively, under our existing share repurchase program for an aggregate amount of $500 million and $904 million, respectively.

Merger with Avast

On September 12, 2022, we completed the Merger with Avast for a total cash consideration of approximately $6,547 million, net of $363 million of cash acquired and $2,141 million non-cash consideration transferred. The cash consideration included repayment of outstanding Avast debt totaling $942 million. See Note 4 of the Notes to the Condensed Consolidated Financial Statements for further information about this business combination.

Material Cash Requirements

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

Debt instruments

As of December 30, 2022, our total outstanding principal amount of indebtedness is summarized as follows. See Note 10 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information on our debt.

(In millions)	December 30, 2022
Term Loans	$ 7,600
Senior Notes	2,600
Mortgage Loans	7
Total debt	$ 10,207

The Credit Agreement contains customary representations and warranties and affirmative and negative covenants, including compliance with specified financial ratios. As of December 30, 2022, we were in compliance with all debt covenants. See Note 10 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information regarding financial ratios and debt covenant compliance.

Dividends

On February 2, 2023, we announced a cash dividend of $0.125 per share of common stock to be paid in March 2023. Any future dividends and dividend equivalents will be subject to the approval of our Board of Directors.

Share repurchase program

Under our stock repurchase program, we may purchase shares of our outstanding common stock on the open market (including through trading plans intended to qualify under Rule 10b5-1 under the Exchange Act) and through accelerated stock repurchase transactions. As of December 30, 2022, the remaining balance of our stock repurchase authorization was $870 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

In connection with the Merger, our Board of Directors approved a restructuring plan (the September 2022 Plan) to realize cost savings and operational synergies, which became effective upon the close of the Merger on September 12, 2022. We have incurred and expect to incur cash expenditures for severance and termination benefits, contract terminations, facilities closures, and the sale of underutilized facilities as well as stock-based compensation charges for accelerated equity awards for certain terminated employees. As of December 30, 2022, we expect that we will incur total costs up to $280 million, with $180 million and $100 million estimated to be incurred within the first and second full years, respectively, following the completion of the Merger. These actions are expected to be completed by fiscal 2024. During the nine months ended December 30, 2022, we made $21 million in cash payments related to the September 2022 Plan. See Note 12 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further cash flow information associated with our restructuring activities.

Significant contractual obligations

The following is a schedule of our significant contractual obligations and commitments as of December 30, 2022, including those associated with the Merger with Avast. The expected timing and amount of short-term and long-term 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 certain obligations.

(In millions)	Short-Term Payments	Long-Term Payments	Total
Contractual obligations:			
Debt (principal payments) (1)	$ 233	$ 9,974	$ 10,207
Interest payments on debt (2)	601	2,565	3,166
Purchase obligations (3)	285	107	392
Deemed repatriation taxes (4)	128	310	438
Operating leases (5)	28	40	68
Total	$ 1,275	$ 12,996	$ 14,271

(1) As of December 30, 2022, our total outstanding principal amount of indebtedness is comprised of $7,600 million in Term Loans, $2,600 million in Senior Notes and $7 million in Mortgage Loans. See Note 10 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information about our debt and debt covenants.

The Credit Agreement contains customary representations and warranties and 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 December 30, 2022, we were in compliance with all debt covenants.

(2) Interest payments calculated based on the contractual terms of the related debt instruments. Interest on variable rate debt was calculated using the interest rate in effect as of December 30, 2022. See Note 10 of the Notes to the Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information on the Term Loans and Senior Notes.

(3) Agreements for purchases of goods or services, with terms that are enforceable and legally binding and 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. These amounts include agreements to purchase goods or services that have cancellation provisions requiring little or no payment. The amounts under such contracts are included 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.

(4) Transition tax payments on previously untaxed foreign earnings of foreign subsidiaries under the Tax Cuts and Jobs Act, which may be paid through July 2025.

(5) Payments for various non-cancelable operating lease agreements that expire on various dates through fiscal 2028. The amounts in the table above exclude expected sublease income. See Note 9 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q 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 December 30, 2022, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, $614 million in long-term income taxes payable has been excluded from our quarterly review of timing of contractual obligations.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to various market risks related to fluctuations in foreign currency exchange and interest rates. We may use derivative financial instruments to reduce the volatility of earnings and cash flow that may result from adverse economic conditions and events or changes in foreign currency exchange and interest rates.

Interest rate risk

As of December 30, 2022, we had $2,600 million in aggregate principal amount of fixed-rate Senior Notes outstanding, with a carrying amount and a fair value of $2,552 million, based on Level 2 inputs. The fair value of these notes fluctuates when interest rates change. Since these notes bear interest at fixed rates, financial statement risk associated with changes in interest rates is limited to future refinancing of current debt obligations. If these notes were refinanced at higher interest rates prior to maturity, our total interest payments could increase by a material amount; however, this risk is mitigated by our strong cash position and expected future cash generated from operations, which will be sufficient to satisfy this increase in obligation.

As of December 30, 2022, we also had $7,600 million outstanding debt with variable interest rates based on the Secured Overnight Financing Rate (SOFR). A hypothetical 1% change in SOFR would have resulted in a $76 million increase in interest expense on an annualized basis.

In addition, we have a $1,500 million revolving credit facility that if drawn bears interest at a variable rate based on SOFR and would be subject to the same risks associated with adverse changes in SOFR.

Foreign currency exchange rate risk

We conduct business in numerous currencies through 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, primarily in Euro, Japanese Yen, British Pound, Australian Dollar, Czech Koruna and Canadian Dollar. In addition, we charge our international subsidiaries for their use of intellectual property and technology and for certain corporate services provided. Our cash flow, results of operations and certain of our intercompany balances that are exposed to foreign exchange rate fluctuations may differ materially from expectations, and we may record significant gains or losses due to foreign currency fluctuations and related hedging activities. As a result, we are exposed to foreign exchange gains or losses which impacts our operating results.

Growth in our international operations will incrementally increase our exposure to foreign currency fluctuations as well as volatile market conditions, including the weakening of foreign currencies relative to USD, which has and may in the future negatively affect our revenue expressed in USD.

We manage these exposures and reduce the potential effects of currency fluctuations on our results of operations through monthly foreign exchange forward contracts on our assets and liabilities denominated in currencies other than the functional currency of our subsidiaries. The gains and losses on these foreign exchange contracts are recorded in Other income (expense), net in the Consolidated Statements of Operations.

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. As our international operations grow, we will continue to reassess our approach to managing risks related to fluctuations in foreign currency.

Additional information related to our debt and derivative instruments is included in Note 10 and Note 11, respectively, of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

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 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

During the third quarter of fiscal 2023, except for the Merger with Avast discussed below, there were no changes in our internal controls over financial reporting or in other factors, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

On September 12, 2022, we completed the Merger with Avast and are currently integrating Avast into our operations and internal control processes. Pursuant to the Securities and Exchange Commission's guidance that an assessment of a recently acquired business may be omitted from the scope of the evaluation for a period up to one year following the Merger, the scope of our assessment of our internal controls over financial reporting is ongoing. We are currently assessing the control environment related to our Merger with Avast and have designed and implemented new controls as needed.

(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 18 of the Notes 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 and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations, Legal Proceedings, and Quantitative and Qualitative Disclosures About Market Risk.” The list is not exhaustive, and you should carefully consider these risks and uncertainties before investing in our common stock.

RISKS RELATED TO OUR BUSINESS STRATEGY AND INDUSTRY

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 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. 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 attract new customers. A loss of customers would 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;
- Product and service interoperability challenges with customer’s technology and third-party vendors;
- The integration of products and solutions from acquired companies;
- Entering into new or unproven market segments; and
- Executing new product and service strategies.

In addition, third parties, including operating systems and internet browser companies, may take steps to further limit the interoperability of our solutions with their own products and services, in some cases to promote their own offerings. This could delay the development of our solutions or our solutions may be unable to operate effectively. This could also result in decreased demand for our solutions, decreased revenue, and harm to our reputation, and adversely affect our business, financial condition, results of operations, and cash flows.

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 and dynamic environment, and if we are unable to compete effectively, we could experience a loss in market share and a reduction in revenue.

We operate in intensely competitive and dynamic markets that experience frequent and rapid 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, we could experience a loss of market share and a reduction in our revenues, which could materially and adversely affect our business and financial 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 as well as the ways our information is accessed, used and stored by our customers, and appropriately respond to competitive strategies.

We face competition from a broad range of companies, including software vendors focusing on Cyber Safety solutions, operating system providers such as Apple, Google and Microsoft, and ‘pure play’ companies that currently specialize in one or a few particular segments of the market and many of which are expanding their product portfolios into different segments. Many of these competitors offer solutions or are currently developing solutions that directly compete with our offerings. We also face growing competition from other technology companies, as well as from companies in the identity threat protection space such as credit bureaus. Further, many of our competitors are increasingly developing and incorporating into their products data protection software and other competing Cyber Safety products such as antivirus protection or VPN, often free of charge, that compete with our offerings. Our competitive position could be adversely affected by the functionality incorporated into these products rendering our existing solutions obsolete. In addition, the introduction of new products or services by competitors, and/or market acceptance of products or services based on emerging or alternative technologies, could make it easier for other products or services to compete with our solutions.

We anticipate facing additional competition as new participants continue to enter the Cyber Safety market and as our current competitors seek to increase their market share and expand their existing offerings. Some of our competitors have greater financial, technical, marketing, or other resources than we do, including in new Cyber Safety and digital life segments, 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 and through benefiting from unique access to customer engagement points. Further consolidation among our competitors and within our industry or, in addition to other changes in the competitive environment, such as greater vertical integration from key computing and operating system suppliers could result in larger competitors that compete more frequently with us.

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 with their own solutions; similarly, they could gain market share from us if these partners more actively promote our competitors' solutions or their own solutions than our solutions. 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.

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), in January 2021, we completed the acquisition of Avira, and in September 2022, we completed the Merger with Avast. 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;
- Challenges in retaining customers of acquired businesses, or providing the same level of service to existing customers with reduced resources;
- 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;
- 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.

Our revenue and operating results depend significantly on our ability to retain our existing customers, convert existing non-paying customers to paying customers and add new customers.

We generally sell our solutions to our customers on a monthly or annual subscription basis. Customers may choose not to renew their membership with us at any time. Renewing customers may require additional incentives to renew, may not renew for the same contract period, or may change their subscriptions. 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 accurately predict or anticipate 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 and the value they place on 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; including increasing availability and efficacy of free solutions;
- Disruption by new services or changes in law or regulations that impact the need for efficacy of our products and services;
- Changes in auto-renewal regulations;
- Our customers' dissatisfaction with our efforts to market additional products and services;
- Our customer service and responsiveness to the needs of our customers;
- Changes in our target customers' spending levels as a result of general economic conditions, inflationary pressures or other factors; and
- The quality and efficacy of our third party partners who assist us in renewing customers' subscriptions.

Declining customer retention rates could cause our revenue to grow more slowly than expected or decline, and our operating results, gross margins and business will be harmed.

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 pricing practices. If our competitors offer deep discounts on certain solutions or provide offerings, or offer free introductory products that compete with ours, we may need to lower prices or offer similar free introductory products in order to compete successfully. Similarly, if external factors, such as economic conditions or market trends, require us to raise our 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 did not experience a material increase in cancellations by customers or a material reduction in our retention rate in fiscal 2022 or in the first three quarters of fiscal 2023, 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 inflation, changes in interest rates, Russia's invasion of Ukraine, the COVID-19 pandemic or other macroeconomic events. 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.

In addition, in January 2021, we acquired Germany-based Avira and in September 2022, we completed the Merger with Avast. Many of Avira's and Avast's users are freemium subscribers, meaning they do not pay for its basic services. Much of our anticipated growth in connection with the Avira acquisition and the Merger with Avast is attributable to attracting and converting Avira's and Avast's freemium users to a paid subscription option. Numerous factors, however, may impede our ability to attract free users, convert these users into paying customers and retain them.

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 competing solutions due to pricing, promotions, and other terms offered by our competitors;
- Any consolidation of electronics retailers can increase their negotiating power with respect to software providers such as us and any decline in the number of physical retailers could decrease the channels of distribution for us;

- The continued consolidation of online sales through a small number of larger channels has been increasing, which could reduce the channels available for online distribution of our solutions; and
- Sales through our partners are subject to changes in general economic conditions, strategic direction, competitive risks, and other issues that could result in a reduction of sales, 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.

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 technology-related write-offs, workforce reduction costs, charges relating to consolidation of excess facilities, or claims from third parties who were resellers or users of discontinued products. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Although in certain instances our vendor agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs, our loss contingencies may include liabilities for contracts that we cannot cancel, reschedule or adjust with suppliers.

Further, our estimates relating to the liabilities for excess facilities are affected by changes in real estate market conditions. Additionally, we are required to evaluate goodwill impairment on an annual basis and between annual evaluations in certain circumstances, and future goodwill impairment evaluations may result in a charge to earnings.

RISKS RELATED TO OUR OPERATIONS

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

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

- Difficulties in staffing, managing, and coordinating the activities of our geographically dispersed and culturally diverse operations;
- 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;
- 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;
- 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.;
- 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;
- Costs and delays associated with developing software and providing support in multiple languages;
- Political, social or economic unrest, war, or terrorism, or regional natural disasters, particularly in areas in which we have facilities; and
- Multiple and possibly overlapping tax regimes.

The expansion of our existing international operations and entry into additional international markets has required and will continue to require significant management attention and financial resources. These increased costs may increase our cost of acquiring international customers, which may delay our ability to achieve profitability or reduce our profitability in the future. We may also face pressure to lower our prices in order to compete in emerging markets, which could adversely affect revenue derived from our international operations.

Our business has not been materially impacted to date by Russia's invasion of Ukraine and retaliatory sanctions against the Russian Federation and Belarus; however, it is not possible to predict the broader consequences of this conflict or other conflicts that may arise in the future, which could include geopolitical instability and uncertainty; adverse impacts on global and regional economic conditions and financial markets, including significant volatility in credit, capital, and currency markets; reduced economic activity; changes in laws and regulations affecting our business, including further sanctions or counter-sanctions which may be enacted; and increased cybersecurity threats and concerns. The ultimate extent to which Russia's invasion of Ukraine or other future conflicts may negatively impact our business, financial condition and results of operations will depend on future developments, which are highly uncertain, difficult to predict and subject to change.

Our future success depends on our ability to attract and retain personnel in a competitive marketplace.

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. As a result of our Merger with Avast, we have expanded our leadership team to lead the combined company. Our officers and other key personnel are "at will" employees and we generally do not have employment or non-compete agreements with our employees. Competition for people with the specific skills that we require is significant. While we continue to monitor the competitive environment, it is possible that the COVID-19 pandemic may affect the productivity of our employees and our ability to attract and retain key talent. As a result of the pandemic, in March 2020, we transitioned to a remote working environment for the substantial majority of our employees. While our employees have transitioned effectively to working from home, over time such remote operations may decrease the cohesiveness of our employees and our ability to maintain our culture, both of which are integral to our success. Additionally, a remote working environment may impede our ability to undertake new business projects, to foster a creative environment, to hire new employees and to retain existing employees.

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 have, in the past, 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 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 solutions, systems, websites and the data on these sources have been and may continue to be subject to intentional disruption that could materially harm 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 continue to be a target of attacks specifically designed to impede the performance and availability of our offerings and harm our reputation as a leading cyber security 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, could or have attempted to penetrate, and in some cases have penetrated, our network security or the security of our vendors or suppliers. Such attempts are increasing in number and in technical sophistication, and could expose us and the affected parties, to risk of loss or misuse of proprietary, personal or confidential information or disruptions of our business operations.

When a data breach occurs, our information technology systems and infrastructure can be subject 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 when they occur, could compromise our systems and the information stored in our systems. 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 are not always able to anticipate these techniques or to implement adequate or timely preventive or reactive measures. Several recent, highly publicized data security breaches, including large-scale attacks by foreign nation state actors 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. As an example, a threat actor could exploit a new vulnerability before we complete our remediation work or identify a vulnerability that we did not effectively remediate. If that happens, there could be unauthorized access to, or acquisition of, data we maintain, and damage to our systems. We could also face legal action from individuals, business partners, and regulators in connection with exploitation of those vulnerabilities, which would result in increased costs and fees incurred in our defense against those proceedings.

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 our 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) 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) 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 expose us to compromised data or technology, or 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.

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 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.

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 substantially to the same extent and in substantially the same manner, as has been historically provided under a license agreement with a limited term.

As a result, we are dependent on Broadcom for services and technology that are critical to our Norton 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, if our current sources become unavailable, and if we are unable to develop or obtain alternatives to integrate or deploy them in time, our ability to compete effectively could be impacted 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.

If we fail to offer high-quality customer support, our customer satisfaction may suffer and have a negative impact on our business and reputation.

Many of our customers rely on our customer support services to resolve issues, including technical support, billing and subscription issues, that may arise. If demand increases, or our resources decrease, we may be unable to offer the level of support our customers expect. Any failure by us to maintain the expected level of support could reduce customer satisfaction and negatively impact our customer retention and our business.

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.

Negative publicity regarding our brand, solutions and business could harm our competitive position.

Our brand recognition and reputation as a trusted service provider are critical aspects of our business and key to retaining existing customers and attracting new customers. Our business could be harmed due to errors, defects, disruptions or other performance problems with our solutions causing our customers and potential customers to believe our solutions are unreliable. Furthermore, negative publicity, whether or not justified, including intentional brand misappropriation, 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. In addition, the rapid rise and use of social media has the potential to harm our brand and reputation. We may be unable to timely respond to and resolve negative and inaccurate social media posts regarding our company, solutions and business in an appropriate manner. 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.

LEGAL AND COMPLIANCE RISKS

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 international and U.S. federal, state, and local laws and regulations, such as the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Federal Trade Commission Act (the FTC Act), and comparable state laws that are patterned after the FTC Act. We have 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. We signed an Undertaking, effective June 14, 2021, with the United Kingdom’s Competition and Markets Authority (CMA) requiring our NortonLifeLock Ireland Limited and NortonLifeLock UK entities to make certain changes to our policies and practices related to automatically renewing subscriptions in the United Kingdom as part of the CMA’s investigation into auto-renewal practices in the antivirus sector it launched in December 2018. 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 are frequently involved in litigation and other proceedings, including, but not limited to, patent litigation, class actions, and governmental claims or investigations, some of which may be material initially or become material over time. The expense of initiating and defending, and in some cases settling, such matters may be costly and divert management's attention from the day-to-day operations of our business, which could have a materially adverse effect on our business, results of operations, and cash flows. In addition, such matters may thru the course of litigation or other proceedings incur an unfavorable change which could alter the profile of the matter and create potential material risk to the company. Any unfavorable outcome in a matter could result in significant fines, settlements, monetary damages, or injunctive relief that could negatively and materially impact our ability to conduct our business, results of operations, and cash flows. Additionally, in the event we did not previously accrue for such litigation or proceeding in our financial statements, we may be required to record retrospective accruals that adversely affect our results of operations and financial condition.

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 partners. 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 may not or 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 December 30, 2022, we had an aggregate of $10,207 million of outstanding indebtedness that will mature in calendar years 2022 through 2030, and $1,500 million available for borrowing under our revolving credit facility. See Note 10 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information on our outstanding debt. Our ability to meet expenses, remain in compliance with the covenants under our debt instruments, 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 have significant exposure to fluctuations in interest rates because borrowings under our senior secured 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; and
- 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.

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.

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

Government efforts to combat inflation, along with other interest rate pressures arising from an inflationary economic environment, have led to and may continue to lead to higher financing costs.

Inflation has risen on a global basis, including in the United States, and government entities have taken various actions to combat inflation, such as raising interest rate benchmarks. Government entities may continue their efforts, or implement additional efforts, to combat inflation, which may include continuing to raise interest rate benchmarks or maintaining interest rate benchmarks at elevated levels. Such government efforts, along with other interest rate pressures arising from an inflationary economic environment, have led to higher financing costs and have had and may continue to have a material adverse effect on our business, financial condition and results of operations.

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 or free offerings that compete with 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;
- The publication of unfavorable or inaccurate research reports about our business by cybersecurity industry analysts;
- The success of our corporate responsibility initiatives;
- 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.

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.

While the COVID-19 pandemic has negatively impacted many sectors of the U.S. and global economies, the consumer Cyber Safety market experienced increased demand as the pandemic greatly accelerated the digital lives of people around the world. However, with the extended duration of the pandemic and the easing of prevention protocols and restrictions, we are seeing decreasing demand and increased competition. In addition, should the negative macroeconomic impacts of the COVID-19 pandemic persist or worsen, we may experience continued slowdowns in our business activity and an increase in cancellations by customers or a material reduction in our retention rate in the future, especially in the event of a prolonged recession. 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, our ability to refinance our debt and our access to capital.

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

We are a multinational company dual headquartered in the U.S. and Czech Republic, subject to tax in multiple U.S. and international tax jurisdictions. 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 the potential for federal tax law changes put forward by Congress and the Biden administration including potentially increased corporate tax rates, new minimum taxes and other changes to the way that our US tax liability has been calculated following the 2017 Tax Cuts and Jobs Act. Certain of these proposals could have significant retroactive adjustments adding cash tax payments/liabilities if adopted;
- 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 (OECD) base erosion and profit shifting project including recent proposals for a global minimum tax rate, proposed actions by international bodies such as digital services taxation, as well as the requirements of certain tax rulings. In October 2021, the OECD/G20 inclusive framework on Base Erosion and Profit Shifting (the Inclusive Framework) published a statement updating and finalizing the key components of a two-pillar plan on global tax reform which has now been agreed upon by the majority of OECD members. Pillar One allows countries to reallocate a portion of residual profits earned by multinational enterprises (MNE), with an annual global turnover exceeding €20 billion and a profit margin over 10%, to other market jurisdictions. Pillar Two requires MNEs with an annual global turnover exceeding €750 million to pay a global minimum tax of 15%. On December 12, 2022, the European Union reached an agreement to implement the Pillar Two Directive of the OECD’s reform of international taxation at the European Union level. The agreement affirms that all Member States must transpose the Directive by December 31, 2023. The rules will therefore first be applicable for fiscal years starting on or after December 31, 2023. We will continue to monitor the implementation of the Inclusive Framework agreement by the countries in which we operate. We will continue to monitor and determine how these legislative changes will be enacted into law and how they will potentially impact our corporate tax liabilities. It is possible that they could have a material effect on our corporate tax liability and our global effective tax rate;
- 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; and
- Taxes arising in connection to 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 program, shares may be repurchased on the open market and through accelerated stock repurchase transactions. As of December 30, 2022, we have $870 million remaining authorized to be completed in future periods with no expiration date. Stock repurchases during the three months ended December 30, 2022 were as follows:

(In millions, except per share data)	Total Number of Shares Purchased (1)	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 1, 2022 to October 28, 2022	9	$ 21.13	9	$ 1,183
October 29, 2022 to November 25, 2022	12	$ 22.31	12	$ 925
November 26, 2022 to December 30, 2022	2	$ 22.88	2	$ 870
Total number of shares repurchased	23		23	

(1) The number of shares purchased is reported on trade date.

Item 6. *Exhibits*

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/Furnished with this 10-Q
		Form	File Number	Exhibit	File Date	
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.01†	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.02†	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101	The following financial information from Gen Digital Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 30, 2022 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), (vi) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

† This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GEN DIGITAL INC.
(Registrant)

By: /s/ Vincent Pilette
Vincent Pilette
Chief Executive Officer

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

February 6, 2023

Exhibit 31.01

Certification

I, Vincent Pilette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gen Digital 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 6, 2023

Exhibit 31.02

Certification

I, Natalie Derse, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gen Digital 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 6, 2023

Exhibit 32.01

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 Gen Digital 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 December 30, 2022, 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 6, 2023

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.

Exhibit 32.02

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 Gen Digital 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 December 30, 2022, 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 6, 2023

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.