



NEWS RELEASE

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Gen Reports 14th Consecutive Quarter of Bookings Growth in Q3 FY23 *Accelerated Integration and Strong Execution Drive Margin Expansion*

TEMPE, Ariz. & PRAGUE – Feb. 2, 2023 – Gen Digital Inc. (NASDAQ: GEN), a global leader dedicated to powering Digital Freedom, released its results for the third quarter of Fiscal Year 2023, which ended Dec. 30, 2022.

“We are proud to have delivered our 14th consecutive quarter of bookings growth and strong progress on our accelerated integration plan,” said Vincent Pilette, CEO of Gen, “The increasingly challenging macro environment doesn’t change the fact that people everywhere need help protecting and empowering their expanding digital lives. That’s why we are hyper focused on innovating on our category-leading platform and bringing Cyber Safety to everyone.”

Q3 GAAP Financial Highlights YoY

Q3 GAAP revenue was \$936 million, up 33% in USD. Q3 GAAP diluted EPS from continuing operations was \$0.25, compared to \$0.34 a year ago. Q3 operating cash flow was \$306 million.

Q3 Non-GAAP YoY

- Revenue of \$936 million, up 33% in USD and 38% in CC
- Bookings of \$966 million, up 29% in USD and 35% in CC
- Operating Income of \$526 million, up 41% in USD and 48% in CC
- Operating Margin of 56%, up 3 points
- Diluted EPS of \$0.45, up 2% in USD and 9% in CC

“Gen’s Q3 results reflect another quarter of consistent and focused execution and driving growth in a challenging environment,” said Natalie Derse, CFO of Gen. “With a resilient business model and disciplined approach to resource allocation, we are well-positioned to achieve our synergy targets and we are committed to driving shareholder value.”

Non-GAAP Q4 FY23 Guidance

- Q4 FY23 Revenue is expected to be in the range of \$935 million to \$945 million
- Q4 FY23 EPS expected to be in the range of \$0.44 to \$0.46

Quarterly Cash Dividend

Gen's Board of Directors has approved a regular quarterly cash dividend of \$0.125 per common share to be paid on March 15, 2023, to all shareholders of record as of the close of business on February 20, 2023.

Q3 Earnings Call

February 2, 2022

2 p.m. PT / 5 p.m. ET

Webcast & Dial-in instructions at [Investor.GenDigital.com](https://investor.GenDigital.com). A replay will be posted following the call. For additional details regarding Gen's results and outlook, please see the Financials section of the Investor Relations website at [Investor.GenDigital.com](https://investor.GenDigital.com).

About Gen

Gen (NASDAQ: GEN) is a global company dedicated to powering Digital Freedom through its trusted Cyber Safety brands, Norton, Avast, LifeLock, Avira, AVG, ReputationDefender and CCleaner. Gen's family of consumer brands is rooted in providing safety for the first digital generations. Now, Gen empowers people to live their digital lives safely, privately, and confidently today and for generations to come. Gen brings award-winning products and services in cybersecurity, online privacy and identity protection to more than 500 million users in more than 150 countries. Learn more at GenDigital.com.

Forward-Looking Statements

This press release contains statements which may be considered forward-looking within the meaning of the U.S. federal securities laws. In some cases, you can identify these forward-looking statements by the use of terms such as "expect," "will," "continue," or similar expressions, and variations or negatives of these words, but the absence of these words does not mean that a statement is not forward-looking. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, the statements under "Non-GAAP Q4 FY23 Guidance", including expectations relating to Q4 FY23 non-GAAP revenue and non-GAAP EPS, and any statements of assumptions underlying any of the foregoing. These statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from results expressed or implied in this press release. Such risk factors include, but are not limited to, those related to: the impact of acquisitions and our ability to achieve expected synergies and associated cost savings; difficulties in executing the operating model for the consumer cyber safety business; lower than anticipated returns from our investments in direct customer acquisition; difficulties in retaining our existing customers and converting existing non-paying customers to paying customers; difficulties and delays in reducing run rate expenses and monetizing underutilized assets; the successful development of new products and upgrades and the degree to which these new products and upgrades gain market acceptance; our ability to maintain our customer and partner relationships; the anticipated growth of certain market segments; fluctuations in interest rates, tax rates and foreign currency exchange rates; fluctuations and volatility in our stock price; our ability to successfully execute strategic plans; the vulnerability of our solutions, systems, websites and data to intentional disruption by third parties; general business and macroeconomic conditions, including economic recessions, inflationary pressures, armed conflicts including Russia's invasion of

Ukraine, and the COVID-19 pandemic. Additional information concerning these and other risk factors is contained in the Risk Factors sections of our most recent reports on Form 10-K and Form 10-Q. We assume no obligation, and do not intend, to update these forward-looking statements as a result of future events or developments.

Use of Non-GAAP Financial Information

We use non-GAAP measures of operating margin, net income and earnings per share, which are adjusted from results based on GAAP and exclude certain expenses, gains and losses. We also provide the non-GAAP metrics of revenues, constant currency revenues, and free cash flow, which is defined as cash flows from operating activities, less purchases of property and equipment. These non-GAAP financial measures are provided to enhance the user's understanding of our past financial performance and our prospects for the future. Our management team uses these non-GAAP financial measures in assessing Gen's performance, as well as in planning and forecasting future periods. These non-GAAP financial measures are not computed according to GAAP and the methods we use to compute them may differ from the methods used by other companies. Non-GAAP financial measures are supplemental, should not be considered a substitute for financial information presented in accordance with GAAP and should be read only in conjunction with our condensed consolidated financial statements prepared in accordance with GAAP. Readers are encouraged to review the reconciliation of our non-GAAP financial measures to the comparable GAAP results, which is attached to our quarterly earnings release, and which can be found, along with other financial information including the Earnings Presentation, on the investor relations page of our website at Investor.GenDigital.com. No reconciliation of the forecasted range for non-GAAP EPS guidance is included in this release because most non-GAAP adjustments pertain to events that have not yet occurred. It would be unreasonably burdensome to forecast, therefore we are unable to provide an accurate estimate.

GEN DIGITAL INC.
Condensed Consolidated Balance Sheets
(Unaudited, in millions)

	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
Total stockholders' equity (deficit)	1,310	(93)
Total liabilities and stockholders' equity (deficit)	\$ 15,503	\$ 6,943

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

GEN DIGITAL INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in millions)

	Three Months Ended		Nine Months Ended	
	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
OPERATING ACTIVITIES:				
Net income	\$ 165	\$ 202	\$ 434	\$ 716
Adjustments:				
Amortization and depreciation	125	37	203	108
Impairments and write-offs of current and long-lived assets	—	5	(5)	8
Stock-based compensation expense	42	18	95	51
Deferred income taxes	1	(29)	(50)	(16)
Loss (gain) on extinguishment of debt	—	—	9	5
Gain on sale of property	—	—	—	(175)
Non-cash operating lease expense	6	5	17	16
Other	30	3	(15)	8
Changes in operating assets and liabilities, net of acquisitions:				
Accounts receivable, net	(9)	(7)	8	2
Accounts payable	8	2	(10)	29
Accrued compensation and benefits	(3)	9	—	(27)
Contract liabilities	23	48	(62)	1
Income taxes payable	(34)	30	(125)	(67)
Other assets	29	34	38	29
Other liabilities	(77)	(27)	(104)	(40)
Net cash provided by (used in) operating activities	306	330	433	648
INVESTING ACTIVITIES:				
Purchases of property and equipment	(1)	(2)	(5)	(4)
Payments for acquisitions, net of cash acquired	3	1	(6,547)	(39)
Proceeds from the maturities and sales of short-term investments	—	5	4	9
Proceeds from the sale of property	—	—	—	355
Other	(2)	(1)	2	(5)
Net cash provided by (used in) investing activities	—	3	(6,546)	316
FINANCING ACTIVITIES:				
Repayments of debt	—	(9)	(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	(4)	(1)	(20)	(15)
Dividends and dividend equivalents paid	(81)	(73)	(234)	(230)
Repurchases of common stock	(500)	—	(904)	—
Net cash provided by (used in) financing activities	(585)	(83)	5,064	(116)
Effect of exchange rate fluctuations on cash and cash equivalents	(4)	(5)	(26)	(10)
Change in cash and cash equivalents	(283)	245	(1,075)	838
Beginning cash and cash equivalents	1,095	1,526	1,887	933
Ending cash and cash equivalents	\$ 812	\$ 1,771	\$ 812	\$ 1,771

GEN DIGITAL INC.

Reconciliation of Selected GAAP Measures to Non-GAAP Measures ^{(1) (2)}

(Unaudited, in millions, except per share amounts)

	Three Months Ended	
	December 30, 2022	December 31, 2021
Operating income (loss)	\$ 368	\$ 302
Contract liabilities fair value adjustment	—	2
Stock-based compensation	34	18
Amortization of intangible assets	118	32
Restructuring and other costs	44	12
Acquisition and integration costs	5	7
Litigation costs	(44)	—
Other	1	(1)
Operating income (loss) (Non-GAAP)	\$ 526	\$ 372
Operating margin	39.3 %	43.0 %
Operating margin (Non-GAAP)	56.2 %	52.8 %
Net income (loss)	\$ 165	\$ 202
Adjustments to net income (loss):		
Contract liabilities fair value adjustment	—	2
Stock-based compensation	34	18
Amortization of intangible assets	118	32
Restructuring and other costs	44	12
Acquisition and integration costs	5	7
Litigation costs	(44)	—
Other	—	8
Non-cash interest expense	6	2
Total adjustments to GAAP income (loss) before income taxes	163	81
Adjustment to GAAP provision for income taxes	(37)	(23)
Total adjustment to income (loss), net of taxes	126	58
Net income (loss) (Non-GAAP)	\$ 291	\$ 260
Diluted net income (loss) per share	\$ 0.25	\$ 0.34
Adjustments to diluted net income (loss) per share:		
Contract liabilities fair value adjustment	—	0.00
Stock-based compensation	0.05	0.03
Amortization of intangible assets	0.18	0.05
Restructuring and other costs	0.07	0.02
Acquisition and integration costs	0.01	0.01
Litigation costs	(0.07)	—
Other	—	0.01
Non-cash interest expense	0.01	0.00
Total adjustments to GAAP income (loss) before income taxes	0.25	0.14
Adjustment to GAAP provision for income taxes	(0.06)	(0.04)
Total adjustment to income (loss), net of taxes	0.19	0.10
Diluted net income (loss) per share (Non-GAAP)	\$ 0.45	\$ 0.44
Diluted weighted-average shares outstanding	651	591
Diluted weighted-average shares outstanding (Non-GAAP)	651	591

(1) This presentation includes non-GAAP measures. Non-GAAP financial measures are supplemental and should not be considered a substitute for financial information presented in accordance with GAAP. For a detailed explanation of these non-GAAP measures, see Appendix A.

(2) Amounts may not add due to rounding.

GEN DIGITAL INC.
Revenues and Cyber Safety Metrics
(Unaudited, in millions, except per user data)

Revenues (Non-GAAP)

	Three Months Ended		
	December 30, 2022	December 31, 2021	Variance in %
Revenues	\$ 936	\$ 702	33 %
Contract liabilities fair value adjustment ⁽¹⁾	—	2	
Revenues (Non-GAAP)	936	704	33 %
Exclude foreign exchange impact ⁽²⁾	34	—	
Constant currency adjusted revenues (Non-GAAP)	\$ 970	\$ 704	38 %

Cyber Safety Metrics

	Three Months Ended ⁽³⁾		
	December 30, 2022 ⁽⁴⁾	September 30, 2022 ⁽⁴⁾	December 31, 2021
Direct customer revenues	\$ 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) Contract liabilities fair value adjustment represents the quarterly Avira deferred revenue haircut amortization recognized during the quarter.

(2) Calculated using year ago foreign exchange rates.

(3) 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.

(4) 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.

GEN DIGITAL INC.

Appendix A

Explanation of Non-GAAP Measures and Other Items

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

Contract liabilities adjustment: Our non-GAAP net revenues eliminate the impact of contract liabilities purchase accounting adjustments. Prior to our adoption of ASU 2021-08 in fiscal 2022, GAAP required an adjustment to the liability for acquired contract liabilities such that the liability approximates how much we, the acquirer, would have to pay a third party to assume the liability. We believe that eliminating the impact of this adjustment improves the comparability of revenues between periods. Also, although the adjustment amounts will never be recognized in our GAAP financial statements, we do not expect the acquisitions to affect the future renewal rates of revenues excluded by the adjustments. In addition, our management uses non-GAAP net revenues, adjusted for the impact of purchase accounting adjustments to assess our operating performance and overall revenue trends. Nevertheless, non-GAAP net revenues has limitations as an analytical tool and should not be considered in isolation or as a substitute for GAAP net revenues. We believe these adjustments are useful to investors as an additional means to reflect revenue trends of our business. However, other companies in our industry may not calculate these measures in the same manner which may limit their usefulness for comparative purposes. Our acquisition of Avira during the fourth quarter of fiscal 2021 was the last acquisition pre-adoption of the new literature.

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

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

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

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

Litigation costs: We may periodically incur charges or benefits related to litigation settlements, legal contingency accruals and third-party legal costs related to certain legal matters. We exclude these charges and benefits when associated with a significant matter because we do not believe they are reflective of ongoing business and operating results.

Non-cash interest expense and amortization of debt issuance costs: In accordance with GAAP, we separately account for the value of the conversion feature on our convertible notes as a debt discount that reflects our assumed non-convertible debt borrowing rates. We amortize the discount and debt issuance costs over the term of the related debt. We exclude the difference between the imputed interest expense, which includes the amortization of the conversion feature and of the issuance costs, and the coupon interest payments. We extinguished our remaining convertible debt on August 15, 2022. During fiscal 2023, we also started amortizing the debt issuance costs associated with our senior credit facilities, which were secured upon close of the Merger with Avast. We believe that

excluding these costs provides meaningful supplemental information regarding the cash cost of our debt instruments and enhance investors' ability to view the Company's results from management's perspective.

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

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

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

Income tax effects and adjustments: We use a non-GAAP tax rate that excludes (1) the discrete impacts of changes in tax legislation, (2) most other significant discrete items, (3) unrealized gains or losses from remeasurement of a foreign currency denominated deferred tax asset with no cash tax impact and (4) the income tax effects of the non-GAAP adjustment to our operating results described above. We believe making these adjustments facilitates a better evaluation of our current operating performance and comparisons to past operating results. Our tax rate is subject to change for a variety of reasons, such as significant changes in the geographic earnings mix due to acquisition and divestiture activities or fundamental tax law changes in major jurisdictions where we operate.

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

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

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

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

Revenues (Non-GAAP): Revenues (Non-GAAP) excludes the Avira deferred revenue haircut amortization recognized during the quarter. We are presenting revenues (Non-GAAP) to provide readers with a better understanding of the impact from the Avira deferred revenue haircut on our historical results and to assist readers in analyzing results in future periods.

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

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