Gen™

FY23 Q3 Earnings

Feb 2, 2023

norton Avast LifeLock by norton Avira AVG REPUTATION DEFENDER by norton CCleaner

Forward-Looking Statements

This presentation 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 “Q4 FY23 and Long-Term Non-GAAP Guidance” 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, performance or achievements to differ materially from results expressed or implied in this presentation. 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.

Purpose

Powering Digital Freedom

Mission

We create technology solutions for people to take full advantage of the digital world, safely, privately, and confidently – so together, we can build a better tomorrow.

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Product & Tech Highlights

2023 Cyber Safety Predictions

We predict the pressures associated with economic uncertainty and rising costs will create the perfect environment for scammers to take advantage of people when they are more vulnerable.

It's expected that cybercriminals will trick victims into surrendering personal information, emptying their bank accounts, or spending money for products, services or "lottery winnings" that never arrive.

- Economic trouble could lead to more scammers trying to earn money – and more victims desperate to save.
- Companies cutting costs could lead to more breaches caused by chaos and sabotage, which can trickle down to making consumers vulnerable.
- With more advanced and open generative AI frameworks available, more scammers could start to use these technologies in high-touch interactions such as romance scams.
- Weaker versions of 2-Factor-Authentification could be exploited, leading to breaches in companies, which can lead to more consumer information exposure.

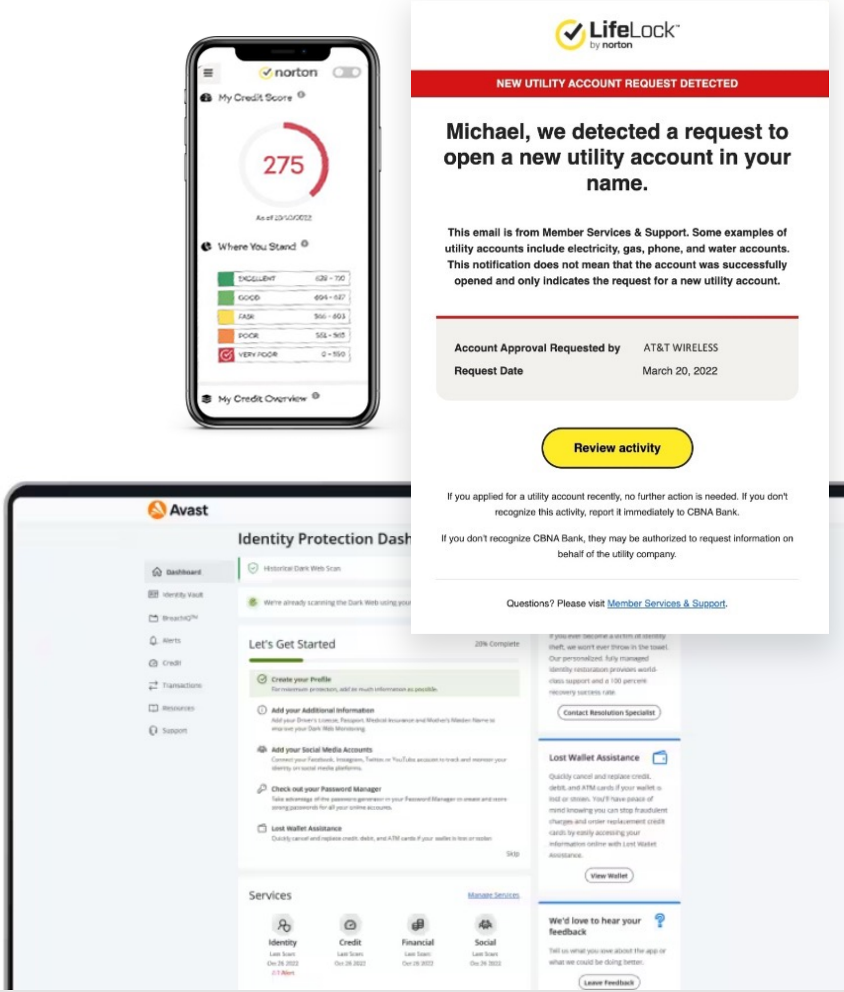
Increasing vulnerabilities are driving demand for new products and identity protection

https://us.norton.com/blog/emerging-threats/2023-predictions#

Global Expansion of Identity Solutions

Q3 Launch Highlights:

- Launched Avast Secure Identity, featuring solutions including identity theft protection, 24/7 specialist, and alerts.
- Launched Utility Account Alerts for U.S. LifeLock and Norton 360 members with credit monitoring.
- Launched credit monitoring features in the U.K., including credit report, score, and alerts.

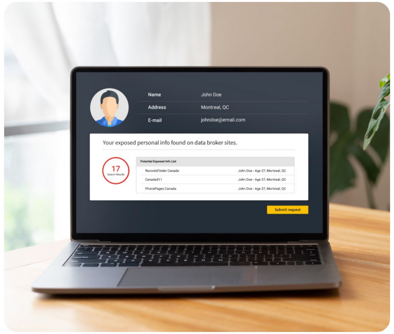


For more product information and other terms and conditions, visit GenDigital.com.
Features may differ depending on your chosen plan. Screens modified for demonstration purposes.
No one can prevent all identity theft or cybercrime.

Extending Our Global Reach in Privacy Solutions

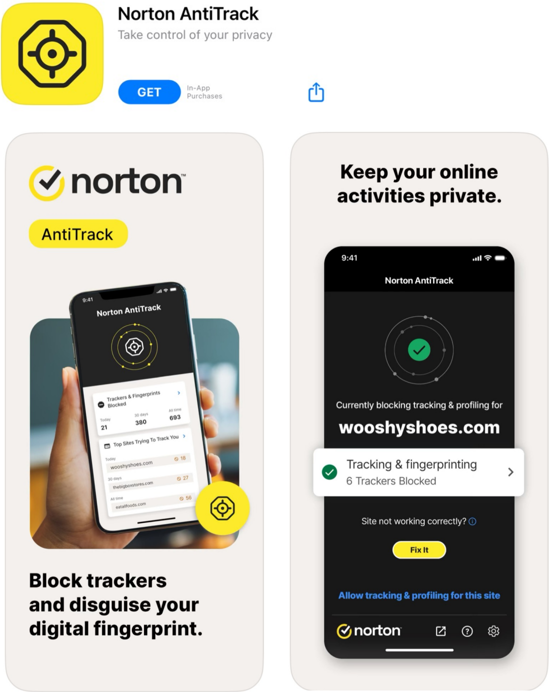
Q3 Launch Highlights:

- Launched Norton Anti-Track to iOS native app
- Launched Norton Privacy Monitor Assistant in Canada



Privacy Monitor Assistant

Take charge of your personal information being exposed online. Privacy Monitor Assistant finds your info on public sites and requests removal on your behalf



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No one can prevent all identity theft or cybercrime.

New C-Suite Executive Benefit Program: Identity and Privacy Protection

Protection Features:

- All-in-one protection for peace of mind: comprehensive identity, device and online privacy protection against cyberthreats
- Dedicated privacy concierge services: our ReputationDefender concierge service features personalized one-on-one onboarding experience and a dedicated privacy expert
- White-glove restoration services: dedicated identity restoration specialist to fix executives’ identity theft case from start to finish
- On-demand access to an IT department with comprehensive support

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Gen Consumer Brands Awarded AV-Comparatives Awards

Gen's family of brands are recognized for the following:

norton: Gold Award for the Malware Protection Test and four Advanced+ awards.

Avast: Top-Rated Product Award for 2022, and six Advanced+ level awards. Silver Awards for the Real-World Protection Test and Malware Protection Test.

AVG: Top-Rated Product Award for 2022, and six Advanced+ level awards. Silver Awards for the Real-World Protection Test and Malware Protection Test.

Avira: Gold Award for the Real-World Protection Test, and five Advanced+ awards.

Gen Portfolio Positioned for Growth and Expansion

Extending **Reach**

Leveraging omni-channel strategy and building partnerships to broaden privacy and identity protection internationally

Increasing **Value**

Cross-sell and expand identity & privacy following consumers' evolving needs

Growing **Loyalty**

Increase loyalty and retention, as consumers move from point products protecting their devices towards cyber memberships

FY23 Q3 Results

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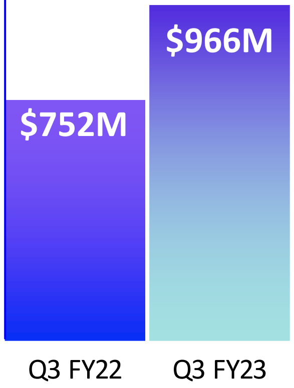
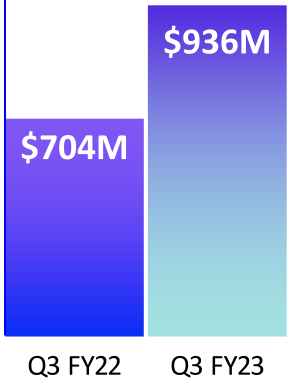
Q3 Non-GAAP Business Highlights

- 14th consecutive quarter of growth, broad-based performance including a full quarter of Avast
- Cyber Safety Bookings and Revenue up 4% when including Avast historical results
- Operating margin reached 56%, up 4 pts Q/Q, reflects strong execution of Avast integration

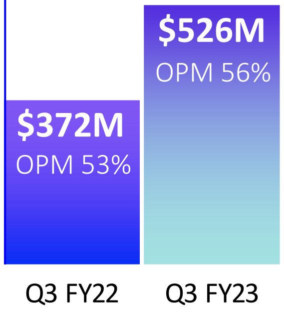
Bookings
+35% Y/Y in CC
+29% Y/Y in USD



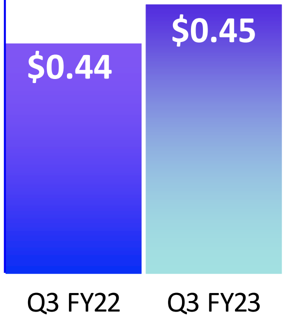
Revenue
+38% Y/Y in CC
+33% Y/Y in USD



Operating Income
+48% Y/Y in CC
+41% Y/Y in USD



EPS
+9% Y/Y in CC
+2% Y/Y in USD



Note: Graphs not to scale. All numbers presented are non-GAAP unless otherwise indicated. See appendix for reconciliation of financial measures from GAAP to non-GAAP.

Consistent Execution

Non-GAAP P&L ($mil), except per share amounts	Q3 FY22	Q2 FY23	Q3 FY23	Y/Y % USD As Reported
Revenue	**$704**	**$748**	**$936**	**33%**
Y/Y % (CC)	12%	12%	38%	--
Gross Profit	610	646	816	34%
Gross Margin	86.6%	86.4%	87.2%	60 bps
Operating Expenses	238	258	290	22%
% of Revenue	33.8%	34.5%	31.0%	(280) bps
Operating Income	$372	$388	$526	41%
Operating Margin	52.8%	51.9%	56.2%	340 bps
Other Income/(Expense)	(30)	(43)	(147)	nm
Effective Tax Rate	24%	22%	23%	(100) bps
Net Income	$260	$269	$291	12%
EPS	**$0.44**	**$0.45**	**$0.45**	**2%**
Diluted Share Count	591	595	651	10%

Note: All numbers presented are non-GAAP unless otherwise indicated.
See appendix for reconciliation of financial measures from GAAP to non-GAAP.

Revenue - Up 33% Y/Y in USD & Up 38% in CC

- Cyber Safety Revenue up 4% (CC) including Avast historical results
  - Mid-single digit growth in Identity and Privacy Protection, accelerating shift beyond core Security and Performance, supported by 5 new Identity and Privacy launches in the quarter
  - Double-digit growth in Partners for 9th consecutive quarter reflects continued channel diversification
- Unfavorable FX impact Y/Y of $34M (5 pts of currency headwind) from growing revenue mix to international

EPS - Up 2% Y/Y in USD & Up 9% in CC

- Margin expansion reflects cost synergies and disciplined spend/ investments
- OIE includes cost of debt, reflecting 17 cents of EPS impact (up 14 cents Y/Y)
- Share Count impacted by Avast share issuance (full impact of 94M)
- Includes 3 cents of unfavorable FX impact Y/Y

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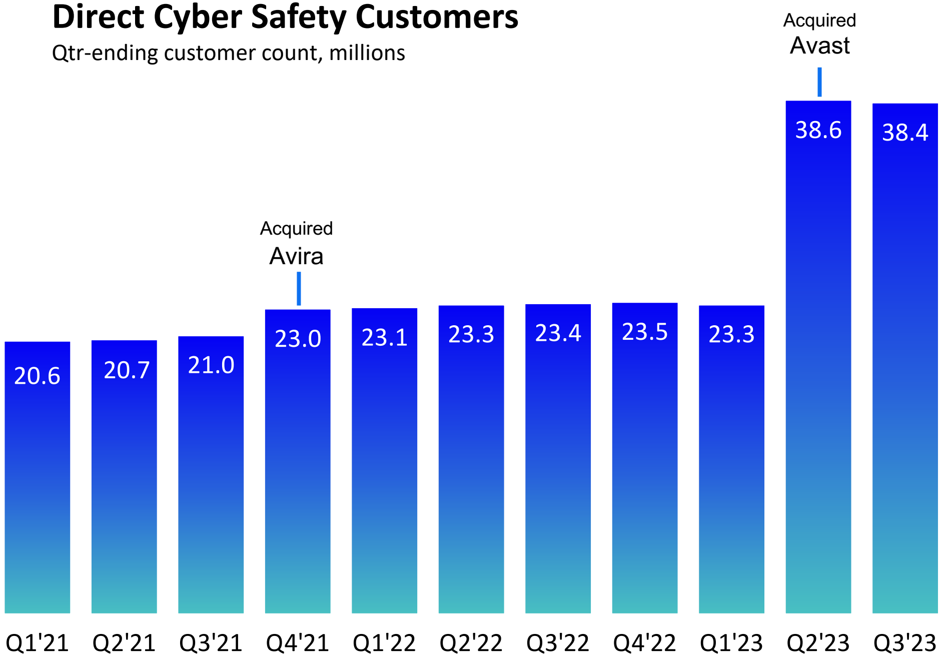
Q3 Gen Performance Metrics

Direct Cyber Safety Customers

Qtr-ending customer count, millions



Revenue ($mil)	**Q3 FY23**	**Y/Y % USD** As Reported	**Comments** (Y/Y% CC, incl. Avast historical results)
Direct[1]	$818	31%	3% Y/Y
+ Partners	$95	40%	11% Y/Y
= Cyber Safety	**$913**	**32%**	4% Y/Y
Legacy[2]	$23	N/A	Declining legacy products & solutions
Total Revenue	**$936**	**33%**	--
Direct Cyber Safety Customers (qtr-ending count)	**38.4M**		Total Direct Cyber Safety customer count down 219K Q/Q (incl. Avast down 60K)
Direct Monthly ARPU[3]	**$7.09**		• Up 11 cents Q/Q (vs. $6.98 in Q2'23) • Direct retention rate with mobile remained stable at ~75%

Note: Amounts may not add due to rounding.
(1) Subscriptions sold directly through E-Commerce and Mobile App.
(2) Legacy revenue includes: EOL VPN (SurfEasy and HMA), SMB Legacy Platforms, Avast's Chrome Distribution, Bullguard, Tech OEM, Russia market.
(3) Direct monthly 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.

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Accelerated Cost Synergies Drive Margin Expansion

% of Revenue	Q2 FY23 (1) Before Synergies	Q3 FY23 Reported	Future (2) with 100% Synergies
COGS	**13%**	**12.8%**	**10 - 12%**
S&M	21%	18.6%	18 - 19%
R&D	9%	8.8%	7 - 8%
G&A	5%	3.6%	~3%
OPEX	**~35%**	**31.0%**	**~28 - 30%**
OP. MARGIN	**52%**	**56.2%**	**~60%**

- Annual cost synergies run rate identified: $300M+
- Integration timeline: 18 months
- Progress of cost synergies: ~one-third achieved (exit run rate)
  - Day 1 integration: Nov. 1, 2022
  - Q3 ending headcount of 3,850, down from ~4,500
  - Facilities consolidation efforts underway
  - Quote-to-cash integrated in February
  - On track to 50% achieved exiting FY23
- G&A efficiencies nearing 3% of revenue

(1) Based on NLOK + Avast combined full quarter results
(2) Full run-rate cost savings / cost structure achieved exiting FY24

Balance Sheet & Cash Flow

Key Balance Sheet, Cash Flow, & Other Metrics Dollars in millions	**Q3 FY22**	**Q2 FY23**	**Q3 FY23**
Balance Sheet			
Cash, Cash Equivalents and STI	$1,781	$1,095	$812
Contract Liabilities	$1,257	$1,684	$1,729
Debt (Principal)	$3,855	$10,207	$10,207
Cash Flow			
Cash Flow from Operations	$330	($88)	$306
Capital Expenditures	$2	$2	$1
Free Cash Flow	$328	($90)	$305
Other Metrics			
Dividends + Dividend Equivalents (Quarterly $0.125 per common share)	$73	$73	$81
Share Repurchase	$0	$104	$500

FY23 Year-to-Date

$428M
Free Cash Flow (1)

$1B+
Capital Returned to Shareholders
(Dividends + Buybacks)

- Q3 ending total liquidity of $2.3B (~$800M cash + $1.5B revolver undrawn).
- Repurchased 23M shares for $500M in Q3, $870M buyback authorization remaining.
- Voluntary debt repayment of $250M to TLB on Jan 19, 2023.

(1) Year-to-date Cash Flow from Operations includes approximately $131 million of cash payments related to closing the Avast merger and restructuring efforts, and approximately $150 million of interest expense.

Q4 FY23 & Long-Term Non-GAAP Guidance

Q4 REVENUE

$935M - $945M

Low-to-Mid Single Digit growth in Cyber Safety (adjusted for Avast historical results in CC)

Q4 EPS

$0.44 - $0.46

Cost synergies partially offset by increased interest expense

LONG-TERM

$3

Annualized EPS

Exiting FY25

Key Assumptions:

- Cyber Safety mid-single digits growth
- 60%+ operating margin
- Free cash flow deployed for debt paydown & share buyback
- Term SOFR forward curves indicate SOFR < 3% exiting FY25
- Targeting net debt leverage ~3x
- Diluted share count around pre-Avast merger levels

Note: All numbers presented are non-GAAP unless otherwise indicated

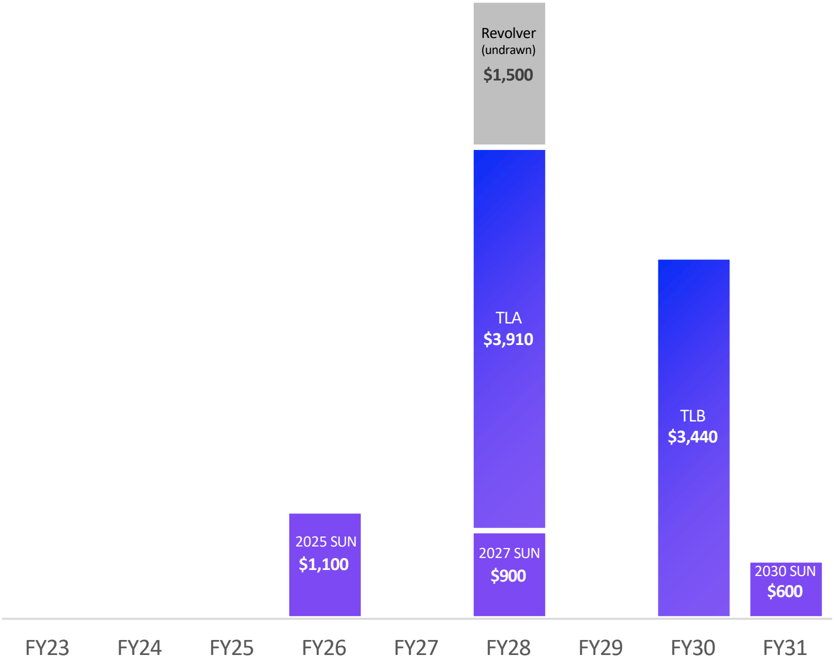
- Guidance in USD assumes Dec 2022 ending foreign exchange rates.
- Assumes non-GAAP effective tax rate of ~23%.
- Net debt leverage: using consolidated debt covenant EBITDA (non-GAAP).
- We are not providing GAAP EPS guidance because most non-GAAP adjustments pertain to events that have not yet occurred and would be unreasonably burdensome to forecast.

Supplemental Information

Go Forward Capital Structure

Debt Maturities in $mil (Initial Principal Amounts)

As of Jan 19, 2023



Note: Graph not to scale.

As of Jan 19, 2023

Facility	Principal ($ mil)	Maturity	Coupon
Revolver (RCF) – undrawn at Q3 qtr-end	$1,500	2027	If drawn: SOFR+CSA+1.75%
Term Loan A (TLA)	$3,910	2027	SOFR+CSA+1.75%
Term Loan B (TLB)	$3,440	2029	SOFR+CSA+2%
2025 Sr. Unsecured Note (SUN)	$1,100	2025	5.00%
2027 Sr. Unsecured Note (SUN)	$900	2027	6.75%
2030 Sr. Unsecured Note (SUN)	$600	2030	7.125%

- Raised $7.6B of TLA/B to fund Avast acquisition and $1.5B of SUN to refinance maturing debt
  - **Voluntary pre-payment of $250M to TLB on 1/19/23**
- Debt maturities extended and staggered through FY31; No near-term maturity until April 2025
- Current cost of debt ~6%
  (~74% floating debt, expect variable cost to trend with term SOFR)

Notes:

- RCF (if drawn) / TLA spread is variable, based upon the better of company's leverage ratio and unsecured credit rating and ranging between 1.125% and 1.75%. As of 12/30/2022, the drawn spread for these facilities is 1.75%.
- CSA represents a spread to align SOFR, a secured financing rate, with LIBOR, an unsecured rate. The CSA will be 10bps for each monthly interest payment.
- Avira mortgages are excluded due to immateriality of balances in comparison to other facilities.
- The Company at its option can redeem, prior to its stated maturity, the 2027 and 2030 Sr. Unsecured Notes at pre-specified redemption prices beginning September 30, 2024 and September 30, 2025.

Foreign Currency Update

Euro
€ / $

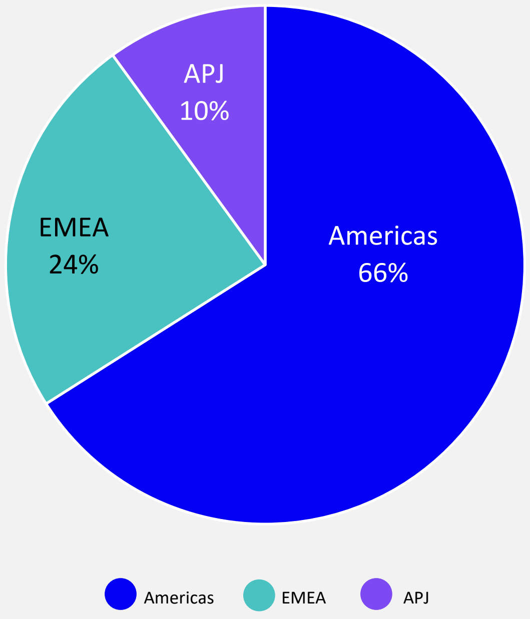
	Q1 FY22	Q2 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Weighted Avg.	1.21	1.18	1.06	1.01	1.02
End of Period	1.18	1.16	1.04	0.98	1.07

Yen
¥ / $

	Q1 FY22	Q2 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Weighted Avg.	0.0091	0.0091	0.0077	0.0072	0.0071
End of Period	0.0090	0.0090	0.0074	0.0069	0.0076

Revenue Mix by Geo

Non-GAAP, Q3 FY23 Actual



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Trended Non-GAAP Quarterly Results

Non-GAAP P&L ($M), except per share amounts	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	FY22	Q1 FY23	Q2 FY23	Q3 FY23
TOTAL REVENUE	**$691**	**$695**	**$704**	**$717**	**$2,807**	**$708**	**$748**	**$936**
Gross Profit	599	607	610	624	2,440	$612	646	816
Gross Margin	*86.7%*	*87.3%*	*86.6%*	*87.0%*	*86.9%*	*86.4%*	*86.4%*	*87.2%*
• Sales & Marketing	150	148	155	150	603	149	159	174
• Research & Development	62	63	54	55	234	55	67	82
• General & Administrative	33	33	29	28	123	28	32	34
Operating Expenses	245	244	238	233	960	232	258	290
% of Revenue	*35.5%*	*35.1%*	*33.8%*	*32.5%*	*34.2%*	*32.8%*	*34.5%*	*31.0%*
Operating Income	**$354**	**$363**	**$372**	**$391**	**$1,480**	**$380**	**$388**	**$526**
Operating Margin	*51.2%*	*52.2%*	*52.8%*	*54.5%*	*52.7%*	*53.7%*	*51.9%*	*56.2%*
• Interest Expense	(30)	(29)	(30)	(29)	(118)	(30)	(45)	(148)
• Other Income (Expense)	2	2	-	(6)	(2)	(2)	2	1
Income before Income Taxes	$326	$336	$342	$356	$1,360	$348	$345	$379
• Provision for Income Tax	78	81	82	85	326	83	76	88
Net Income	**$248**	**$255**	**$260**	**$271**	**$1,034**	**$265**	**$269**	**$291**
EPS	$0.42	$0.43	$0.44	$0.46	$1.75	$0.45	$0.45	$0.45
• Diluted Share Count	591	591	591	593	591	586	595	651
• Depreciation	4	4	4	4	16	3	4	7
Reported EBITDA	**$358**	**$367**	**$376**	**$395**	**$1,496**	**$383**	**$392**	**$533**

Reconciliation to Non-GAAP Gross Profit

GAAP to Non-GAAP Gross Profit ($M)	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	FY22	Q1 FY23	Q2 FY23	Q3 FY23
GAAP Results of Operation								
Gross profit (GAAP)	**$584**	**$592**	**$597**	**$615**	**$2,388**	**$605**	**$629**	**$758**
Non-GAAP Gross Profit Adjustments								
Net revenues								
• Contract liabilities fair value adjustments	5	3	2	1	11	1	-	-
Cost of revenues								
• Stock-based compensation	-	1	-	1	2	1	1	1
• Amortization of intangible assets	10	11	11	7	39	5	16	57
TOTAL GROSS PROFIT ADJUSTMENT	**15**	**15**	**13**	**9**	**52**	**7**	**17**	**58**
Non-GAAP Results of Operation								
Net revenues	691	695	704	717	2,807	708	748	936
Cost of revenues	92	88	94	93	367	96	102	120
GROSS PROFIT (NON-GAAP)	**$599**	**$607**	**$610**	**$624**	**$2,440**	**$612**	**$646**	**$816**

Reconciliation to Non-GAAP Operating Income

GAAP to Non-GAAP Operating Income ($M)	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	FY22	Q1 FY23	Q2 FY23	Q3 FY23
GAAP Results of Operation								
Operating income (GAAP)	**$287**	**$287**	**$302**	**$129**	**$1,005**	**$261**	**$241**	**$368**
Total Non-GAAP gross profit adjustment	**15**	**15**	**13**	**9**	**52**	**7**	**17**	**58**
Non-GAAP Operating Expense Adjustments								
Stock-based compensation	20	12	18	18	68	23	28	33
Amortization of intangible assets	21	21	21	22	85	21	29	61
Restructuring and other costs	7	5	12	7	31	2	9	44
Acquisition and integration costs	1	21	7	8	37	8	58	5
Litigation costs	3	1	-	198	202	58	7	(44)
Other	-	1	(1)	-	-	-	(1)	1
TOTAL OPERATING EXPENSE ADJUSTMENT	**52**	**61**	**57**	**253**	**423**	**112**	**130**	**100**
Non-GAAP Results of Operation								
Gross profit	599	607	610	624	2,440	612	646	816
• Sales and marketing	150	148	155	150	603	149	159	174
• Research and development	62	63	54	55	234	55	67	82
• General and administrative	33	33	29	28	123	28	32	34
Total operating expenses	245	244	238	233	960	232	258	290
OPERATING income (Non-GAAP)	**$354**	**$363**	**$372**	**$391**	**$1,480**	**$380**	**$388**	**$526**

Reconciliation to Non-GAAP Net Income

GAAP to Non-GAAP Net Income ($M)	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	FY22	Q1 FY23	Q2 FY23	Q3 FY23
GAAP Results of Operation								
Net income (GAAP)	**$181**	**$333**	**$202**	**$120**	**$836**	**$200**	**$69**	**$165**
• Total Non-GAAP gross profit adjustment	15	15	13	9	52	7	17	58
• Total Non-GAAP operating expense adjustment	52	61	57	253	423	112	130	100
Non-GAAP Other Non-operating Expense (Income) Adj								
Non-cash interest expense	2	2	2	2	8	1	3	6
Loss (gain) on extinguishment of debt	5	-	-	(2)	3	-	9	-
Gain on sale of properties	-	(175)	-	-	(175)	-	-	-
Other	-	-	9	(2)	7	(1)	(9)	(1)
• Total adjustments to GAAP income before income taxes	74	(97)	81	260	318	119	150	163
• Income tax effect of non-GAAP adjustments	(7)	19	(23)	(109)	(120)	(54)	50 (1)	(37)
Total net income adjustment	**67**	**(78)**	**58**	**151**	**198**	**65**	**200**	**126**
Non-GAAP Results of Operation								
Operating income	354	363	372	391	1,480	380	388	526
• Interest expense	(30)	(29)	(30)	(29)	(118)	(30)	(45)	(148)
• Other income (expense), net	2	2	-	(6)	(2)	(2)	2	1
Income before income taxes	326	336	342	356	1,360	348	345	379
Provision for income taxes	78	81	82	85	326	83	76	88
Net income (Non-GAAP)	**$248**	**$255**	**$260**	**$271**	**$1,034**	**$265**	**$269**	**$291**

(1) Reflects impact of certain discrete items including the tax impact of internal restructuring, deductibility of transaction costs from the Avast merger, and the limitations of foreign taxes due to the increase of interest expense.

Reconciliation to Non-GAAP EPS and Net Income

GAAP to Non-GAAP EPS and Net Income (1) ($M), except per share amounts	Q3 FY23	
	EPS	Net Income
GAAP EPS / Net Income	**$0.25**	**$165**
• Stock based compensation	0.05	34
• Amortization of intangible assets	0.18	118
• Restructuring and other costs	0.07	44
• Acquisition and integration costs	0.01	5
• Litigation costs	(0.07)	(44)
• Other (2)	0.01	6
• Adjustment to GAAP provision for income taxes	(0.06)	(37)
Total adjustments	0.19	126
Non-GAAP EPS / Net Income	**$0.45**	**$291**

(1) Total may not add due to rounding.
(2) Other includes non-cash interest expense, loss (gain) on extinguishment of debt, and other minor reconciling items.

Trended Share Count

Diluted Share Count Shares in millions	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	FY22	Q1 FY23	Q2 FY23	Q3 FY23
Basic Share Count Weighted Average	580	582	582	582	581	578	590	647
Dilutive Potentially Issuable Shares:								
• From Employee Equity Awards	4	2	3	4	3	4	3	4
• From Convertible Debt	7	7	6	7	7	22	2	-
Diluted Share Count (GAAP)	**591**	**591**	**591**	**593**	**591**	**604**	**595**	**651**
• Incremental dilution effect (1)	-	-	-	-	-	(18)	-	-
Diluted Share Count (Non-GAAP)	**591**	**591**	**591**	**593**	**591**	**586**	**595**	**651**
• Average Share Price	$25.03	$25.99	$25.30	$27.49	$25.95	$24.51	$23.14	$22.09

(1) Excludes the dilutive impact of ASU 2020-06 under GAAP. On April 2, 2022, we adopted ASU 2020-06, Debt with Conversion and Other Options. Under GAAP, we were required to apply the if-converted method to our calculation of diluted earnings per share. As such, our GAAP calculation adjusted for the dilutive effect of the maximum number of potential shares to be issued upon settlement of our outstanding convertible notes. For our Non-GAAP measure, we excluded the impact of this adoption, which was consistent with our intent to settle in cash and consistent with our prior maturing convertible note transactions. On July 5, 2022, we communicated our intent to the convertible note holders to settle the principal and conversion rights in cash, which we settled upon maturity in August 2022 (Q2FY23).

Trended Stock Based Compensation

Stock Based Compensation ($M)	**Q1 FY22**	**Q2 FY22**	**Q3 FY22**	**Q4 FY22**	**FY22**	**Q1 FY23**	**Q2 FY23**	**Q3 FY23**
Cost of revenues	$-	$1	$-	$1	$2	$1	$1	$1
Sales and marketing	5	3	5	6	19	7	8	9
Research and development	6	3	5	5	19	6	6	9
General and administrative	9	6	8	7	30	10	14	15
Restructuring and other costs	-	-	-	-	-	-	-	8
Total stock-based compensation expense	**$20**	**$13**	**$18**	**$19**	**$70**	**$24**	**$29**	**$42**

Trended EBITDA (Non-GAAP)

Reported EBITDA (Non-GAAP) [1] ($M)	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	FY22	Q1 FY23	Q2 FY23	Q3 FY23
Net income	**$181**	**$333**	**$202**	**$120**	**$836**	**$200**	**$69**	**$165**
Adjustments:								
• Net interest expense	32	31	32	31	126	29	45	149
• Income tax expense (benefit)	71	100	59	(24)	206	29	126	51
• Depreciation and amortization	36	35	37	32	140	29	49	125
EBITDA (Non-GAAP)	**320**	**499**	**330**	**159**	**1,308**	**287**	**289**	**490**
Adjustments to EBITDA:								
• Contract liabilities fair value adjustment	5	3	2	1	11	1	-	-
• Stock-based compensation	20	13	18	19	70	24	29	34
• Restructuring and other costs	7	5	12	7	31	2	9	44
• Acquisition and integration costs	1	21	7	8	37	8	58	5
• Litigation costs	3	1	-	198	202	58	7	(44)
• Loss (gain) on extinguishment of debt	5	-	-	(2)	3	-	9	-
• Gain on sale of properties	-	(175)	-	-	(175)	-	-	-
• Other cost of revenues and operating expenses	(1)	2	(1)	-	-	-	(1)	1
• Other non-operating expense (income), net [2]	(2)	(2)	8	5	9	3	(8)	3
Reported EBITDA (Non-GAAP)	**$358**	**$367**	**$376**	**$395**	**$1,496**	**$383**	**$392**	**$533**

(1) Amounts may not add due to rounding.
(2) Other non-operating expense, net is equal to total non-operating expense, net excluding net interest expense, loss (gain) on extinguishment of debt and gain on sale of properties.

Use of GAAP and 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.

Explanation of Non-GAAP Measures and Other Items

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.

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 directly 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.

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

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.

Thank you

Web: Investor.GenDigital.com

Email: IR@GenDigital.com