Gen™

FY24 Q3 Earnings

February 1, 2024

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 relating to our long-term targets (including those related to Debt/EBITDA Net Leverage), Q4 FY24 and Fiscal Year 24 Non-GAAP guidance and go-forward capital structure, 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: projections of our future financial performance; 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 and associated cost savings from the merger with Avast), divestitures, restructurings, stock repurchases, financings, debt repayments and investment activities; 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 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; changes to existing accounting pronouncements or taxation rules or practices; and general business and macroeconomic conditions in the U.S. and worldwide, including economic recessions, the impact of inflation, and conflicts including Russia’s invasion of Ukraine. 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 encourage you to read those sections carefully. There may also be other factors that have not been anticipated or that are not described in our periodic filings with the SEC, generally because we did not believe them to be significant at the time, which could cause actual results to differ materially from our projections and expectations. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. 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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Q3 Non-GAAP Business Highlights

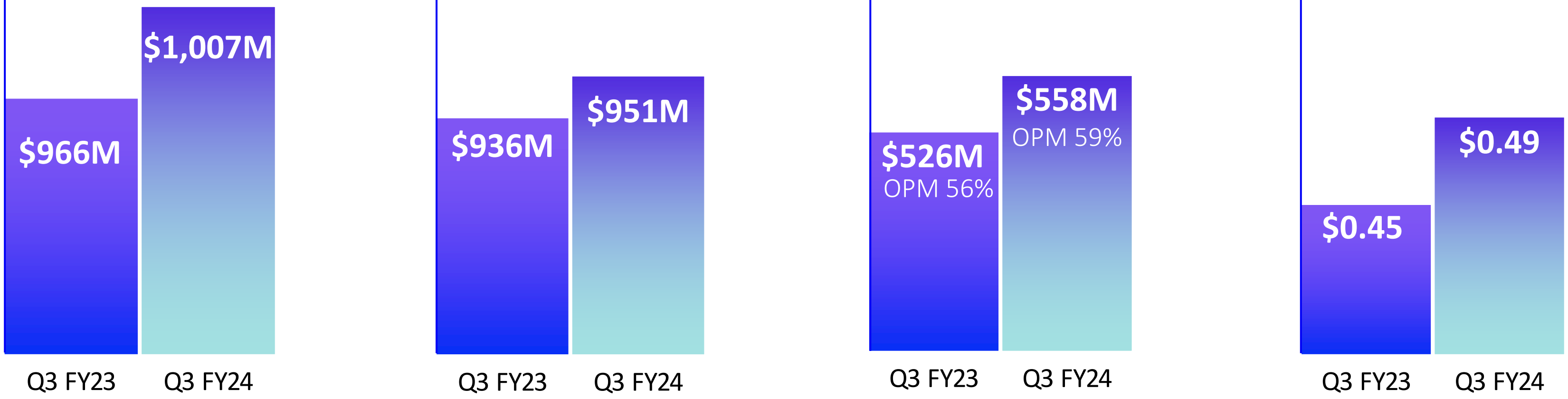
- 18th consecutive quarter of growth: Cyber Safety [1] Bookings up 4% and Cyber Safety Revenue up 3%
- Sequential direct customer count growth of 330,000 with continued acceleration in mobile and international markets
- Double digit EPS growth, supported by operating margin expansion to 59%

Bookings
+3% Y/Y in CC
+4% Y/Y in USD

Revenue
+2% Y/Y in CC
+2% Y/Y in USD

Operating Income
+7% Y/Y in CC
+6% Y/Y in USD

EPS
+11% Y/Y in CC
+10% Y/Y in USD



(1) Cyber Safety is reported in constant currency (CC) and excludes Legacy business lines, including: EOL VPN (SurfEasy and HMA), SMB Legacy Platforms, Avast's Chrome Distribution, Bullguard, Tech OEM, and Russia market.
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.

Business & Portfolio Highlights

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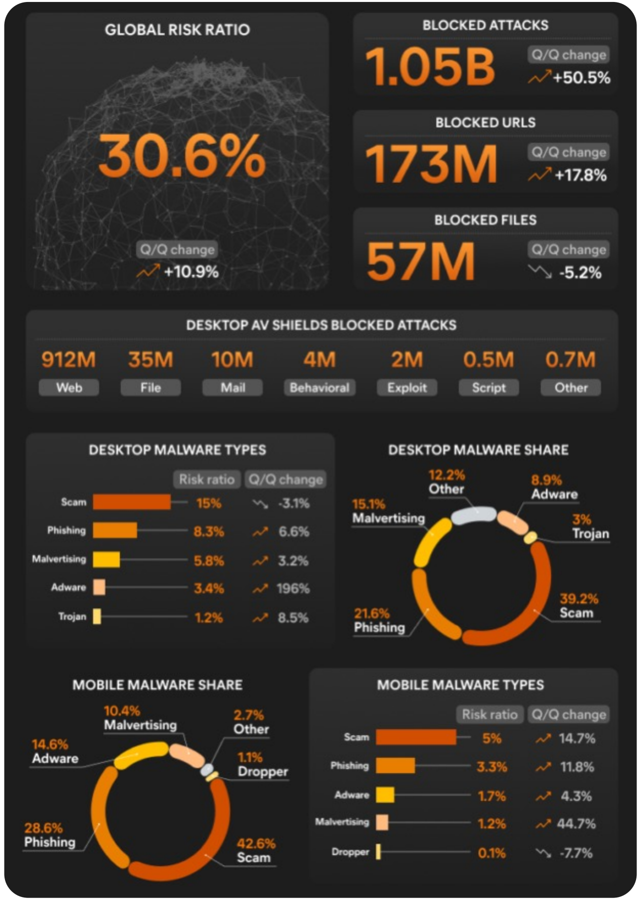
Avast Q3 Threat Report:

Stunning 50% Surge in Blocked Attacks, Resulting in 1 Billion Monthly Blocks in Q3 and a record-breaking 10 Billion in 2023

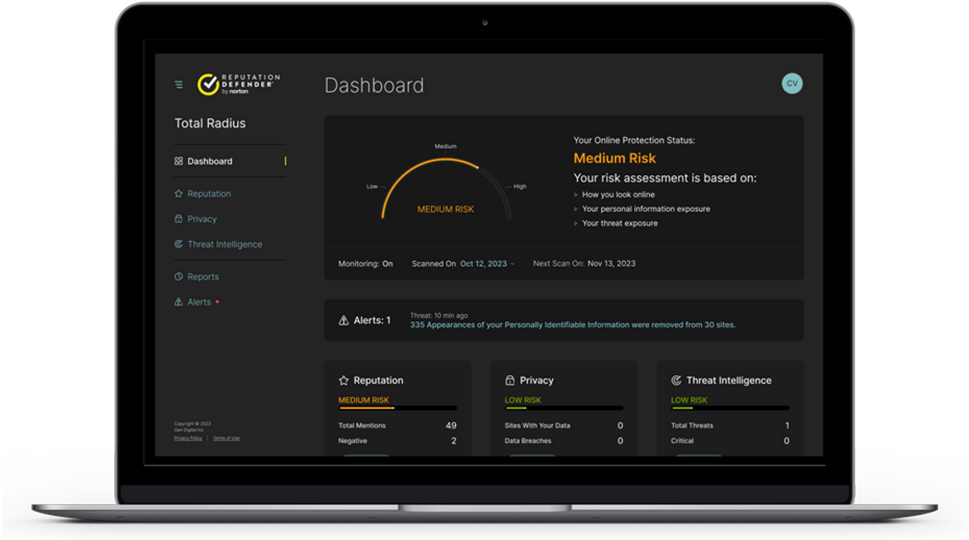
The adoption of AI by threat actors, particularly in deepfake financial scams is accelerating. The nefarious use of deepfakes targeting TikTok users, often featuring public figures such as Taylor Swift, has emerged as a growing concern.

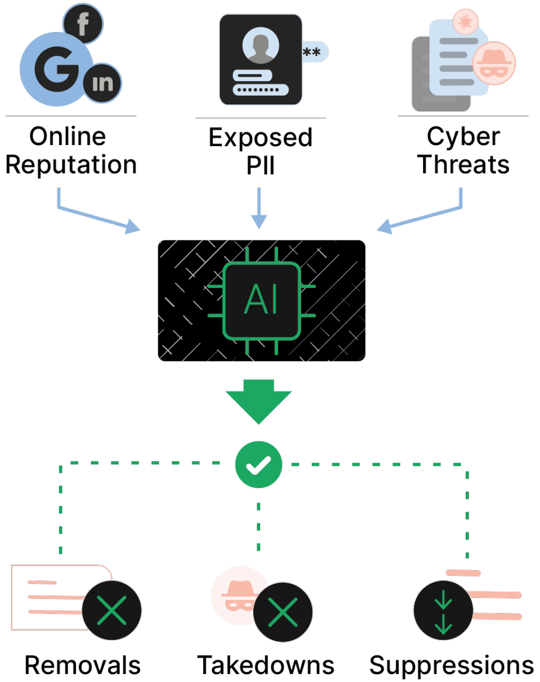
Read more at: https://decoded.avast.io



Total Radius: All-in-one, Executive Protection

360-degree AI-powered protection against reputation, privacy, and physical safety risks





Reputation
AI-powered monitoring sifts through the noise, providing an early warning signal of any brewing controversies or negative sentiment

Privacy
Personal information removal makes it harder for would-be attackers to locate you, your family, and your team, both online and in the physical world

Threat Intelligence
Real-time monitoring across the clear web, dark web, and social media; ability to detect and take down violent language, hacking, doxing, impersonation, and more

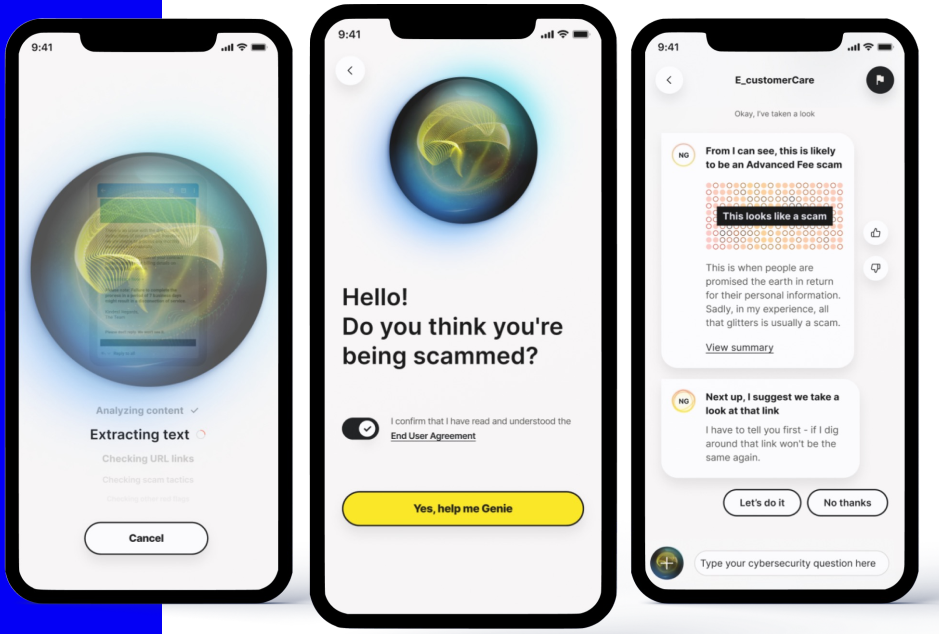
For more information, please see: https://www.reputationdefender.com/executive-protection

Paving the way for Next Gen Cybersecurity

https://Genie.AI

Norton + AI:

- Scam Detection at your fingertips
- Simply take a screenshot of your text or email and share it with Genie
- Proprietary AI that delivers results in seconds
- More you use it, smarter it gets
- So easy to use, it's like magic
- Powered by Norton - Advice you can trust



A Recognized Leader

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AMERICA'S MOST RESPONSIBLE COMPANIES 2021 - 2024
Newsweek
statista
4 YEAR CHAMPION

MOST TRUSTWORTHY COMPANIES IN AMERICA 2023
Newsweek
statista

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

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

PC PCMAG.COM EDITORS' CHOICE
56 TIME WINNER
The Most Awarded Consumer Security Brand Ever by PCMag

PC PCMAG.COM BEST BRANDS for 2024

PCWorld EDITORS' CHOICE 2023

SE Labs
INTELLIGENCE-LED TESTING

AV-TEST
The Independent IT-Security Institute
Magdeburg Germany

Q3 FY24
Financial Results

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Consistent Execution

- **Driving Sustainable Growth: Q3 Revenue of $951M**
  - Cyber Safety revenue up 3% in constant currency
  - Broad-based growth across channels and products, with strength in international markets
- **Expanding Operating Leverage: Q3 Margin of 58.7%**
  - 7 pt margin expansion post-merger reflective of delivered cost synergies
  - Partial reinvestment to support growth initiatives
- **Increasing Profitability: Q3 EPS of $0.49**
  - Up 10% in USD and up 11% in constant currency, including increased interest expense
  - Capital allocation across both debt paydown and opportunistic share buyback

Non-GAAP P&L ($mil), except per share amounts	**Q3 FY23**	**Q2 FY24**	**Q3 FY24**	**Y/Y % (USD)**
Revenue	**$936**	**$948**	**$951**	**2%**
Y/Y % (CC)	*38%*	*28%*	*2%*	--
Gross Profit	816	827	827	1%
Gross Margin	87.2%	87.2%	87.0%	(20) bps
Operating Expenses	290	278	269	(7%)
% of Revenue	*31.0%*	*29.3%*	*28.3%*	*(270) bps*
Operating Income	$526	$549	$558	6%
Operating Margin	**56.2%**	**57.9%**	**58.7%**	**250 bps**
Other Inc / (Exp)	(147)	(161)	(151)	nm
Effective Tax Rate	23%	22%	22%	(100) bps
Net Income	$291	$303	$317	9%
EPS	**$0.45**	**$0.47**	**$0.49**	**10%**
Diluted Share Count	651	644	645	(1%)

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

Gen Performance Metrics

REVENUE

	Q3 FY23	Q2 FY24	Q3 FY24	Y/Y % USD	Y/Y % CC
Direct [(1)]	$818	$837	$837	2%	3%
+ Partners	$95	$95	$99	4%	4%
= Cyber Safety	**$913**	**$932**	**$936**	**3%**	**3%**
+ Legacy [(2)]	$23	$16	$15	↓ *Double Digits*	
= Total Revenue	**$936**	**$948**	**$951**	**2%**	

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, and Russia market.
(3) Direct monthly ARPU is calculated as direct customer revenues for the period divided by the average direct customer count for the same period, expressed as a monthly figure.
(4) Direct retention is customer (unit) retention. Reflects blended retention of E-Commerce and Mobile customers

CYBER SAFETY METRICS

	Q3 FY23	Q2 FY24	Q3 FY24	Y/Y
Direct Customers *(Q/Q change)*	**38.4M** *(219K)*	**38.5M** *+380K*	**38.9M** *+330K*	**0.5M**
Direct Monthly ARPU [(3)]	**$7.09**	**$7.28**	**$7.21**	**$0.12**
Direct Retention [(4)]	**75%**	**77%**	**77%**	**2 pts**

- New customers up double digits Y/Y, driven by strong gains in mobile and international markets
- Accretive to install base with healthy ROI but impacting blended ARPU
- Strong cross-sell and up-sell performance, stable retention

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Operating Margin Expansion to 59%

% of Revenue	Q3 FY23	Q2 FY24	Q3 FY24
COGS	**13%**	**13%**	**13%**
S&M	19%	18%	18%
R&D	9%	8%	7%
G&A	4%	3%	3%
OPEX	**31%**	**29%**	**28%**
NON-GAAP OPERATING MARGIN	**56.2%**	**57.9%**	**58.7%**

- **Integration Update:**
  - Nearly $290M annual run-rate synergies achieved to date
  - Remaining portfolio integration: timeline on track, expected to consolidate platforms by end of CY24
  - Unlocks additional revenue synergies for long-term
- **Expanding operating leverage at scale and creating capacity to invest for future growth**
  - Invest in next Gen deployment
  - Fund new product launches
  - Seed investments, to accelerate with proof points

Balance Sheet & Cash Flow

Key Balance Sheet, Cash Flow, & Other Metrics ($mil)	**Q3 FY23**	**Q2 FY24**	**Q3 FY24**
Balance Sheet			
Cash, Cash Equivalents and STI	$812	$629	$490
Contract Liabilities	$1,729	$1,672	$1,744
Debt (Principal)	$10,207	$9,633	$9,375
Cash Flow			
Cash Flow from Operations	$306	$125	$315
Capital Expenditures	$1	$5	$8
Free Cash Flow	$305	$120	$307
Other Metrics			
Dividends + Dividend Equivalents (Quarterly $0.125 per common share)	$81	$81	$81
Debt Paydown	--	$58	$259
Share Repurchase	$500	--	$100

- **Liquidity of $2B** (~$500M cash + $1.5B revolver undrawn)
  - Does not include $900M domestic tax refund (1) received at the end of January 2024
- **Debt/EBITDA(2) Net Leverage of 3.9x**
  - Remain committed to long-term target of < 3x
- **Capital Deployment (LTM) focused on debt paydown:**
  - $834M total debt repayments
  - $141M share buyback
  - $325M dividends

(1) Associated with tax capital losses disclosed in our FY23 10-K
(2) Using Covenant Debt EBITDA (Non-GAAP)

Q4 FY24 and FY24 Non-GAAP Guidance

Q4 FY24

REVENUE
$960M - $970M

EPS
$0.52 - $0.54

FY24

REVENUE
$3.805B - $3.815B

EPS
$1.95 - $1.97

Key Assumptions

- Revenue low single digit growth
- Stable SOFR rates and currency
- Free cash flow generated in Q4 to be deployed for debt paydown and share buyback
- Exiting fiscal year with:
  - Continued progress towards 60% margin
  - Q4 EPS growth within long-term target of 12-15%
  - Net Leverage at / below 3.5x

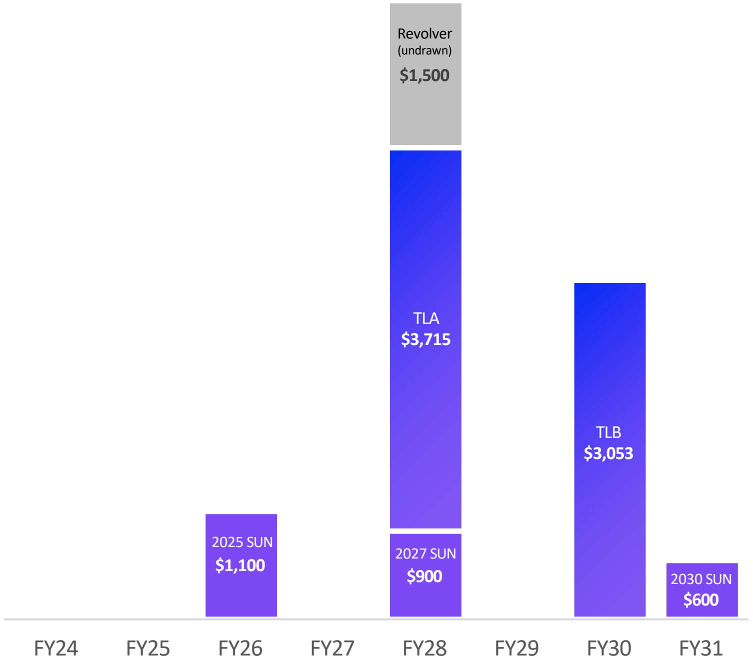
Note: All numbers presented are non-GAAP unless otherwise indicated
- Guidance in USD assumes average January 2024 foreign exchange rates.
- Assumes non-GAAP effective tax rate of ~22%.
- We are not providing GAAP EPS guidance because most non-GAAP adjustments pertain to events that have not yet occurred and would be unreasonably burdensome to forecast.

Supplemental Information

Go Forward Capital Structure

Debt Maturities in $mil (Initial Principal Amounts)

As of December 29, 2023



Note: Graph not to scale.

Facility	Principal ($ mil)	Maturity	Coupon
Revolver (RCF) – undrawn at Q3 qtr-end	$1,500	2027	If drawn: SOFR+CSA+1.5%
Term Loan A (TLA)	$3,715	2027	SOFR+CSA+1.5%
Term Loan B (TLB)	$3,053	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%

- In September 2022: Raised $7.6B of TLA/B to fund Avast acquisition and raised $1.5B of SUN to refinance maturing debt.
  - Voluntary TLB pre-payment of $250M on 1/19/23
  - Voluntary TLB pre-payment of $150M on 4/28/23
  - Voluntary TLB pre-payment of $200M in October 2023
- In March 2023: Executed $1 billion of 3-year pay fixed interest rate swaps
- Current cost of debt ~6.7%
  - ~62% floating debt with hedges, expect variable cost to trend with term SOFR
- Debt maturities extended and staggered through FY31; No near-term maturity until April 2025.

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 12/29/2023, the drawn spread for these facilities is 1.5%.
- 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.

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Trended Non-GAAP Quarterly Results

Non-GAAP P&L ($M), except per share amounts	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY23	Q1 FY24	Q2 FY24	Q3 FY24
Direct Customer Revenues	624	660	818	831	2,933	832	837	837
Partner Revenues	72	74	95	100	341	97	95	99
TOTAL CYBER SAFETY REVENUE	**$696**	**$734**	**$913**	**$931**	**$3,274**	**$929**	**$932**	**$936**
Legacy Revenues	12	14	23	17	66	17	16	15
TOTAL REVENUE	**$708**	**$748**	**$936**	**$948**	**$3,340**	**$946**	**$948**	**$951**
Y/Y % (CC)	*6%*	*12%*	*38%*	*35%*	*23%*	*35%*	*28%*	*2%*
Gross Profit	$612	646	816	816	2,890	$825	$827	$827
Gross Margin	*86.4%*	*86.4%*	*87.2%*	*86.1%*	*86.5%*	*87.2%*	*87.2%*	*87.0%*
• Sales & Marketing	149	159	174	166	648	172	174	172
• Research & Development	55	67	82	78	282	79	75	67
• General & Administrative	28	32	34	31	125	29	29	30
Operating Expenses	232	258	290	275	1,055	280	278	269
% of Revenue	*32.8%*	*34.5%*	*31.0%*	*29.0%*	*31.6%*	*29.6%*	*29.3%*	*28.3%*
Operating Income	**$380**	**$388**	**$526**	**$541**	**$1,835**	**$545**	**$549**	**$558**
Operating Margin	*53.7%*	*51.9%*	*56.2%*	*57.1%*	*54.9%*	*57.6%*	*57.9%*	*58.7%*
• Interest Expense	(30)	(45)	(148)	(161)	(384)	(163)	(167)	(158)
• Other Income (Expense)	(2)	2	1	4	5	9	6	7
Income before Income Taxes	$348	$345	$379	$384	$1,456	$391	$388	$407
• Provision for Income Tax	83	76	88	88	335	86	85	90
Net Income	**$265**	**$269**	**$291**	**$296**	**$1,121**	**$305**	**$303**	**$317**
EPS	**$0.45**	**$0.45**	**$0.45**	**$0.46**	**$1.81**	**$0.47**	**$0.47**	**$0.49**
• Diluted Share Count	586	595	651	644	619	643	644	645
• Depreciation	3	4	7	7	21	7	6	5
Reported EBITDA	**$383**	**$392**	**$533**	**$548**	**$1,856**	**$552**	**$555**	**$563**

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Reconciliation to Non-GAAP Gross Profit

GAAP to Non-GAAP Gross Profit ($M)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY23	Q1 FY24	Q2 FY24	Q3 FY24
GAAP Results of Operation								
Gross profit (GAAP)	**$605**	**$629**	**$758**	**$757**	**$2,749**	**$767**	**$768**	**$769**
Non-GAAP Gross Profit Adjustments								
Net revenues								
• Contract liabilities fair value adjustments	1	-	-	1	2	-	-	-
Cost of revenues								
• Stock-based compensation	1	1	1	-	3	1	1	1
• Amortization of intangible assets	5	16	57	58	136	57	58	57
TOTAL GROSS PROFIT ADJUSTMENT	**7**	**17**	**58**	**59**	**141**	**58**	**59**	**58**
Non-GAAP Results of Operation								
Net revenues	708	748	936	948	3,340	946	948	951
Cost of revenues	96	102	120	132	450	121	121	124
GROSS PROFIT (NON-GAAP)	**$612**	**$646**	**$816**	**$816**	**$2,890**	**$825**	**$827**	**$827**

Reconciliation to Non-GAAP Operating Income

GAAP to Non-GAAP Operating Income ($M)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY23	Q1 FY24	Q2 FY24	Q3 FY24
GAAP Results of Operation								
Operating income (GAAP)	**$261**	**$241**	**$368**	**$357**	**$1,227**	**$362**	**$25**	**$335**
Total Non-GAAP gross profit adjustment	7	17	58	59	141	58	59	58
Non-GAAP Operating Expense Adjustments								
Stock-based compensation	23	28	33	36	120	36	34	34
Amortization of intangible assets	21	29	61	61	172	61	61	61
Restructuring and other costs	2	9	44	14	69	17	17	2
Acquisition and integration costs	8	58	5	6	77	6	6	8
Litigation costs	58	7	(44)	8	29	5	347	60
Other	-	(1)	1	-	-	-	-	-
TOTAL OPERATING EXPENSE ADJUSTMENT	**112**	**130**	**100**	**125**	**467**	**125**	**465**	**165**
Non-GAAP Results of Operation								
Gross profit	612	646	816	816	2,890	825	827	827
• Sales and marketing	149	159	174	166	648	172	174	172
• Research and development	55	67	82	78	282	79	75	67
• General and administrative	28	32	34	31	125	29	29	30
Total operating expenses	232	258	290	275	1,055	280	278	269
Operating Income (Non-GAAP)	**$380**	**$388**	**$526**	**$541**	**$1,835**	**$545**	**$549**	**$558**

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Reconciliation to Non-GAAP Net Income

GAAP to Non-GAAP Net Income ($M)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY23	Q1 FY24	Q2 FY24	Q3 FY24
GAAP Results of Operation								
Net income (GAAP)	**$200**	**$69**	**$165**	**$915**	**$1,349**	**$189**	**$149**	**$144**
Total Non-GAAP gross profit adjustment	7	17	58	59	141	58	59	58
Total Non-GAAP operating expense adjustment	112	130	100	125	467	125	465	165
Non-GAAP Other Non-Operating Expense (Income) Adj								
Non-cash interest expense	1	3	6	7	17	7	6	7
Loss (gain) on extinguishment of debt	-	9	-	-	9	-	-	-
Gain on sale of properties	-	-	-	-	-	(4)	-	(5)
Other	(1)	(9)	(1)	29	18	1	(1)	1
Total adjustments to GAAP income before income taxes	119	150	163	220	652	187	529	226
Income tax effect of non-GAAP adjustments	(54)	50 (1)	(37)	(839) (2)	(880)	(71)	(375)	(53)
Total net income adjustment	**65**	**200**	**126**	**(619)**	**(228)**	**116**	**154**	**173**
Non-GAAP Results of Operation								
Operating income	380	388	526	541	1,835	545	549	558
Interest expense	(30)	(45)	(148)	(161)	(384)	(163)	(167)	(158)
Other income (expense), net	(2)	2	1	4	5	9	6	7
Income before income taxes	348	345	379	384	1,456	391	388	407
Provision for income taxes	83	76	88	88	335	86	85	90
Net income (Non-GAAP)	**$265**	**$269**	**$291**	**$296**	**$1,121**	**$305**	**$303**	**$317**

(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.
(2) This total includes a one-time income tax receivable of $658 million, net of reserves, which we recorded as a result of a legal entity and operational restructuring ("Legal Entity Restructuring") and is reflected in Other Long-Term Assets in our Consolidated Balance Sheet. This is a GAAP only tax capital loss that results from the Legal Entity Restructuring. These entries are estimates and are subject to change.

Reconciliation to Non-GAAP EPS and Net Income

GAAP to Non-GAAP EPS and Net Income (1) ($M), except per share amounts	**Q3 FY24**	
	EPS	**Net Income**
GAAP EPS / Net Income	**$0.22**	**$144**
• Stock based compensation	0.05	35
• Amortization of intangible assets	0.18	118
• Restructuring and other costs	0.00	2
• Acquisition and integration costs	0.01	8
• Litigation costs	0.09	60
• Other (2)	0.02	3
• Adjustment to GAAP provision for income taxes	(0.08)	(53)
Total adjustments	0.27	173
Non-GAAP EPS / Net Income	**$0.49**	**$317**

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

Reconciliation to Non-GAAP (Unlevered) Free Cash Flow

Unlevered Free Cash Flow Reconciliation	Q3 FY24
Net Cash Flow from Operating Activities	**$315**
Adjustments:	
• Capital Expenditures	(8)
Free Cash Flow	**$307**
Adjustments:	
• Cash paid for interest expense, net of interest rate hedges	$201
Unlevered Free Cash Flow	**$508**

Trended Share Count

Diluted Share Count Shares in millions	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY23	Q1 FY24	Q2 FY24	Q3 FY24
Basic Share Count Weighted Average	578	590	647	639	614	640	640	639
Dilutive Potentially Issuable Shares:								
From Employee Equity Awards	4	3	4	5	4	3	4	6
From Convertible Debt	22	2	-	-	6	-	-	-
Diluted Share Count (GAAP)	**604**	**595**	**651**	**644**	**624**	**643**	**644**	**645**
Incremental dilution effect (1)	(18)	-	-	-	(5)	-	-	-
Diluted Share Count (Non-GAAP)	**586**	**595**	**651**	**644**	**619**	**643**	**644**	**645**
Average Share Price	*$24.51*	*$23.14*	*$22.09*	*$20.06*	*$22.45*	*$17.48*	*$19.51*	*$19.81*

(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 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY23	Q1 FY24	Q2 FY24	Q3 FY24
Cost of revenues	$1	$1	$1	$-	$3	$1	$1	$1
Sales and marketing	7	8	9	10	34	9	10	10
Research and development	6	6	9	10	31	11	10	9
General and administrative	10	14	15	16	55	16	13	15
Restructuring and other costs	-	-	8	3	11	-	1	-
Total stock-based compensation expense	**$24**	**$29**	**$42**	**$39**	**$134**	**$37**	**$35**	**$35**

Trended EBITDA (Non-GAAP)

Reported EBITDA (Non-GAAP) [1] ($M)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY23	Q1 FY24	Q2 FY24	Q3 FY24
Net income	**$200**	**$69**	**$165**	**$915**	**$1,349**	**$189**	**$149**	**$144**
Adjustments:								
• Net interest expense	29	45	149	163	386	164	167	160
• Income tax expense (benefit)	29	126	51	(751)	(545)	15	(290)	37
• Depreciation and amortization	29	49	125	126	329	125	125	123
EBITDA (Non-GAAP)	**287**	**289**	**490**	**453**	**1,519**	**493**	**151**	**464**
Adjustments to EBITDA:								
• Contract liabilities fair value adjustment	1	-	-	1	2	-	-	-
• Stock-based compensation	24	29	34	36	123	37	35	35
• Restructuring and other costs	2	9	44	14	69	17	17	2
• Acquisition and integration costs	8	58	5	6	77	6	6	8
• Litigation costs	58	7	(44)	8	29	5	347	60
• Loss (gain) on extinguishment of debt	-	9	-	-	9	-	-	-
• Gain on sale of properties	-	-	-	-	-	(4)	-	(5)
• Other cost of revenues and operating expenses	-	(1)	1	-	-	-	-	-
• Other non-operating expense (income), net [2]	3	(8)	3	30	28	(2)	(1)	(1)
Reported EBITDA (Non-GAAP)	**$383**	**$392**	**$533**	**$548**	**$1,856**	**$552**	**$555**	**$563**

(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.

Debt Covenant EBITDA (Non-GAAP)

Debt Covenant EBITDA (Non-GAAP) (1) ($M)	LTM (3)
Net income	**$1,397**
Adjustments:	
• Net interest expense	654
• Income tax expense (benefit)	(989)
• Depreciation and amortization	499
EBITDA (Non-GAAP)	**1,561**
Adjustments to EBITDA:	
• Contract liabilities fair value adjustment	1
• Stock-based compensation	143
• Restructuring and other costs	50
• Acquisition and integration costs	26
• Litigation costs	420
• Gain on sale of properties	(9)
• Other cost of revenues and operating expenses	-
• Other non-operating expense (income), net (2)	26
Reported EBITDA (Non-GAAP)	**2,218**
Adjustments to Reported EBITDA:	
• Other non-operating expense (income), net (2)	1
• Unrealized cost synergies	68
Consolidated Debt Covenant EBITDA (Non-GAAP)	**$2,287**

(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.
(3) LTM denotes results for the last twelve fiscal month period.

Use of GAAP and Non-GAAP Financial Information

We use non-GAAP measures of operating margin, operating income, net income, results of operations, 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, EBITDA, reported EBITDA, diluted share count, gross profit, gross profit adjustments, operating expense adjustments, other non-operating expense (income) adjustments, unlevered free cash flow, 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 revenues and 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 is a metric designed to represent active paid users of our products and solutions who have a direct billing and/or registration relationship with us at the end of the reported period. Average direct customer count presents the average of the total number of direct customers at the beginning and end of the applicable period. We exclude users on free trials from our direct customer count. Users who have indirectly purchased and/or registered for our products or solutions through partners are excluded unless such users convert or renew their subscription directly with us or sign up for a paid membership through our web stores or third-party app stores. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products and solutions across brands, platforms, regions, and internal systems, and therefore, calculation methodologies may differ. The methodologies used to measure these metrics require judgment and are also susceptible to algorithms or other technical errors. We continually seek to improve our estimates of our user base, and these estimates are subject to change due to improvements or revisions to our methodology. From time to time, we review our metrics and may discover inaccuracies or make adjustments to improve their accuracy, which can result in adjustments to our historical metrics. Our ability to recalculate our historical metrics may be impacted by data limitations or other factors that require us to apply different methodologies for such adjustments. We generally do not intend to update previously disclosed metrics for any such inaccuracies or adjustments that are deemed not material.

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.

Retention rate: Retention rate is defined as the percentage of direct customers as of the end of the period from one year ago who are still active as of the most recently completed fiscal period. We monitor the retention rate to evaluate the effectiveness of our strategies to improve renewals of subscriptions.

(Unlevered) Free cash flow: Free cash flow is defined as cash flows from operating activities less purchases of property and equipment. Unlevered free cash flow excludes cash interest expense payments, net of payments received through interest rate swap hedges. 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

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