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 September 27, 2024

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 October 28, 2024 was 616,204,970 shares.

GEN DIGITAL INC.

FORM 10-Q

Quarterly Period Ended September 27, 2024

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"Gen," "we," "us," "our," and "the Company" refer to Gen Digital Inc. and all of its subsidiaries. Gen, Norton, Avast, LifeLock, Avira, AVG, Reputation Defender, CCleaner and all related trademarks, service marks and trade names are trademarks or registered trademarks of Gen or other respective owners that have granted Gen the right to use such marks. 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)

	September 27, 2024	March 29, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 737	$ 846
Accounts receivable, net	164	163
Other current assets	297	334
Assets held for sale	24	15
Total current assets	1,222	1,358
Property and equipment, net	60	72
Intangible assets, net	2,442	2,638
Goodwill	10,235	10,210
Other long-term assets	1,512	1,515
Total assets	$ 15,471	$ 15,793
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 99	$ 66
Accrued compensation and benefits	74	78
Current portion of long-term debt	1,391	175
Contract liabilities	1,749	1,808
Other current liabilities	509	599
Total current liabilities	3,822	2,726
Long-term debt	7,137	8,429
Long-term contract liabilities	78	76
Deferred income tax liabilities	248	261
Long-term income taxes payable	1,396	1,490
Other long-term liabilities	692	671
Total liabilities	13,373	13,653
Commitments and contingencies (Note 17)		
Stockholders' equity (deficit):		
Common stock and additional paid-in capital, $0.01 par value: 3,000 shares authorized; 616 and 623 shares issued and outstanding as of September 27, 2024 and March 29, 2024, respectively	1,995	2,227
Accumulated other comprehensive income (loss)	14	11
Retained earnings (accumulated deficit)	89	(98)
Total stockholders' equity (deficit)	2,098	2,140
Total liabilities and stockholders' equity (deficit)	$ 15,471	$ 15,793

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		Six Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Net revenues	$ 974	$ 945	$ 1,939	$ 1,888
Cost of revenues	194	180	384	359
Gross profit	780	765	1,555	1,529
Operating expenses:				
Sales and marketing	184	187	367	368
Research and development	83	85	164	175
General and administrative	64	393	116	449
Amortization of intangible assets	44	61	87	122
Restructuring and other costs	3	17	2	34
Total operating expenses	378	743	736	1,148
Operating income (loss)	402	22	819	381
Interest expense	(149)	(173)	(302)	(343)
Other income (expense), net	5	7	17	19
Income (loss) before income taxes	258	(144)	534	57
Income tax expense (benefit)	97	(291)	192	(277)
Net income (loss)	$ 161	$ 147	$ 342	$ 334
Net income (loss) per share - basic	$ 0.26	$ 0.23	$ 0.55	$ 0.52
Net income (loss) per share - diluted	$ 0.26	$ 0.23	$ 0.55	$ 0.52
Weighted-average shares outstanding:				
Basic	616	640	618	640
Diluted	622	644	624	644

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		Six Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Net income (loss)	$ 161	$ 147	$ 342	$ 334
Other comprehensive income (loss), net of taxes:				
Foreign currency translation gain (loss)	27	(36)	22	(4)
Net unrealized gain (loss) on interest rate derivative instruments	(19)	6	(19)	25
Other comprehensive income (loss), net of taxes	8	(30)	3	21
Comprehensive income (loss)	$ 169	$ 117	$ 345	$ 355

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 September 27, 2024	**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 June 28, 2024	615	$ 1,959	$ 6	$ 5	$ 1,970
Net income (loss)	—	—	—	161	161
Other comprehensive income (loss), net of taxes	—	—	8	—	8
Common stock issued under employee stock incentive plans	1	6	—	—	6
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	—	(2)	—	(77)	(79)
Stock-based compensation	—	33	—	—	33
Balance as of September 27, 2024	616	$ 1,995	$ 14	$ 89	$ 2,098

Six months ended September 27, 2024	**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 March 29, 2024	623	$ 2,227	$ 11	$ (98)	$ 2,140
Net income (loss)	—	—	—	342	342
Other comprehensive income (loss), net of taxes	—	—	3	—	3
Common stock issued under employee stock incentive plans	5	6	—	—	6
Shares withheld for taxes related to vesting of stock units	(1)	(25)	—	—	(25)
Repurchases of common stock[1]	(11)	(274)	—	—	(274)
Cash dividends declared ($0.250 per share of common stock) and dividend equivalents accrued	—	(3)	—	(155)	(158)
Stock-based compensation	—	64	—	—	64
Balance as of September 27, 2024	616	$ 1,995	$ 14	$ 89	$ 2,098

(1) Amount includes excise tax on share repurchases.

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 September 29, 2023	**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 June 30, 2023	639	$ 2,697	$ 36	$ (446)	$ 2,287
Net income (loss)	—	—	—	147	147
Other comprehensive income (loss), net of taxes	—	—	(30)	—	(30)
Common stock issued under employee stock incentive plans	2	6	—	—	6
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	—	(82)	—	—	(82)
Stock-based compensation	—	35	—	—	35
Balance as of September 29, 2023	641	$ 2,655	$ 6	$ (299)	$ 2,362

Six months ended September 29, 2023	**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 March 31, 2023	640	$ 2,800	$ (15)	$ (633)	$ 2,152
Net income (loss)	—	—	—	334	334
Other comprehensive income (loss), net of taxes	—	—	21	—	21
Common stock issued under employee stock incentive plans	5	6	—	—	6
Shares withheld for taxes related to vesting of stock units	(1)	(19)	—	—	(19)
Repurchases of common stock	(3)	(41)	—	—	(41)
Cash dividends declared ($0.250 per share of common stock) and dividend equivalents accrued	—	(163)	—	—	(163)
Stock-based compensation	—	72	—	—	72
Balance as of September 29, 2023	641	$ 2,655	$ 6	$ (299)	$ 2,362

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)

	Six Months Ended	
	September 27, 2024	September 29, 2023
OPERATING ACTIVITIES:		
Net income (loss)	$ 342	$ 334
Adjustments:		
Amortization and depreciation	211	250
Impairments and write-offs of current and long-lived assets	3	—
Stock-based compensation expense	64	72
Deferred income taxes	(37)	(976)
Gain on sale of property	—	(4)
Non-cash operating lease expense	7	11
Other	8	17
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	2	16
Accounts payable	29	(15)
Accrued compensation and benefits	(5)	(41)
Contract liabilities	(71)	(93)
Income taxes payable	(169)	417
Other assets	64	(23)
Other liabilities	(26)	386
Net cash provided by (used in) operating activities	422	351
INVESTING ACTIVITIES:		
Purchases of property and equipment	(4)	(9)
Purchase of non-marketable equity investments	(4)	—
Proceeds from the sale of property	—	13
Other	(2)	(1)
Net cash provided by (used in) investing activities	(10)	3
FINANCING ACTIVITIES:		
Repayments of debt	(88)	(266)
Net proceeds from sales of common stock under employee stock incentive plans	6	6
Tax payments related to vesting of stock units	(25)	(20)
Dividends and dividend equivalents paid	(159)	(164)
Repurchases of common stock	(272)	(41)
Net cash provided by (used in) financing activities	(538)	(485)
Effect of exchange rate fluctuations on cash and cash equivalents	17	10
Change in cash and cash equivalents	(109)	(121)
Beginning cash and cash equivalents	846	750
Ending cash and cash equivalents	$ 737	$ 629

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

Gen Digital Inc. is a global company powering Digital Freedom with a family of trusted consumer brands including Norton, Avast, LifeLock, Avira, AVG, ReputationDefender and CCleaner. Our cyber safety portfolio provides protection across multiple channels and geographies, including security and performance management, identity protection, and online privacy. Our technology platforms bring together software and service capabilities into comprehensive and easy-to-use products and solutions across our brands. We have also evolved beyond traditional cyber safety to offer adjacent trust-based solutions, including digital identity and access management, digital reputation management, and restoration support services.

Basis of presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) 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 March 29, 2024. The results of operations for the three and six months ended September 27, 2024 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 six month periods in this report relate to fiscal periods ended September 27, 2024 and September 29, 2023. The three and six months ended September 27, 2024 and September 29, 2023 each consisted of 13 and 26 weeks, respectively. Our 2025 fiscal year consists of 52 weeks and ends on March 28, 2025.

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 Condensed Consolidated Financial Statements and accompanying Notes. Such estimates include, but are not limited to, valuation of business combinations including acquired intangible assets and goodwill, deferred revenue, loss contingencies, the recognition and measurement of current and deferred income taxes, including assessment of unrecognized tax benefits, 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. dollar, our reporting currency, changes in interest rates, ongoing and new geopolitical conflicts, 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 six months ended September 27, 2024, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 29, 2024.

Revision of Prior Period Financial Statements

Historically, we had a practice of recognizing revenue for certain groups of customer renewals on the successful billing date, rather than the renewal start date. This practice was instituted to align with our system which was configured and implemented based on payment confirmation from e-commerce partners. In the first quarter of fiscal 2025, we changed the practice to recognize revenue for these groups on the renewal start date. We concluded that the impact of this change is not material to any previously issued annual or interim financial statements; however, we have revised previously reported financial information. This correction will also be reflected in future filings, as applicable.

We have corrected this error in the accompanying Condensed Consolidated Balance Sheet as of March 29, 2024 by increasing contract liabilities for $78 million, increasing other long-term assets for $21 million and decreasing retained earnings (accumulated deficit) for $57 million. The Condensed Consolidated Statement of Operations for the three months ended September 29, 2023 included a decrease to net revenues of $3 million and a decrease to income tax expense (benefit) of $1 million. The Condensed Consolidated Statement of Operations for the six months ended September 29, 2023 included a decrease to net revenues of $6 million and a decrease to income tax expense (benefit) of $2 million.

Note 2. Recent Accounting Standards

Recently issued authoritative guidance not yet adopted

ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. In November 2023, the Financial Accounting Standards Board (FASB) issued new guidance to update reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. The ASU also clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss and provide new segment disclosure requirement for entities with a single reportable segment. This is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. We do not expect the adoption of this guidance will have a material impact on our Condensed Consolidated Financial Statements and disclosures.

ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. In December 2023, the FASB issued new guidance to update income tax disclosure requirements, requiring disaggregated information about an entity's effective tax rate reconciliation as well as income taxes paid. This is effective for fiscal years beginning after December 15, 2024. We are currently evaluating the impact of the adoption of this guidance on our Condensed Consolidated Financial Statements and disclosures.

There have been no other material changes in recently issued or adopted accounting standards from those disclosed in our Annual Report on Form 10-K for the fiscal year ended March 29, 2024.

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 have 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 2023, we determined land and buildings in Dublin, Ireland, which were previously reported as property and equipment, qualified as held for sale.

During the first quarter of fiscal 2024, we completed the sale of certain land and buildings in Dublin, Ireland, for cash consideration of $13 million, net of selling costs, and recognized a gain on sale of $4 million. The remaining land and building in Dublin, Ireland, remains held for sale. We have taken into consideration the current real estate values and demand and continue to execute plans to sell the remaining property. During the second quarter of fiscal year 2025, we recognized an immaterial impairment representing the difference between the fair value less cost to sell and the carrying value of the remaining land and building in Dublin, Ireland. As of September 27, 2024, this property remains classified as assets held for sale.

During the second quarter of fiscal 2025, we determined certain land and buildings in Tettnang, Germany, which were previously reported as property and equipment, net as of March 29, 2024, now qualifies as held for sale classification. As a result, we reclassified the aggregate of $12 million carrying value from property and equipment, net to assets held for sale in our Condensed Consolidated Balance Sheet. Upon reclassification, we recognized an immaterial impairment representing the difference between the fair value less cost to sell and the carrying value of the property.

During the three and six months ended September 27, 2024, we recognized immaterial impairments on our held for sale properties, which was included in Other Income (expense), net in our Condensed Consolidated Statement of Operations, because the fair value less costs to sell is less than the carrying value of our properties.

Note 4. Revenues

Contract liabilities

During the three and six months ended September 27, 2024, we recognized $733 million and $1,261 million from the contract liabilities balances as of June 28, 2024 and March 29, 2024, respectively. During the three and six months ended September 29, 2023, we recognized $705 million and $1,232 million from the contract liabilities balances as of June 30, 2023 and March 31, 2023, respectively.

Remaining performance obligations

Remaining performance obligations represent contracted revenue that has not been recognized, which include contract liabilities and amounts that will be billed and recognized as revenue in future periods. As of September 27, 2024, we had $1,232 million of remaining performance obligations, excluding customer deposit liabilities of $595 million, of which we expect to recognize approximately 94% as revenue over the next 12 months.

See Note 16 for tabular disclosures of disaggregated revenue by solution and geographic region.

Note 5. Goodwill and Intangible Assets

Goodwill

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

(In millions)	
Balance as of March 29, 2024	$ 10,210
Translation adjustments	25
Balance as of September 27, 2024	$ 10,235

Intangible assets, net

The following table summarizes the components of our intangible assets, net:

	September 27, 2024			March 29, 2024		
(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 1,646	$ (856)	$ 790	$ 1,642	$ (773)	$ 869
Developed technology	1,347	(504)	843	1,343	(388)	955
Other	90	(20)	70	90	(15)	75
Total finite-lived intangible assets	3,083	(1,380)	1,703	3,075	(1,176)	1,899
Indefinite-lived trade names	739	—	739	739	—	739
Total intangible assets	$ 3,822	$ (1,380)	$ 2,442	$ 3,814	$ (1,176)	$ 2,638

Amortization expense for purchased intangible assets is summarized below:

	Three Months Ended		Six Months Ended		Condensed Consolidated Statements of Operations Classification
(In millions)	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023	
Customer relationships and other	$ 44	$ 61	$ 87	$ 122	Operating expenses
Developed technology	58	58	115	115	Cost of revenues
Total	$ 102	$ 119	$ 202	$ 237	

As of September 27, 2024, future amortization expense related to intangible assets that have finite lives is as follows by fiscal year:

(In millions)	
Remainder of 2025	$ 201
2026	396
2027	383
2028	380
2029	250
Thereafter	93
Total	$ 1,703

Note 6. Supplementary Information

Cash and cash equivalents:

(In millions)	September 27, 2024	March 29, 2024
Cash	$ 583	$ 408
Cash equivalents	154	438
Total cash and cash equivalents	$ 737	$ 846

Accounts receivable, net:

(In millions)	September 27, 2024	March 29, 2024
Accounts receivable	$ 166	$ 165
Allowance for doubtful accounts	(2)	(2)
Total accounts receivable, net	$ 164	$ 163

Other current assets:

(In millions)	September 27, 2024	March 29, 2024
Prepaid expenses	$ 138	$ 142
Income tax receivable and prepaid income taxes	127	174
Other tax receivable	14	1
Other	18	17
Total other current assets	$ 297	$ 334

Property and equipment, net:

(In millions)	September 27, 2024	March 29, 2024
Land	$ 13	$ 13
Computer hardware and software	498	491
Office furniture and equipment	16	16
Buildings	16	28
Leasehold improvements	37	35
Construction in progress	1	1
Total property and equipment, gross	581	584
Accumulated depreciation and amortization	(521)	(512)
Total property and equipment, net	$ 60	$ 72

Other long-term assets:

(In millions)	September 27, 2024	March 29, 2024
Non-marketable equity investments	$ 140	$ 136
Long-term income tax receivable and prepaid income taxes	10	11
Deferred income tax assets	1,254	1,236
Operating lease assets	54	45
Long-term prepaid royalty	13	21
Other	41	66
Total other long-term assets	$ 1,512	$ 1,515

Short-term contract liabilities:

(In millions)	September 27, 2024	March 29, 2024
Deferred revenue	$ 1,154	$ 1,200
Customer deposit liabilities	595	608
Total short-term contract liabilities	$ 1,749	$ 1,808

Other current liabilities:

(In millions)	September 27, 2024	March 29, 2024
Income taxes payable	$ 138	$ 198
Other taxes payable	86	72
Accrued legal fees	82	103
Accrued royalties	36	52
Accrued interest	110	78
Current operating lease liabilities	13	13
Other accrued liabilities	44	83
Total other current liabilities	$ 509	$ 599

Other long-term liabilities:

(In millions)	September 27, 2024	March 29, 2024
Long-term accrued legal fees	$ 591	$ 586
Long-term operating lease liabilities	47	38
Other	54	47
Total other long-term liabilities	$ 692	$ 671

Long-term income taxes payable:

(In millions)	September 27, 2024	March 29, 2024
Unrecognized tax benefits (including interest and penalties)	$ 1,395	$ 1,346
Deemed repatriation tax payable	—	139
Other long-term income taxes	1	5
Total long-term income taxes payable	$ 1,396	$ 1,490

Other income (expense), net:

	Three Months Ended		Six Months Ended	
(In millions)	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Interest income	$ 6	$ 6	$ 14	$ 12
Foreign exchange gain (loss)	(2)	1	2	2
Gain (loss) on sale of properties	—	—	—	4
Other	1	—	1	1
Other income (expense), net	$ 5	$ 7	$ 17	$ 19

Supplemental cash flow information:

	Six Months Ended	
(In millions)	September 27, 2024	September 29, 2023
Income taxes paid (received), net of refunds	$ 328	$ 270
Interest expense paid	$ 265	$ 283
Cash paid for amounts included in the measurement of operating lease liabilities	$ 9	$ 13
Non-cash operating activities:		
Operating lease assets obtained in exchange for operating lease liabilities	$ 4	$ —
Reduction (increase) of operating lease assets as a result of lease terminations and modifications	$ (12)	$ (7)
Non-cash investing and financing activities:		
Purchases of property and equipment in current liabilities	$ 3	$ 4

Note 7. Financial Instruments and Fair Value Measurements

For financial instruments measured at fair value, fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use when pricing the asset or liability.

The three levels of inputs that may be used to measure fair value are:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets or model-derived valuations. All significant inputs used in our valuations, such as discounted cash flows, are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. We monitor and review the inputs and results of these valuation models to help ensure the fair value measurements are reasonable and consistent with market experience in similar asset classes.

Assets measured and recorded at fair value on a recurring basis

The following table summarizes our financial instruments measured at fair value on a recurring basis:

	September 27, 2024			March 29, 2024		
(In millions)	Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
Assets:						
Money market funds	$ 154	$ 154	$ —	$ 438	$ 438	$ —
Interest rate swaps	—	—	—	16	—	16
Total assets	$ 154	$ 154	$ —	$ 454	$ 438	$ 16
Liabilities:						
Interest rate swaps	$ 3	$ —	$ 3	$ —	$ —	$ —
Total liabilities	$ 3	$ —	$ 3	$ —	$ —	$ —

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 September 27, 2024 and March 29, 2024, the carrying value of our non-marketable equity investments was $140 million and $136 million, respectively.

Current and long-term debt

As of September 27, 2024 and March 29, 2024, the total fair value of our current and long-term fixed rate debt was $2,650 million and $2,624 million, respectively. The fair value of our variable rate debt approximated their carrying value. The fair values of all our debt obligations were based on Level 2 inputs.

Note 8. Leases

We lease certain facilities, equipment and data center co-locations under operating leases that expire on various dates through fiscal 2033. Our leases generally have terms that range from 1 year to 9 years for our facilities, 1 year to 4 years for equipment and 1 year to 7 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		Six Months Ended	
(In millions)	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Operating lease costs	$ 4	$ 2	$ 7	$ 6
Short-term lease costs	—	1	1	1
Variable lease costs	2	2	2	3
Total lease costs	$ 6	$ 5	$ 10	$ 10

Other information related to our operating leases was as follows:

	September 27, 2024	March 29, 2024
Weighted-average remaining lease term	5.0 years	4.6 years
Weighted-average discount rate	5.60 %	5.35 %

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

As of September 27, 2024, the maturities of our lease liabilities by fiscal year are as follows:

(In millions)	
Remainder of 2025	$ 8
2026	16
2027	15
2028	9
2029	8
Thereafter	13
Total lease payments	69
Less: Imputed interest	(9)
Present value of lease liabilities	$ 60

Note 9. Debt

The following table summarizes components of our debt:

(In millions, except percentages)	September 27, 2024	March 29, 2024	Effective Interest Rate
5.00% Senior Notes due April 15, 2025	$ 1,100	$ 1,100	5.00 %
Term A Facility due September 12, 2027	3,617	3,666	SOFR + % [2]
6.75% Senior Notes due September 30, 2027	900	900	6.75 %
Term B Facility due September 12, 2029	2,405	2,444	SOFR + % [3]
1.29% Avira Mortgage due December 30, 2029 [1]	3	3	1.29 %
7.125% Senior Notes due September 30, 2030	600	600	7.13 %
0.95% Avira Mortgage due December 30, 2030 [1]	3	3	0.95 %
Total principal amount	8,628	8,716	
Less: unamortized discount and issuance costs	(100)	(112)	
Total debt	8,528	8,604	
Less: current portion	(1,391)	(175)	
Total long-term debt	$ 7,137	$ 8,429	

(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) 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.

(3) Term B Facility due 2029 bears interest at a rate equal to Term SOFR plus 1.75%.

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

	September 27, 2024	March 29, 2024
Term A Facility due September 12, 2027	6.85 %	7.18 %
Term B Facility due September 12, 2029	7.00 %	7.43 %

As of September 27, 2024, the future contractual maturities of debt by fiscal year are as follows:

(In millions)	
Remainder of 2025	$ 117
2026	1,392
2027	233
2028	4,017
2029	38
Thereafter	2,831
Total future maturities of debt	$ 8,628

Senior credit facilities

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 close of the acquisition of Avast. 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 our acquisition of Avast and to fully repay the outstanding principal and accrued interest of the existing credit facilities at the time. 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.

On June 5, 2024, we entered into the First Amendment with certain financial institutions under the Credit Agreement, as amended (Amended Credit Agreement). The First Amendment repriced our Term B Facility interest rate from the applicable benchmark rate plus CSA plus 2.0% to the applicable benchmark rate plus 1.75%. Other than as described above, the Revolving Facility and the term loan facilities under the First Amendment continue to have the same terms as provided under the Credit Agreement.

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 Amended 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 Amended Credit Agreement. Quarterly installment payments commenced on March 31, 2023. We may voluntarily repay outstanding principal balances under the Revolving Facility and Term loan facilities without penalty or premium. As of September 27, 2024, there were no borrowings outstanding under our Revolving Facility; however, from time to time we utilize letters of credits as part of our ordinary course of business. Letters of credit reduce our Revolving Facility commitment amounts. As of September 27, 2024, we had $10 million in letters of credit.

Interest on our Term A facility borrowings under the Amended 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 Amended 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 Amended Credit Agreement contains customary representations and warranties, affirmative and negative covenants. Each of the Revolving Facility and Term A Facility are subject to a covenant that we maintain a consolidated leverage ratio less than or equal to (i) 6.0 to 1.0 from the second quarter of fiscal 2023 through the last day of the second quarter of fiscal 2024, (ii) 5.75 to 1.0 following the last day of the second quarter of fiscal 2024 through the last day of the second quarter of fiscal 2025 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 Amended 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 September 27, 2024, we were in compliance with all financial debt covenants.

Senior notes

On February 9, 2017, we issued $1,100 million aggregate principal amount of our 5.0% Senior Notes due April 15, 2025 (the 5.0% Senior Notes). The 5.0% Senior Notes bear interest at a rate of 5.00% per year, payable semiannually in arrears on April 15 and October 15 of each year, beginning on October 15, 2017. On or after April 15, 2020, we may redeem some or all of the 5.0% Senior Notes at the applicable redemption prices set forth in the supplemental indenture, plus accrued and unpaid interest.

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. 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. On and after the applicable First Call Dates, we may redeem the notes of a series at our option, in whole or in part, at any time and from time to time, at a set redemption price.

Note 10. 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 impacts 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.

Interest rate swap

In March 2023, we entered into interest rate swap agreements to mitigate risks associated with the variable interest rate of our Term A Facility. These pay-fixed, receive-floating rate interest rate swaps have the economic effect of hedging the variability of forecasted interest payments until their maturity on March 31, 2026. Pursuant to the agreements, we have effectively converted $1 billion of our variable rate borrowings under Term A Facility to fixed rates, with $500 million at a fixed rate of 3.762% and $500 million at a fixed rate of 3.55%.

These arrangements are designated as cash flow hedges for accounting purposes and as such, we will recognize the changes in the fair value of these interest rate swaps in Accumulated other comprehensive income (loss) (AOCI), and the periodic settlements or accrued settlements of the swap will be recognized within or against interest expense in our Condensed Consolidated Statements of Operations. Cash flows related to these hedges are classified under operating activities in our Condensed Consolidated Statement of Cash Flows.

Summary of derivative instruments

The following table summarizes our outstanding derivative instruments as of September 27, 2024 and March 29, 2024:

	Notional Amount		Fair Value of Derivative Assets		Fair Value of Derivative Liabilities	
(In millions)	September 27, 2024	March 29, 2024	September 27, 2024	March 29, 2024	September 27, 2024	March 29, 2024
Foreign exchange contracts not designated as hedging instrument [(1)]	$ 324	$ 345	$ —	$ —	$ —	$ —
Interest rate swap contracts designated as cash flow hedge	1,000	1,000	—	16	3	—
Total	$ 1,324	$ 1,345	$ —	$ 16	$ 3	$ —

(1) The fair values of the foreign exchange contracts are less than $1 million as of September 27, 2024 and March 29, 2024.

The following table summarizes the effect of our cash flow hedges on AOCI during the periods indicated:

	Three Months Ended		Six Months Ended	
(In millions)	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Interest rate swap contracts designated as cash flow hedge	$ 15	$ (10)	$ 11	$ (32)

The related gain (loss) recognized in our Condensed Consolidated Statements of Operations was as follows:

	Three Months Ended		Six Months Ended		
(In millions)	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023	Condensed Consolidated Statements of Operations Classification
Foreign exchange contracts not designated as hedging instrument	$ 5	$ (6)	$ 2	$ (9)	Other income (expense), net
Interest rate swap contracts designated as cash flow hedge	4	4	8	7	Interest expense
Total	$ 9	$ (2)	$ 10	$ (2)	

As of September 27, 2024, we estimate that less than $1 million of net deferred gains related to our interest rate hedges will be recognized in earnings over the next 12 months.

Note 11. Restructuring and Other Costs

Our restructuring and other costs consist primarily 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. Separation costs primarily consist of consulting costs incurred in connection with our divestitures.

September 2022 Plan

In connection with our acquisition of Avast, 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 acquisition 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 $150 million following the completion of the acquisition. These actions are expected to be completed by the end of fiscal 2025. As of September 27, 2024, we have incurred costs of $126 million related to the September 2022 Plan.

Restructuring and other costs summary

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

	Three Months Ended		Six Months Ended	
(In millions)	**September 27, 2024**	**September 29, 2023**	**September 27, 2024**	**September 29, 2023**
Severance and termination benefit costs	$ 2	$ 11	$ 1	$ 22
Contract cancellation charges	—	1	—	2
Stock-based compensation charges	—	1	—	1
Other exit and disposal costs	1	4	1	9
Total restructuring and other costs	$ 3	$ 17	$ 2	$ 34

Note 12. Income Taxes

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

	Three Months Ended		Six Months Ended	
(In millions, except percentages)	**September 27, 2024**	**September 29, 2023**	**September 27, 2024**	**September 29, 2023**
Income (loss) before income taxes	$ 258	$ (144)	$ 534	$ 57
Income tax expense (benefit)	$ 97	$ (291)	$ 192	$ (277)
Effective tax rate	38 %	202 %	36 %	(486)%

Our effective tax rate for the three and six months ended September 27, 2024, differs from the federal statutory income tax rate primarily due to state taxes, changes in unrecognized tax benefits and related interest and penalties, and the U.S. taxation on foreign earnings.

Our effective tax rate for the three and six months ended September 29, 2023, differs from the federal statutory income tax rate primarily due to tax benefits related to the set up and write-off of deferred tax items resulting from an internal restructuring, partially offset by state taxes, changes in unrecognized tax benefits and related interest and penalties, and the U.S. taxation on foreign earnings.

Note 13. Stockholders' Equity

Dividends

On October 30, 2024, we announced that our Board of Directors declared a cash dividend of $0.125 per share of common stock to be paid in December 2024. 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, 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 acquisition of Avast will not be entitled to DERs. See Note 14 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

In May 2024, our Board of Directors authorized a new stock repurchase program through which we may repurchase shares of our common stock in an aggregate amount of up to $3 billion with no fixed expiration. 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 September 27, 2024, we had $2,728 million remaining under the authorization to be completed in future periods.

The following table summarizes activity related to our stock repurchase program during six months ended September 27, 2024 and September 29, 2023:

(In millions, except per share amounts)	Six Months Ended	
	September 27, 2024	September 29, 2023
Number of shares repurchased	11	3
Average price per share	$ 24.65	$ 16.71
Aggregate purchase price	$ 272	$ 41

We did not have any stock repurchases during the three months ended September 27, 2024 and September 29, 2023.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss), net of taxes, consisted of foreign currency translation adjustments and unrealized gain (loss) on derivative instruments:

(In millions)	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) On Derivative Instruments	Total
Balance as of March 29, 2024	$ (5)	$ 16	$ 11
Other comprehensive income (loss), net of taxes	22	(19)	3
Balance as of September 27, 2024	$ 17	$ (3)	$ 14

Note 14. Stock-Based Compensation

Avast equity awards

In connection with our acquisition of Avast, 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.

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

(In millions)	Three Months Ended		Six Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Cost of revenues	$ 1	$ 1	$ 2	$ 2
Sales and marketing	9	10	18	19
Research and development	9	10	18	21
General and administrative	14	13	26	29
Restructuring and other costs	—	1	—	1
Total stock-based compensation expense	$ 33	$ 35	$ 64	$ 72
Income tax benefit for stock-based compensation expense	$ (4)	$ (4)	$ (8)	$ (9)

As of September 27, 2024, the total unrecognized stock-based compensation expense related to our unvested stock-based awards was $238 million, which will be recognized over an estimated weighted-average amortization period of 2.0 years.

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

(In millions, except per grant data)	Six Months Ended	
	September 27, 2024	September 29, 2023
Restricted stock units (RSUs):		
Weighted-average fair value per award granted	$ 23.56	$ 17.33
Awards granted	5	5
Total fair value of awards released	$ 73	$ 55
Outstanding and unvested	9	10
Performance-based restricted stock units (PRUs):		
Weighted-average fair value per award granted	$ 32.44	$ 22.79
Awards granted	1	2
Total fair value of awards released	$ 24	$ 19
Outstanding and unvested at target payout	5	5

Dividend equivalent rights (DERs)

Our RSUs and PRUs, except for the 4 million assumed RSUs under the Avast Plans, contain DERs that entitle the recipient of an award to receive cash dividend payments when the associated award is released. The amount of DERs equals to the cumulated dividends on the issued number of common stock that would have been payable since the date the associated award was granted. As of September 27, 2024 and March 29, 2024, current dividends payable related to DER was $4 million recorded as part of Other current liabilities in the Condensed Consolidated Balance Sheets, and long-term dividends payable related to DER was $3 million and $4 million, respectively, recorded as part of Other long-term liabilities in the Condensed Consolidated Balance Sheets.

Note 15. Net Income (Loss) 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 employee equity awards.

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

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Net income (loss)	$ 161	$ 147	$ 342	$ 334
Net income (loss) per share - basic	$ 0.26	$ 0.23	$ 0.55	$ 0.52
Net income (loss) per share - diluted	$ 0.26	$ 0.23	$ 0.55	$ 0.52
Weighted-average shares outstanding - basic	616	640	618	640
Dilutive potentially issuable shares:				
Employee equity awards	6	4	6	4
Weighted-average shares outstanding - diluted	622	644	624	644
Anti-dilutive shares excluded from diluted net income per share calculation:				
Employee equity awards	—	3	—	3

Note 16. Segment and Geographic Information

We operate as one reportable segment. Our Chief Operating Decision Maker is our Chief Executive Officer, who 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 September 27, 2024	Three Months Ended September 29, 2023	Six Months Ended September 27, 2024	Six Months Ended September 29, 2023
Consumer security revenues	$ 615	$ 601	$ 1,222	$ 1,198
Identity and information protection revenues	347	328	691	657
Total cyber safety revenues	962	929	1,913	1,855
Legacy revenues	12	16	26	33
Total net revenues	$ 974	$ 945	$ 1,939	$ 1,888

Consumer security includes revenues from our Norton 360 Security offerings, Norton, Avast, AVG, and Avira Security and VPN offerings, 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 identity information protection and privacy solutions. Legacy includes revenues from products or solutions from markets that we have exited and in which we no longer operate, 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 September 27, 2024	Three Months Ended September 29, 2023 [(1)]	Six Months Ended September 27, 2024	Six Months Ended September 29, 2023 [(1)]
Americas	$ 641	$ 618	$ 1,277	$ 1,232
EMEA	233	227	466	453
APJ	100	100	196	203
Total net revenues [(1)]	$ 974	$ 945	$ 1,939	$ 1,888

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

(1) From time to time, changes in allocation methodologies cause changes to the revenue by geographic area above. When changes occur, we recast historical amounts to match the current methodology, such as for the three and six months ended September 29, 2023 where we aligned allocation methodologies across similar product categories.

Revenues from customers inside the U.S. were $584 million and $1,163 million during the three and six months ended September 27, 2024, respectively, and $563 million and $1,121 million during the three and six months ended September 29, 2023, respectively. No other individual country accounted for more than 10% of revenues.

The table below represents cash and cash equivalents held in the U.S. and internationally in various foreign subsidiaries:

(In millions)	September 27, 2024	March 29, 2024
U.S.	$ 337	$ 467
International	400	379
Total cash and cash equivalents	$ 737	$ 846

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)	September 27, 2024	March 29, 2024
U.S.	$ 48	$ 47
Germany	—	12
Other countries [(1)]	12	13
Total property and equipment, net	$ 60	$ 72

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

Significant customers and e-commerce partners

No individual, end-user customer accounted for 10% or more of our net revenues during the six months ended September 27, 2024 and September 29, 2023.

E-commerce partners that accounted for over 10% of our total billed and unbilled accounts receivable were as follows:

	September 27, 2024	March 29, 2024
E-commerce partner A	12 %	13 %
E-commerce partner B	14 %	11 %

Note 17. 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.

Litigation contingencies

From time to time, we are involved in legal proceedings, including, but not limited to, regulatory proceedings, claims, mediations, arbitrations and litigation, arising out of the ordinary court of business. We evaluate contingent liabilities including threatened or pending litigation in accordance with the authoritative guidance on contingencies. We assess the likelihood of any adverse judgements or outcomes from potential claims or proceedings for accrual or disclosure in our Condensed Consolidated Financial Statements. A determination of the amount of an accrual required, if any, for these contingencies is made after the analysis of each separate matter. Because of uncertainties related to these matters, we base our estimates on the information available at the time of our assessment. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates and disclosures. We classify our accruals for litigation contingencies in our Condensed Consolidated Balance Sheets as part of Other current liabilities or Other long-term liabilities based on when we expect to pay the claim, if at all. If the period of expected payment is within one year, we classify the amount as short-term; otherwise, it is classified as long-term. The exact timing of payment is subject to uncertainty and could change significantly from our estimated payment period.

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

As previously disclosed, 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 believe that we have ceased the 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.

On September 30, 2023, the court entered its judgment, which awarded Columbia (i) enhanced damages of 2.6 times the jury award; (ii) prejudgment interest, post-judgment interest, and supplemental damages to be calculated in accordance with the parties’ previous agreement; and (iii) attorneys’ fees subject to the parties meeting and conferring as to amount. We have complied with the court’s order and submitted a stipulation regarding the final calculations of all outstanding interest, royalties and attorneys’ fees. We have posted the required surety bond and have appealed the judgement to the Federal Circuit Court of Appeals, which remains pending.

At this time, our current estimate of probable losses from this matter is approximately $591 million, which we have accrued and recorded as part of Other long-term liabilities in the Condensed Consolidated Balance Sheets. There is a reasonable

possibility that a loss may be incurred in excess of our accrual for this matter; however, such incremental 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).

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, exclusive of any claims that may be brought by shareholders who opted out of the class action. Of the $70 million, $67 million was covered under the applicable insurance policy with the remainder paid by us into escrow in September 2021. The Court approved the settlement on February 12, 2022, releasing the settlement payment from escrow.

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, 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. On February 7, 2023, our Motion to Dismiss was granted in part and denied in part. The parties have now settled the matter and the action was dismissed with prejudice on April 26, 2023. The impact of settlement was not material.

Purported shareholder derivative lawsuits were 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 allege claims for breach of fiduciary duty and related claims. On January 4, 2023, after reaching an agreement on the terms of the proposed settlement, which provides for, among other things, a payment of $12 million to the Company by the insurers of the Company's directors and officers, the parties to the Chancery action filed a Stipulation and Agreement of Settlement, Compromise and Release in that Court, which was approved by the Court on May 4, 2023, over the objection of the *Lee* and *Milliken* plaintiffs, and releases all claims in the Chancery, *Lee*, and *Milliken* actions, as well as any other claims based on the same operative facts. The parties in the *Milliken* action stipulated to a dismissal with prejudice, which was entered by that Court on May 12, 2023. The parties in the *Lee* action stipulated to a dismissal with prejudice, which was entered by that Court on June 12, 2023. All three shareholder derivative lawsuits are now resolved.

A fourth lawsuit filed in the Delaware Superior Court, *Kukard v. Symantec*, brought claims derivatively on behalf of our 2008 Employee Stock Purchase Plan. The parties have reached a settlement in principle, subject to Court approval. The impact of settlement was not material.

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 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 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. We settled with the State of Florida before trial and the State of New York during trial, both for immaterial amounts which have been paid. 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. On February 16, 2023, plaintiffs filed Motions to Amend Judgment to

revive the damages claimed at trial. On January 16, 2024, the Court granted in part and denied in part the United States' Motion to Amend and awarded $53 million in damages and penalties. The State of California's Motion to Amend was denied.

The January 2023 judgment amount has been paid, and at this time, our current estimate of the low end of the range of probable estimated losses from this matter is $53 million, which we have accrued and recorded as part of Other current liabilities in the Condensed Consolidated Balance Sheets. On February 13, 2024, we filed a motion to amend and correct the judgement in that the revised damages in the January 2024 decision include damages for products not included on the GSA schedule at issue in the case. The Court denied that motion on August 30, 2024, and subsequently issued its Judgment on September 30, 2024.

The parties' deadline to file a Notice of Appeal was October 29, 2024. Neither party filed a Notice of Appeal and we expect to pay the judgment, including post-judgment interest, in November 2024. In addition, we are currently negotiating the amount of attorneys' fees owed to the Relator. If a negotiated resolution as to fees is not reached, Relator's deadline to bring a motion for fees is December 2, 2024.

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 acquisition of Avast, 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 engaged in ongoing negotiations with the FTC staff and have reached a negotiated agreement on the terms of a Consent Decree resolving this investigation, the terms of which are now final. This includes a provision for a non-material amount of monetary relief, which has been paid.

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, the Czech DPA issued a decision in March 2022 finding that Avast had violated the GDPR and issued a fine of CZK 351 million, which is approximately $15 million. Avast appealed the decision, which was affirmed by the Czech DPA on April 10, 2024. Avast has now paid the fine levied by the DPA. On June 15, 2024, Avast brought a judicial action in the administrative law court challenging the decision of the Czech DPA. That matter is still pending.

On March 27, 2024, Stichting CUIC – Privacy Foundation for Collective Redress, a Dutch foundation (the Foundation), filed its writ of summons to initiate a collective action. 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 to date. At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible or estimate the range of any potential loss.

On April 18, 2024, we received a letter before action from counsel in the United Kingdom asserting it may bring a representative action on behalf of a class of Avast users in the United Kingdom and Wales for breach of contract and misuse of private information and seeking unspecified damages and a permanent injunction. No lawsuit has been commenced. At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible 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. Such claims, to the extent related to Jumpshot, have now been dismissed from the case as has Jumpshot Inc. as a defendant. 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.

During the three and six months ended September 27, 2024, we incurred $25 million and $40 million, respectively, related to the estimated accrual and final resolutions of our litigation contingencies in our Condensed Consolidated Statement of Operations. During the three and six months ended September 29, 2023, we incurred $347 million and $352 million, respectively, related to the estimated accrual and final resolutions of our litigation contingencies in our Condensed Consolidated Statement of Operations.

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

Forward-looking statements and factors that may affect future results

The discussion below contains forward-looking statements, which are subject to safe harbors under the Securities Act of 1933, as amended (the Securities Act) and the Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements include statements that represent our expectations or beliefs concerning future events, including, without limitation, 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," "forecast," "outlook," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," and similar expressions. In addition, 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 from acquisitions, including 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, ongoing and new geopolitical conflicts, 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. *Risk Factors*, of this Quarterly Report on Form 10-Q and Item 1A. *Risk Factors* of our Annual Report on Form 10-K for the fiscal year ended March 29, 2024. 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.

OVERVIEW

Gen is a global company powering Digital Freedom with a family of trusted consumer brands including Norton, Avast, LifeLock, Avira, AVG, ReputationDefender and CCleaner. Our core cyber safety portfolio provides protection across three key categories in multiple channels and geographies, including security and performance management, identity protection, and online privacy. We have built a technology platform that brings together software and service capabilities within these three categories into a comprehensive and easy-to-use integrated platform across our brands. We bring award-winning products and services in cybersecurity, privacy and identity protection to approximately 500 million users in more than 150 countries so they can live their digital lives safely, privately, and confidently today and for generations to come.

Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The three and six months ended September 27, 2024 and September 29, 2023 each consisted of 13 and 26 weeks, respectively. Our 2025 fiscal year consists of 52 weeks and ends on March 28, 2025.

Key financial metrics

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

	Three Months Ended		Six Months Ended	
(In millions, except for per share amounts)	**September 27, 2024**	**September 29, 2023**	**September 27, 2024**	**September 29, 2023**
Net revenues	$ 974	$ 945	$ 1,939	$ 1,888
Operating income (loss)	$ 402	$ 22	$ 819	$ 381
Net income (loss)	$ 161	$ 147	$ 342	$ 334
Net income (loss) per share - diluted	$ 0.26	$ 0.23	$ 0.55	$ 0.52

	As Of	
(In millions)	**September 27, 2024**	**March 29, 2024**
Cash and cash equivalents	$ 737	$ 846
Contract liabilities	$ 1,827	$ 1,884

Below are our financial highlights for the second quarter of fiscal 2025, compared to the corresponding period in the prior year:

- Net revenues increased $29 million, primarily due to higher sales in both our consumer security and identity and information protection products.
- Operating income increased $380 million, primarily due to increased net revenues, decrease in legal costs related to ongoing litigation, lower amortization of intangible assets, and restructuring costs related to our acquisition of Avast.
- Net income increased $14 million and net income per share increased $0.03, primarily due to increased operating income discussed above and decreased interest expense associated with our Term B facility. This is offset by the absence of an income tax benefit in the second quarter of fiscal 2024.

Below are our financial highlights for the first six months of fiscal 2025, compared to the corresponding period in the prior year:

- Net revenues increased $51 million, primarily due to higher sales in both our consumer security and identity and information protection products.
- Operating income increased $438 million, primarily due to increased net revenues, decrease in legal costs related to ongoing litigation, lower amortization of intangible assets, and restructuring costs related to our acquisition of Avast.
- Net income increased $8 million and net income per share increased $0.03, primarily due to increased operating income discussed above and decreased interest expense associated with our Term B facility. This is offset by the absence of an income tax benefit in the second quarter of fiscal 2024.
- Cash and cash equivalents decreased by $109 million compared to March 29, 2024, primarily due to repurchases of our common stock, cash interest paid, dividends paid to shareholders, voluntary prepayments of our Term B facility, and mandatory principal amortization payments of our Term A and B facility. This is partially offset by cash generated from operating activities during the first six months of fiscal 2025.
- Contract liabilities decreased $57 million compared to March 29, 2024, primarily due to billing seasonality and fluctuations in foreign currency rates.

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, changes in interest rates, as well as recession risks, any of which may persist for an extended period. Additionally, our international results are impacted by the economic conditions in the foreign markets in which we operate and by fluctuations in foreign currency exchange rates, although volatility did not have a significant impact on our reported results for the second quarter of our fiscal year 2025. 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 certain foreign currency balance sheet exposure.

In addition, in early 2022, worldwide inflation began to increase. In response to the heightened levels of inflation, central banks, including the U.S. Federal Reserve and the European Central Bank, raised interest rates significantly in 2022, resulting in an increase in our cost of debt. Although inflation rates slowed in 2023, global inflation currently remains high and has impacted our results due to higher costs. Volatile market conditions related to geopolitical conflicts and other macroeconomic events have, at times, affected our results of operations and cash flows in non-material ways; however, geopolitical conflicts and other macroeconomic events may in the future materially impact our results of operations and cash flows. 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.

Inflation, interest rates and foreign exchange rates remained volatile in 2023 and fluctuations in these indicators continue to remain uncertain and could result in further adverse impacts to our reported results. For a further discussion of the potential impacts of the global macroeconomic conditions on our business, please see Part I, Item III and “Risk Factors” in Part II, Item 1A below.

CRITICAL ACCOUNTING 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, judgements and assumptions on historical experience and on various other factors we believe to be reasonable under the circumstances. We evaluate our estimates, judgements and assumptions 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, judgments and assumptions about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Should any of these estimates, judgements or 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 March 29, 2024. 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 six months ended September 27, 2024.

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		Six Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Net revenues	100 %	100 %	100 %	100 %
Cost of revenues	20	19	20	19
Gross profit	80	81	80	81
Operating expenses:				
Sales and marketing	19	20	19	19
Research and development	9	9	8	9
General and administrative	7	42	6	24
Amortization of intangible assets	5	6	4	6
Restructuring and other costs	—	2	—	2
Total operating expenses	39	79	38	61
Operating income (loss)	41	2	42	20
Interest expense	(15)	(18)	(16)	(18)
Other income (expense), net	1	1	1	1
Income (loss) before income taxes	26	(15)	28	3
Income tax expense (benefit)	10	(31)	10	(15)
Net income (loss)	17 %	16 %	18 %	18 %

Note: Percentages may not add due to rounding.

Net revenues

	Three Months Ended			Six Months Ended		
(In millions, except for percentages)	September 27, 2024	September 29, 2023	Change in %	September 27, 2024	September 29, 2023	Change in %
Net revenues	$ 974	$ 945	3 %	$ 1,939	$ 1,888	3 %

Three Months Ended September 27, 2024 Compared with Three Months Ended September 29, 2023

Net revenues increased $29 million, due to a $19 million increase in sales of our identity and information protection products and a $14 million increase in sales of our consumer security products. This was partially offset by a $4 million decrease in our legacy product offerings. This is inclusive of $1 million of foreign exchange headwinds, in our consumer security solutions.

Six Months Ended September 27, 2024 Compared with Six Months Ended September 29, 2023

Net revenues increased $51 million, due to a $34 million increase in sales of our identity and information protection products and a $24 million increase in sales of our consumer security products. This was partially offset by a $7 million decrease in our legacy product offerings. This is inclusive of $8 million of foreign exchange headwinds, 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. We believe these key operating metrics are useful to investors because management uses these metrics to assess the growth of

our business and the effectiveness of our marketing and operational strategies. Our metrics may be calculated in a manner different than similar metrics used by other companies.

The following table summarizes supplemental key performance metrics:

(In millions, except for per user amounts)	Three Months Ended	
	September 27, 2024	September 29, 2023
Direct customer revenues	$ 860	$ 834
Partner revenues	$ 102	95
Total cyber safety revenues	$ 962	$ 929
Legacy revenues [1]	$ 12	$ 16
Direct customer count (at quarter end)	39.7	38.5
Direct average revenue per user (ARPU)	$ 7.26	$ 7.25
Retention rate	78 %	77 %

(1) Legacy revenues includes revenues from products or solutions from markets that we have exited and in which we no longer operate, have been discontinued or identified to be discontinued, or remain in maintenance mode as a result of integration and product portfolio decisions.

We define direct customer count as 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. 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. The methodologies used to measure these metrics require judgment and 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.

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 U.S. GAAP estimated direct customer revenues or other U.S. GAAP measures. We monitor ARPU because it helps us understand the rate at which we are monetizing our consumer customer base.

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.

Net revenues by geographical region

	Three Months Ended [1]		Six Months Ended [1]	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Americas	66 %	65 %	66 %	65 %
EMEA	24 %	24 %	24 %	24 %
APJ	10 %	11 %	10 %	11 %

(1) From time to time, changes in allocation methodologies cause changes to the revenue by geographic area above. When changes occur, we recast historical amounts to match the current methodology, such as for the three and six months ended September 29, 2023 where we aligned allocation methodologies across similar product categories.

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 six months ended September 27, 2024 remains primarily in the Americas.

Cost of revenues

(In millions, except for percentages)	Three Months Ended			Six Months Ended		
	September 27, 2024	September 29, 2023	Change in %	September 27, 2024	September 29, 2023	Change in %
Cost of revenues	$ 194	$ 180	8 %	$ 384	$ 359	7 %

Three Months Ended September 27, 2024 Compared with Three Months Ended September 29, 2023

Cost of revenues increased $14 million, primarily due to a $13 million increase in revenue share costs.

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Six Months Ended September 27, 2024 Compared with Six Months Ended September 29, 2023

Cost of revenues increased $25 million, primarily due to a $22 million increase in revenue share costs.

Operating expenses

	Three Months Ended			Six Months Ended		
(In millions, except for percentages)	**September 27, 2024**	**September 29, 2023**	**Change in %**	**September 27, 2024**	**September 29, 2023**	**Change in %**
Sales and marketing	$ 184	$ 187	(2)%	$ 367	$ 368	— %
Research and development	83	85	(2)%	164	175	(6)%
General and administrative	64	393	(84)%	116	449	(74)%
Amortization of intangible assets	44	61	(28)%	87	122	(29)%
Restructuring and other costs	3	17	(82)%	2	34	(94)%
Total operating expenses	$ 378	$ 743	(49)%	$ 736	$ 1,148	(36)%

Three Months Ended September 27, 2024 Compared with Three Months Ended September 29, 2023

Sales and marketing and research and development remained relatively flat.

General and administrative expenses decreased $329 million, primarily due to the absence of $335 million in legal costs related to our litigation with the Trustees of Columbia University in the City of New York (Columbia) in the second quarter of fiscal 2024.

Amortization of intangible assets decreased $17 million, primarily due to certain intangible assets being fully amortized during fiscal 2024.

Restructuring and other costs decreased $14 million, due to a $13 million decrease in severance, termination benefits, contract cancellation costs and other exit and disposal costs in connection with the September 2022 Plan and a $1 million decrease in stock-based compensation expense. See Note 11 of the Notes to the Condensed Consolidated Financial Statements for details of the fiscal 2025 restructuring activities.

Six Months Ended September 27, 2024 Compared with Six Months Ended September 29, 2023

Sales and marketing remained relatively flat.

Research and development decreased $11 million, due to an $8 million decrease in headcount and outside services and a $3 million decrease of stock-based compensation expense.

General and administrative expense decreased $333 million, primarily due to the absence of $335 million in legal costs related to our litigation with Columbia in the second quarter of fiscal 2024.

Amortization of intangible assets decreased $35 million, primarily due to certain intangible assets being fully amortized during fiscal 2024.

Restructuring and other costs decreased $32 million, due to a $31 million decrease severance, termination benefits, contract cancellation costs and other exit and disposal costs in connection with the September 2022 Plan and a $1 million decrease in stock-based compensation expense. See Note 11 of the Notes to the Condensed Consolidated Financial Statements for details of the fiscal 2025 restructuring activities.

Non-operating income (expense), net

	Three Months Ended		Six Months Ended	
(In millions)	**September 27, 2024**	**September 29, 2023**	**September 27, 2024**	**September 29, 2023**
Interest expense	$ (149)	$ (173)	$ (302)	$ (343)
Interest income	6	6	14	12
Foreign exchange gain (loss)	(2)	1	2	2
Gain (loss) on sale of properties	—	—	—	4
Other	1	—	1	1
Total non-operating income (expense), net	$ (144)	$ (166)	$ (285)	$ (324)

Three Months Ended September 27, 2024 Compared with Three Months Ended September 29, 2023

Non-operating income (expense), net, decreased by $22 million in expense, primary due to a $18 million decrease in interest expense related to our Term B facility.

Six Months Ended September 27, 2024 Compared with Six Months Ended September 29, 2023

Non-operating income (expense), net, decreased by $39 million, primarily due to a $32 decrease in interest expense related to our Term B facility.

Provision for income taxes

(In millions, except for percentages)	Three Months Ended		Six Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Income (loss) before income taxes	$ 258	$ (144)	$ 534	$ 57
Income tax expense (benefit)	$ 97	$ (291)	$ 192	$ (277)
Effective tax rate	38 %	202 %	36 %	(486)%

Our effective tax rate for the three and six months ended September 27, 2024 differs from the federal statutory income tax rate primarily due to state taxes, changes in unrecognized tax benefits and related interest and penalties, and the U.S. taxation on foreign earnings.

Our effective tax rate for the three and six months ended September 29, 2023, differs from the federal statutory income tax rate primarily due to tax benefits related to the set up and write-off of deferred tax items resulting from an internal restructuring, partially offset by state taxes, changes in unrecognized tax benefits and related interest and penalties, and the U.S. taxation on foreign earnings.

The Organization for Economic Cooperation and Development (OECD) and many countries have proposed to reallocate a portion of profits of large multinational enterprises (MNE) with an annual global turnover exceeding €20 billion to markets where sales arise (Pillar One), as well as enact a global minimum tax rate of at least 15% for MNE with an annual global turnover exceeding €750 million (Pillar Two). 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 Pillar Two directive by December 31, 2023. The rules will therefore first be applicable for fiscal years starting on or after December 31, 2023. Ireland, Czech Republic, and certain jurisdictions in which we operate have enacted legislation to implement Pillar Two and other countries are actively considering changes to their tax laws to adopt certain parts of the OECD's proposals. The enactment of Pillar Two legislation is not expected to have a material adverse effect on our effective tax rate and Condensed Consolidated Financial Statements in the near term. We will continue to monitor and reflect the impact of such legislative changes in future Condensed Consolidated Financial Statements as appropriate.

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, amounts available under our Revolving Facility and our future refinancing plans related to our upcoming maturities, will be sufficient to meet our working capital needs, support on-going business activities and finance the expected synergy costs related to the acquisition of Avast 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 September 27, 2024, 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)	Six Months Ended	
	September 27, 2024	September 29, 2023
Net cash provided by (used in):		
Operating activities	$ 422	$ 351
Investing activities	$ (10)	$ 3
Financing activities	$ (538)	$ (485)

See Note 6 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 increased $71 million, primarily due to higher profit before taxes adjusted by non-cash items, increased cash collection from our cyber safety billings and an increase in accounts payable as a result of the timing of payments. This is partially offset by increased cash taxes paid compared to during the first six months of fiscal 2024.

Cash from investing activities

Our cash flows provided by and used in investing activities remained relatively flat.

Cash from financing activities

Our cash flows used in financing activities increased $53 million, primarily due to a $231 million increase in repurchases of common stock under our repurchase program. This was partially offset by a $120 million decrease in voluntary prepayments of our Term B Facility and a $58 million decrease in mandatory principal prepayments of our Term A and B Facilities as compared to during the first six months of fiscal 2024.

Cash and cash equivalents

As of September 27, 2024, we had cash and cash equivalents of $737 million, of which $400 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

We have an undrawn revolving credit facility of $1,490 million, net of our letters of credit, which expires in September 2027.

Stock repurchases

During the six months ended September 27, 2024 and September 29, 2023, we executed repurchases of 11 million and 3 million of our common stock under our existing stock repurchase program for an aggregate amount of $272 million and $41 million, respectively.

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 September 27, 2024, our total outstanding principal amount of indebtedness is summarized as follows. 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 our debt.

(In millions)	September 27, 2024
Term Loans	$ 6,022
Senior Notes	2,600
Mortgage Loans	6
Total debt	$ 8,628

The Amended Credit Agreement contains customary representations and warranties and affirmative and negative covenants, including compliance with specified financial ratios. As of September 27, 2024, we were in compliance with all debt covenants. See Note 9 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 October 30, 2024, we announced a cash dividend of $0.125 per share of common stock to be paid in December 2024. Any future dividends and dividend equivalents 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 (including through trading plans intended to qualify under Rule 10b5-1 under the Exchange Act) and through accelerated stock repurchase transactions. In May 2024, our Board of Directors authorized a new stock repurchase program through which we may repurchase shares of our common stock in an aggregate amount of up to $3 billion with no fixed expiration. This new stock repurchase program will supersede any amounts under the prior stock repurchase programs. As of September 27, 2024, the remaining balance of our stock repurchase authorization was $2,728 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 acquisition of Avast, 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 acquisition 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. We expect that we will incur total costs up to $150 million following the completion of the acquisition. These actions are expected to be completed by the end of fiscal 2025. During the six months ended September 27, 2024, we made $15 million in cash payments related to the September 2022 Plan. As of September 27, 2024, we have incurred costs of $126 million related to the September 2022 Plan. See Note 11 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

Our principal commitments consist of principal and interest payments related to our debt instruments, obligations under our purchase agreements, repatriation tax payments under the Tax Cuts and Jobs Acts and obligations under various non-cancellable 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 September 27, 2024, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, $1,395 million in long-term income taxes payable has been excluded from our quarterly review of timing of contractual obligations.

There have been no material changes, outside the ordinary course of business, to the contractual obligations reported in our Annual Report. For additional information about our debt obligations and certain other contingencies, see Note 9 and Note 17, respectively, of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

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

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

Interest rate risk

As of September 27, 2024, we had $2,600 million in aggregate principal amount of fixed-rate Senior Notes outstanding, with a carrying amount and a fair value of $2,650 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, the 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 September 27, 2024, we also had $6,022 million outstanding debt with variable interest rates based on the Secured Overnight Financing Rate (SOFR). A hypothetical 100 basis point change in SOFR would have resulted in a $60 million increase in interest expense on an annualized basis.

In March 2023, we entered into interest rate swap agreements to mitigate risks associated with the variable interest rate of our Term A Facility. These pay-fixed, receive-floating rate interest rate swaps have the economic effect of hedging the variability of forecasted interest payments until their maturity on March 31, 2026. Pursuant to the agreements, we have effectively converted $1 billion of our variable rate borrowings under Term A Facility to fixed rates, with $500 million at a fixed rate of 3.762% and $500 million at a fixed rate of 3.55%. A hypothetical 100 basis point increase or decrease in interest rates would have resulted in a $14 million increase or $14 million decrease in the fair values of our floating to fixed rate interest swaps on September 27, 2024.

The objective of our interest rate swaps, all of which are designated as cash flow hedges, is to manage the variability of future interest expense.

In addition, we have a $1,490 million revolving credit facility, net of our letters of credit, 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 by executing monthly foreign exchange forward contracts to hedge foreign currency balance sheet exposures. The gains and losses on these foreign exchange contracts are recorded in Other income (expense), net in the Condensed 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 9 and Note 10, 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

There was no change in our internal control over financial reporting or in other factors that occurred during the second quarter of fiscal 2025, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

(c) Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

Information with respect to this Item may be found under the heading “Litigation contingencies” in Note 17 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. In the past, we have incurred, and will continue to incur, significant research and development expenses as we focus on organic growth through internal innovation. We believe that we must continue to dedicate significant resources to our research and development efforts to deliver innovative market competitive products and avoid being reliant on third-party technology and products. 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. 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.

The development and introduction of new solutions involve significant commitments of time and resources and are subject to risks and challenges including but not limited to:

- Lengthy development cycles;
- Evolving industry and regulatory standards and technological developments, including AI and machine learning, by our competitors and customers;
- Rapidly changing customer preferences and accurately anticipating technological trends or needs;
- 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;
- Availability of engineering and technical talent;
- Entering new or unproven market segments; and
- Executing new product and service strategies.

In addition, third parties, including operating systems and internet browser companies, have in the past and may in the future limit the interoperability of our solutions with their own products and services, in some cases to promote their own offerings or those of our competitors. Any such actions by third parties 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, 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, evolving market trends, 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, and effectively adapt to changes in the technology, privacy and data protection standards or trends.

We face competition from a broad range of companies, including software vendors focusing on cyber safety solutions such as Bitdefender, Kaspersky, McAfee and Trend Micro, operating system providers such as Apple, Google and Microsoft, and companies such as Nord, Life360, LastPass and others 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 some or all of 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 and therefore causing us to fail to meet customer expectations. 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 have seen and anticipate additional competition as new participants 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. Consequently, those competitors may influence customers to purchase their products instead of ours through investing more in internal innovation than we can and through their 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 OEMs, internet service providers, operating systems and telecom service providers. 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 promote our competitors' solutions or their own solutions more frequently or more favorably 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. Further product development by these vendors could cause our solutions to become redundant, which could significantly impact our sales and operating results.

We cannot be sure that we will accurately predict how the markets in which we compete or intend to compete will evolve. Failure on our part to anticipate changes in our markets and to develop solutions and enhancements that meet the demands of those markets or to effectively compete against our competitors will significantly impair our business, financial condition, results of operations, and cash flows.

Issues in the development and deployment of AI may result in reputational harm and legal liability and could adversely affect our results of operations.

We have incorporated, and are continuing to develop and deploy, AI into many of our products, solutions and services. AI presents challenges and risks that could affect our products, solutions and services, and therefore our business. For example, AI algorithms may have flaws, and datasets used to train models may be insufficient or contain biased information. These potential issues could subject us to regulatory risk, legal liability, including under new proposed legislation regulating AI in jurisdictions such as the EU and regulations being considered in other jurisdictions, and brand or reputational harm.

The rapid evolution of AI, including potential government regulation of AI, requires us to invest significant resources to develop, test, and maintain AI in our products and services in a manner that meets evolving requirements and expectations. The rules and regulations adopted by policymakers over time may require us to make changes to our business practices. Developing, testing, and deploying AI systems may also increase the cost profile of our offerings due to the nature of the computing costs involved in such systems.

The intellectual property ownership and license rights surrounding AI technologies, as well as data protection laws related to the use and development of AI, are currently not fully addressed by courts or regulators. The use or adoption of AI technologies in our products may result in exposure to claims by third parties of copyright infringement or other intellectual property misappropriation, which may require us to pay compensation or license fees to third parties. The evolving legal, regulatory, and compliance framework for AI technologies may also impact our ability to protect our own data and intellectual property against infringing use.

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 acquisition of Avast. Our acquisition and divestiture activities have and may continue to 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 the customers of acquired businesses, providing the same level of service to existing customers with reduced resources, or retaining the third-party relationships, including with suppliers, service providers, and vendors, among others;
- Diversion of management time and attention;

- Loss or termination of employees, including costs and potential institutional knowledge loss 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 entering into or expanding in new markets or geographies;
- Increased or unexpected costs and working capital requirements;
- Dilution of stock ownership of existing stockholders;
- Ongoing contractual obligations and 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.

Macroeconomic factors, such as high inflation, high interest rates, and volatility in foreign currency exchange rates and capital markets could negatively influence our future acquisition opportunities. 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 and expand sales to them, 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. It is important to our business that we retain existing customers and that our customers expand their use of our solutions over time. 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 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, including solutions offered in emerging markets;
- Our general reputation and events impacting that reputation;
- The services and related pricing offered by our competitors; including increasing the availability and efficacy of free solutions;
- Disruption by new services or changes in law or regulations that impact the need for or efficacy of our products and services;
- Changes in auto-renewal and other consumer protection 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. In addition, our ability to generate revenue and maintain or improve our results of operations partly depends on our ability to cross-sell our solutions to our existing customers and to convert existing non-paying customers to paying customers and add new customers. We may not be successful in cross selling our solutions because our customers may find our additional solutions unnecessary or unattractive. Our failure to sell additional solutions to our existing customers, failure to convert existing non-paying customers to paying customers or add new customers could adversely affect our ability to grow our business.

An important part of our growth strategy involves continued investment in direct marketing efforts, indirect partner distribution channels, freemium channels, our sales force, and infrastructure to add new customers. The number and rate at which new customers purchase our products and services depends on a number of factors, including those outside of our control, such as customers’ perceived need for our solutions, competition, general economic conditions, market transitions, product obsolescence, technological change, public awareness of security threats to IT systems, macroeconomic conditions, and other factors. New customers, if any, may subscribe or renew their subscriptions at lower rates than we have experienced in the past, introducing uncertainty about their economic attractiveness and potentially impacting our financial results.

Additionally, there are inherent challenges in measuring the usage of our products and solutions across our brands, platforms, regions, and internal systems, and therefore, calculation methodologies for direct customer counts may differ, which may impact our ability to measure the addition of new customers. 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 may need to change our pricing models to compete successfully.

The intense competition we face, in addition to general and economic business conditions (including economic volatility, bank failures, and high inflation and interest rates, among other things), may put pressure on us to change our pricing practices. If our competitors offer deep discounts on certain solutions, provide offerings, or offer free introductory products that compete with ours, we may need to lower our prices or offer similar free introductory products to compete successfully. Similarly, if external factors, such as economic conditions, market trends, or business combinations 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, changes in the macroeconomic environment have previously and may continue to affect our business. Our solutions are discretionary purchases, and customers may reduce or eliminate their discretionary spending on our solutions during a difficult macroeconomic environment. We may experience a material increase in cancellations by customers or a material reduction in our retention rate 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, or other macroeconomic events. 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.

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 and Avast acquisitions are attributable to attracting and converting Avira's and Avast's freemium users to a paid subscription option. Numerous factors, however, have previously and may continue to impede our ability to attract and retain free users, convert these users into paying customers and retain them as paying customers.

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 partners that incorporate our products into, or bundle our products with, their products. These channels involve risks, including:

- Our resellers, distributors and telecom service providers 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 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 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 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 fewer 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 have and may continue to 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 have been and may continue to 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 has and may continue to 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. Our loss contingencies have and may continue to 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. Goodwill impairment evaluations have previously and 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 acquisition of Avast, we derive a significant portion of our revenues from customers located outside of the United States, and we have substantial operations outside of the United States, 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 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 United States;
- 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, terrorism, regional natural disasters, or export controls and trade restrictions, 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 also have and may continue to face pressure to lower our prices in order to compete in emerging markets, which has previously and could in the future adversely affect revenue derived from our international operations.

It is not possible to predict the broader consequences of geopolitical conflicts, such as the Russia-Ukraine conflict, and the numerous conflicts in the Middle East, and 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 such 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 and AI experts), sales, marketing, e-commerce, finance, and other personnel. Our officers and other key personnel are “at will” employees and we generally do not have employment or non-compete agreements with our employees. Competition is

significant for people with the specific skills that we require, including in the areas of AI and machine learning, and especially in the locations where we have a substantial presence and need for such personnel.

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. 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, and may in the future result 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 in the past and may continue to be subject to cybersecurity events that could materially harm our reputation and future sales.

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. In addition, we face the risk of cyberattacks by nation-states and state-sponsored actors, which may increase or heighten due to geopolitical tensions. These attacks may target us, our partners, suppliers, vendors or customers. 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, 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, including through the use of AI, and have in the past and could in the future expose us and the affected parties, to risk of loss or misuse of proprietary, personal or confidential information or disruptions of our business operations.

In addition, our internal IT environment continues to evolve. We embrace new ways of sharing data and communicating internally and with partners and customers using methods such as social networking and other consumer-oriented technologies. We also remain vigilant with the increasing use of generative AI models in our internal systems which may create new attack methods for adversaries. Our business policies and internal security controls may not keep pace with these changes as new threats emerge, or new cybersecurity regulations emerge in jurisdictions worldwide.

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, phishing, social engineering, account takeovers, vulnerability exploitation, misconfigurations, ransomware, or technology malfunction. A data breach may result in significant legal, financial, and reputational harm, including government inquiries, enforcement actions, litigation, and negative publicity. A series of breaches may be determined to be material at a later date in the aggregate, even if they may not be material individually at the time of their occurrence. The occurrence of any of these events, as well as a failure to promptly remedy them 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, such as the large-scale attacks by foreign nation state actors, the global incident involving the MOVEit file transfer software, 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. Threat actors have previously and could in the future 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 data breaches, which would result in increased costs and fees incurred in our defense against those proceedings, and/or payment of any regulatory penalties

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 personal information (which includes 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 service offerings.

The confidential and 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 has previously and may in the future 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 increasing 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 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 California Privacy Rights Act (the CPRA) significantly modifies the CCPA and there are new similar and overlapping state privacy laws in at least 10 other U.S. states, which all go into effect by January 1, 2026. These new laws 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 new state privacy laws 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 and enforcement 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 or primarily 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 the 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 and personal information. 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 and personal information. This could have an adverse effect on our reputation and business and potentially result in litigation and/or regulatory penalties.

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 we do not control the operation of these facilities. These facilities are vulnerable to damage, interference, 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 state-sponsored attacks, a pandemic, geopolitical tensions or armed conflicts, 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, cyberattack or other business continuity event, such as a 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. 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 many of our products and business.

Our Norton branded 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 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 occur 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, fraud, security attacks or capacity constraints due to an overwhelming number of users accessing our websites simultaneously. 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 personal information, 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.

Our reputation and/or business could be negatively impacted by ESG matters and/or our reporting of such matters.

The focus from regulators, customers, certain investors, employees, and other stakeholders concerning environmental, social and governance (ESG) matters and related disclosures, both in the United States and internationally, has resulted in, and is likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting ESG-related requirements and expectations. For example, developing and acting on ESG-related initiatives and collecting, measuring and reporting ESG-related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC’s climate-related reporting requirements and the recent California legislation, which includes disclosure requirements relating to voluntary carbon offsets and a wide range of environmental marketing claims. Similarly, the Corporate Sustainability Reporting Directive will require large EU companies to make detailed disclosures in relation to certain sustainability-related issues. We communicate certain ESG-related initiatives, goals, and/or commitments regarding environmental matters, diversity, responsible sourcing and social investments and other matters on our website, in our filings with the SEC, and elsewhere. These initiatives, goals or commitments could be difficult to achieve and costly to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized for the accuracy, adequacy or completeness of the disclosure. Further, statements about our ESG-related initiatives, goals or commitments and progress with respect to such initiatives, goals or commitments may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the timing, scope or nature of these initiatives, goals or commitments, or for any revisions to them. If we fail to achieve progress with respect to our ESG-related initiatives, goals or commitments on a timely basis, or at all, or if our ESG-related data, processes and reporting are incomplete or inaccurate, our reputation, business, financial performance and growth could be adversely affected.

We are affected by seasonality, which may impact our revenue and results of operations.

Portions of our business are impacted by seasonality. Seasonal behavior in orders has historically occurred in the third and fourth quarters of our fiscal year, which include the important selling periods during the holidays in our third quarter, as well as

follow-on holiday purchases and the U.S. tax filing season, which is typically in our fourth quarter. Revenue generally reflects similar seasonal patterns, but to a lesser extent than orders. This is due to our subscription business model, as a large portion of our in-period revenue is recognized ratably from our deferred revenue balance. An unexpected decrease in sales over those traditionally high-volume selling periods may impact our revenue and could have a disproportionate effect on our results of operations for the entire fiscal year.

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 their 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 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.

Patents may also not be issued from our pending patent applications and claims allowed on any future issued patents may not be sufficiently broad to protect our technology. Also, these protections may not preclude competitors from independently developing products with functionality or features similar to our products.

Third parties have previously and may in the future 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 United States, 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 party to lawsuits and investigations, and third parties have claimed and additional third parties in the future may claim that we infringe their proprietary rights, which has previously and could in the future require significant management time and attention, cause us to incur significant legal expenses and prevent us from selling our products.

We are frequently involved in litigation and other proceedings, including, but not limited to, 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 through the course of litigation or other proceedings change unfavorably 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.

Additionally, third parties have claimed and, from time to time, additional third parties may claim that we have infringed their intellectual property rights, including claims regarding patents, copyrights and trademarks. For additional information on such claims, please refer to Note 17 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

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 and generally must rely on those third parties to protect the licensed rights. 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. Some open source software may include generative artificial intelligence (AI) software or other software that incorporates or relies on generative AI. The use of such software may expose us to risks as the intellectual property ownership and license rights, including copyright, of generative AI software and tools, has not been fully interpreted by U.S. courts or been fully addressed by federal, state, or international regulations. In addition to risks related to license requirements, using open source software, including open source software that incorporates or relies on generative AI, 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. However, we cannot be sure that all open source, including open source that incorporates or relies on generative AI, is submitted for approval prior to use in our products. In addition, many of the risks associated with usage of open source, including open source that incorporates or relies on generative AI, 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 September 27, 2024, we had an aggregate of $8,628 million of outstanding indebtedness that will mature in calendar years 2025 through 2030, and $1,490 million, net of our letters of credit, available for borrowing under our revolving credit facility. 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 our outstanding debt. Our ability to meet expenses, comply 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 our 5.0% Senior Notes due 2025, 6.75% Senior Notes due 2027 and 7.125% Senior Notes due 2030 (collectively, the Senior 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 Amended Credit Agreement, 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 respective abilities to make such cash available to us by dividend, debt repayment or otherwise, which may not always be possible. If we do not receive distributions from our subsidiaries, we may be unable to make the required principal and interest payments on our indebtedness.

Our Amended Credit Agreement imposes operating and financial restrictions on us.

Our Amended Credit Agreement contains 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.

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 may otherwise restrict activities or business plans. A breach of any of these covenants could result in a default. If a default occurs, the relevant lenders could declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and, to the extent such indebtedness is secured, proceed against any collateral securing that indebtedness.

The failure of financial institutions or transactional counterparties could adversely affect our current and projected business operations and our financial condition and result of operations.

We regularly maintain cash balances with other financial institutions in excess of the FDIC insurance limit. A failure of a depository institution to return deposits could result in a loss or impact access to our invested cash or cash equivalents and could adversely impact our operating liquidity and financial performance.

Additionally, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages, impair the ability of companies to access near-term working capital needs, and create additional market and economic uncertainty. Our general business strategy, including our ability to access existing debt under the terms of our Amended Credit Agreement may be adversely affected by any such economic downturn, liquidity shortages, volatile business environment or continued unpredictable and unstable market conditions. If the current equity and credit markets deteriorate, or if adverse developments are experienced by financial institutions, it may cause short-term liquidity risk and also make any necessary debt or equity financing more difficult, more costly, more onerous with respect to financial and operating covenants and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our operations, growth strategy, financial performance and stock price and could require us to alter our operating plans.

Hedging or other mitigation actions to mitigate against interest rate exposure may adversely affect our earnings, limit our gains or result in losses, which could adversely affect cash available for distributions.

We have previously and may in the future enter into interest rate swap agreements or pursue other interest rate hedging strategies. In March 2023, we entered into interest rate swap agreements to mitigate risks associated with the variable interest rate of our Term A Facility. These pay-fixed, receive-floating rate interest rate swaps have the economic effect of hedging the variability of forecasted interest payments until their maturity on March 31, 2026. Pursuant to the agreements, we have effectively converted $1 billion of our variable rate borrowings under Term A Facility to fixed rates, with $500 million at a fixed rate of 3.762% and $500 million at a fixed rate of 3.550%. The objective of our interest rate swaps, all of which are designated as cash flow hedges, is to manage the variability of future cash interest expense.

Our future hedging activity will vary in scope based on the level of interest rates, the type and expected duration of portfolio investments held, and other changing market conditions. Our current and future interest rate hedging may fail to protect or could adversely affect us because, among other things:

- Interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- Available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- The duration of the hedge may not match the duration of the related liability or asset;
- The credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- The party owing money in the hedging transaction may default on its obligation to pay; and

- We may purchase a hedge that turns out not to be necessary (i.e., a hedge that is out of the money).

Any hedging activity we engage in may adversely affect our earnings, which could adversely affect cash available for distributions. Unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

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.

We operate globally and as a result our business and revenues are impacted by global macroeconomic conditions. 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. While the Federal Reserve has recently held inflation rates steady, global inflation remains high and 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. For example, recent elevated interest rates have resulted in an increase in our cost of debt. These government actions and global macroeconomic conditions 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 stock in the past and could affect the trading price of our stock 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, or earthquakes, floods or other natural disasters;
- Entry of new competition into our markets;
- Technological changes in 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 or the inability to acquire new customers or cross-sell our solutions;
- 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 outcome or impact of litigation, claims, disputes, regulatory inquiries or investigations;
- The impact of acquisitions (and our ability to achieve expected synergies or attendant cost savings), divestitures, restructurings, share repurchase, financings, debt repayments, equity investments and other investment activities;
- Changes in U.S. and worldwide economic conditions, such as economic recessions, the impact of inflation, fluctuations in foreign currency exchange rates including the weakening of foreign currencies relative to USD, which has and may in the future negatively affect our revenue expressed in USD, changes in interest rates, geopolitical conflicts and other global macroeconomic factors on our operations and financial performance;
- The publication of unfavorable or inaccurate research reports about our business by cybersecurity industry analysts;
- The success of our ESG initiatives;
- Changes in tax laws, rules and regulations;
- Changes in tax rates, benefits and expenses; 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.

RISKS RELATED TO TAXES

Changes to our effective tax rate, including through the adoption of new tax legislation or exposure to additional income tax liabilities, could increase our income tax expense and reduce (increase) our net income (loss), cash flows and working capital. In addition, audits by tax authorities could result in additional tax payments for prior periods.

We are a multinational company dual headquartered in the U.S. and the Czech Republic, with our principal executive offices in Tempe, Arizona. As such, we are 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 current 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. OECD and many countries have proposed to reallocate a portion of profits of large multinational enterprises (MNE), with an annual global turnover exceeding €20 billion to markets where sales arise (Pillar One), as well as enact a global minimum tax rate of 15% for MNE with an annual global turnover exceeding €750 million (Pillar Two). 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. Ireland, Czech Republic and certain jurisdictions in which we operate have enacted legislation to implement Pillar Two and other countries are actively considering changes to their tax laws to adopt certain parts of the OECD’s proposals. The enactment of Pillar Two legislation is not expected to have a material adverse effect on our effective tax rate and Consolidated Financial Statements in the near term. We will continue to monitor and reflect the impact of such legislative changes in future financial statements as appropriate;
- 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;
- Changes in the valuation of deferred tax assets and liabilities and the discovery of new information in the course of our tax return preparation process;
- 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;
- The tax effects of, and tax planning and changes in tax rates related to significant infrequently occurring events (including acquisitions, divestitures and restructurings) 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 and legal 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 and we are consequently subject to tax audits. These audits can involve complex issues, which may require an extended period of time to resolve and can be highly judgmental. Additionally, our ability to recognize the financial statement benefit of tax refund claims is subject to change based on a number of factors, including but not limited to, changes in facts and circumstances, changes in tax laws, correspondence with tax authorities, and the results of tax audits and related proceedings, which may take several years or more to resolve. If tax authorities disagree with certain tax reporting positions taken by us, as a result, they assess additional taxes against us. We are regularly engaged in discussions and sometimes disputes with these tax authorities. We ultimately sometimes have to engage in litigation to achieve the results reflected in our tax estimates, and such litigation can be time consuming and expensive. We regularly assess the likely outcomes of any audits in order to determine the appropriateness of our tax provision. 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 materially and adversely affected.

Our corporate and legal entity structure and intercompany arrangements are subject to the tax laws of various jurisdictions, and we could be obligated to pay additional taxes, which would harm our results of operations.

We generally conduct our international operations through wholly-owned subsidiaries and are or may be required to report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The amount of taxes we pay in different jurisdictions may depend on a variety of factors including the application of the tax laws of those various jurisdictions (including the U.S.) to our international business activities, changes in tax rates, new or

revised tax laws or interpretations of existing tax laws and policies, and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The relevant taxing authorities have in the past and may in the future disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations.

Any changes or interpretations to existing accounting pronouncements or taxation rules or practices may cause fluctuations in our reported results of operations or affect how we conduct our business.

A change in accounting pronouncements or taxation rules or practices could have a significant effect on our reported results and may affect our reporting of transactions completed before the change is effective. New accounting pronouncements, taxation rules and varying interpretations of accounting pronouncements or taxation rules have occurred in the past and may occur in the future. We could be required to modify a current tax or accounting position as a result of any such change, and this could adversely affect our reported financial results and could change the way we conduct our business.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

Repurchase of equity securities

In May 2024, our Board of Directors authorized a new stock repurchase program through which we may repurchase shares of our common stock in an aggregate amount of up to $3 billion with no fixed expiration. Under our stock repurchase program, shares may be repurchased on the open market and through accelerated stock repurchase transactions. As of September 27, 2024, we have $2,728 million remaining authorized to be completed in future periods with no expiration date. No shares were repurchased during the three months ended September 27, 2024.

Item 5. *Other Information*

Insider adoption or termination of trading arrangements

During the fiscal quarter ended September 27, 2024, none of our directors or officers informed us of the adoption or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as defined in Regulation S-K, Item 408, except as described in the table below:

				Trading Arrangement			
Name	**Title**	**Action**	**Date**	**Rule 10b5-1[(1)]**	**Non-Rule 10b5-1[(2)]**	**Total Shares to be Sold**	**Expiration Date[(3)]**
Bryan Ko	Chief Legal Officer	Adopt	August 27, 2024	X		Up to 101,208 shares	August 27, 2025

(1) Intended to satisfy the affirmative defense of Rule 10b5-1(c).

(2) Non-Rule Rule 10b5-1 trading arrangement as defined in Item 408 of Regulation S-K.

(3) Except as indicated by footnote, each trading arrangement permitted or permits transactions through and including the earlier of (i) the completion of all purchases or sales; (ii) the date listed in the table; or (iii) such date the arrangement is otherwise terminated according to its terms.

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 September 27, 2024 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 (Loss), (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 and President

By: /s/ Natalie Derse

Natalie Derse
Chief Financial Officer

October 31, 2024

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 and President

Date: October 31, 2024

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: October 31, 2024

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 September 27, 2024, 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 and President

Date: October 31, 2024

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 September 27, 2024, 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: October 31, 2024

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.