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GEN.OQ - Q2 2025 Gen Digital Inc Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Jason Starr** *Gen Digital Inc - Head of Investor Relation*

**Vincent Pilette** *Gen Digital Inc - Chief Executive Officer, Director*

**Natalie Derse** *Gen Digital Inc - Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Andrew Nowinski** *Wells Fargo Securities LLC - Analyst*

**Peter Levine** *Evercore ISI - Analyst*

**Tomer Zilberman** *Bank of America - Analyst*

**Hamza Fodderwala** *Morgan Stanley & Co. LLC - Analyst*

**Matt Hedberg** *RBC Capital Markets - Analyst*

## PRESENTATION

### Operator

Good afternoon, everyone. Thank you for standing by. My name is Victoria, and I will be your conference operator today. This call is being recorded. (Operator Instructions).

At this time, for opening remarks, I would like to pass the call over to Jason Starr, Head of Investor Relations.

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### Jason Starr - Gen Digital Inc - Head of Investor Relation

Thank you, Victoria, and good afternoon, everyone. Welcome to Gen's second quarter fiscal year 2025 earnings call. Joining me today are Vincent Pilette, CEO; and Natalie Derse, CFO. As a reminder, there will be a replay of this call posted on the Investor Relations website, along with our slides and press release.

I'd like to remind everyone that during this call, all references to the financial metrics are non-GAAP and all growth rates are year-over-year unless otherwise stated. A reconciliation of non-GAAP to GAAP measures is included in our press release and earnings presentation, both of which are available on our IR website at [investor.gendigital.com](http://investor.gendigital.com). We encourage investors to monitor this website as we routinely post investor-oriented information such as news and events and financial filings.

Today's call contains statements regarding our business, financial performance and operations, including the impact of our business and industry that may be considered forward-looking statements, and such statements involve risks and uncertainties that may cause actual results to differ materially from our current expectations. Those statements are based on current beliefs, assumptions and expectations as of today's date, October 30, 2024.

We undertake no obligation to update these statements as a result of new information or future events. For more information, please refer to the cautionary statement in our press release and the risk factors in our filings with the SEC and in particular, our most recent reports on Form 10-K and Form 10-Q.

And now I'll turn the call over to Vincent.

**Vincent Pilette** - *Gen Digital Inc - Chief Executive Officer, Director*

Thank you, Jason. Q2 was another solid quarter of consistently executing on our strategy meeting our commitments for profitable growth while continuing our investment to meet the long-term consumer needs of ever-expanding digital lives.

We delivered another quarter of mid-single-digit bookings growth up 5% and our highest growth rate since the Avast acquisition and a double-digit earnings per share growth, up 16%. We also grew our direct paying customers by 400,000 in the quarter, not a record \$39.7 million. Those results are a testament to the solid disciplined and consistent execution of our team.

On top of that, it is also a clear reflection of what we have talked about for many quarters. People are being exposed to an accelerating threat environment and their awareness is growing with every new breach and scam text or e-mail. Those trends are here to stay and are being enhanced by the use or misuse of AI.

As consumer awareness grows, we stand ready to empower your digital life with the most innovative and easy-to-use solutions that secure and protect your identity and your returned assets. It is easy to get desensitized to news of yet another breach, but the impact recently is truly staggering.

In August, the US National Public data breach exposed an estimated \$270 million social security numbers, practically two-third of all social security numbers ever issued leaving one out of three Americans at risk of identity attacks. The scale and the frequency of breaches, along with the sophistication and volume of phishing e-mails and scams makes everyone vulnerable.

As we shared in our last report around rising election scams, even young adults who are expected to be the severest online are proving to be susceptible at higher rates. This unfortunate reality is a big part of why our team at Gen is still mission-driven. We believe that no matter how good the cyber criminals get, our goal is to give you the tools and the solutions that empower you to live your digital life without worry.

Delivering digital freedom and peace of mind is no small task. So every day, we are focused on upping our game. Just about a year ago, our threat team and technology detected the growing threats of personalized scams at high volumes and quickly delivered our Genie anti-scam product. Powered by AI, Genie was the first embodiment of the future of digital freedom. Not only does it interact with you in an accessible and intuitive way, it also continually learns and adapts with every interaction.

Today, we have over 1.6 million downloads and its overall efficacy is approaching 100%. Genie is a great example of how we continue to put innovative solutions in the hands of consumers but it is just the start. In the coming quarters, we plan to enhance the product and expand this anti-scam technology into our core offerings. More to come on that front.

Protecting consumers from scams is one of the biggest attack vectors, but as I mentioned earlier, breaches pose an entirely different threat and are also on rise. Breaches with you, your information and your assets at risk, and it generally happens through no fault of your own. Data you provided to your favorite stores, your health care provider, your banks and the government is being put on the dark web. And as the breaches proliferate, cyber criminals are stitching together different pieces of information to increase their ability to successfully steal your identity or target you for sophisticated and personalized scams. No one is immune. And if you don't believe me, I challenge you to go out and try our free lifelog data exposure scan, and I'm sure you will be surprised at how much of your information is out there and available.

That constant growing threat is why we are continuously investing in and innovating around how we keep your financial assets, your personal information and your reputation safe. No one is better at helping a victim recover from identity theft than LifeLock. We invented the category, and we have a world-class restoration team that helps repair the damage. But we want to also be sure that we can stop since earlier. That's why we have alert algorithm and full spend tracking through financial monitoring features to keep you aware and safe in real time.

We recently released credit insights to our large cloud customers as part of our strategy to address the customer needs to keep the finances safe online. This new LifeLock feature provides customers with contextual information to better understand what factors impact their credit score with actionable insights to build or improve their credit rating over time. From spend tracking to helping you better manage your subscription spending or virtual secure credit card, we see an increase in demand for trust-based services, and will continue to expand what we do for consumers in that area. So they feel empowered to manage their finances confidently, achieve financial freedom and thrive in their digital journeys.

We see a long runway of growth with meaningful opportunities to expand in each pillar of our consumer cyber safety portfolio as we continue to innovate and execute. In Q2, we grew cyber savings bookings over 5%, driven by strong momentum in identity where bookings were up 8% year-over-year. We also drove double-digit growth in new customer acquisitions maintained solid momentum in upselling into our identity memberships and continued expanding our partnership network.

With so much opportunity in front of us, we will continue to invest to serve the expanding needs of consumer, whether that be adding to our AI capabilities to better match our services to our customers and deliver more intuitive and engaging experiences from them or through innovation into new and existing products or even expanding our reach to new markets for services like identity theft protection. Even with the most comprehensive solutions in the market, we know we can't rest, so expect us to delivering innovation and more engaging experiences to our customers.

While we remain focused on the future and innovation, operating with discipline and meeting our commitments are core parts of our Gen DNA. Operating KPIs remain very healthy, supporting yet another quarter of double-digit growth in non-GAAP earnings per share, which includes many of our investments for long-term growth.

Since our Investor Day last year, where we laid out our long-term goals of accelerating growth to the mid-single digits and driving non-GAAP EPS growth of 12% to 15%. We have consistently executed and delivered on our commitments. We are pleased with our Q2 results and excited about what we can deliver in the future. As a result, we strengthened our annual guidance, and we are making steady progress towards achieving the three year financial goals we shared at our Investor Day last November.

We are passionate about our mission to empower and protect every aspect of digital life, and we're confident that our focus on the customers, our pace of innovation and our disciplined execution will enable us to achieve our goals to drive shareholder value.

And with that, let me pass it on to Natalie to review our financial performance in detail.

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**Natalie Derse** - Gen Digital Inc - Chief Financial Officer

Thank you, Vincent, and hello, everyone. For today's call, I will walk through our fiscal Q2 2025 results, followed by our outlook for Q3 and full year fiscal year 2025. I will focus on non-GAAP financials and year-over-year growth rates, unless otherwise stated. Q2 was another quarter of solid execution with strong financial results at or above the midpoint of our guidance and reflects our 21st consecutive quarter of growth. Q2 bookings were \$964 million, up 5% in constant currency and up 4% in USD Cyber Safety bookings, which exclude our legacy business lines, also grew 5% year-over-year in constant currency, our highest growth rate since the Avast acquisition.

This quarter, there was a surge in consumer awareness, interest and demand for identity theft protection after the National Public data breach. This is when our brand awareness and vast LifeLock protection offerings really cut through and we drove stronger customer acquisition and bookings as a result, helping to shore up the higher bookings growth rate in the quarter.

Moving to revenue. Total Q2 revenue was \$974 million, up 3% in USD and constant currency. Cyber Safety revenue grew 4% year-over-year, driven by broad-based growth across our consumer security and identity and privacy business lines. Stable growth in our security business lines reflects the success of our cross-sell program as our Norton 360 security customers continue to add more adjacent offerings, and we drive improved monetization. Identity and privacy growth was more pronounced with faster growth in our Norton 360 with LifeLock product as consumers increasingly adopt comprehensive cyber safety membership with identity solutions.

Direct revenue was \$860 million, up 3%, supported by improvements across our key performance metrics of direct customers, ARPU and retention. Let me share some specifics. A key ingredient to our growth strategy is driving net new customers. And in Q2, we expanded our customer base for the fifth consecutive quarter, increasing to \$39.7 million up \$389,000 sequentially and up over \$1.1 million year-over-year.

We continue to leverage our broad range of marketing channels and vast product portfolio dynamically shifting and increasing marketing investments based on demand, while optimizing our sites to drive improved traffic conversion.

This quarter, our net new customer count growth was mostly driven by continued international and mobile expansion efforts, and we had the additional opportunity to further drive our identity offerings with the increased market demand. On monetization, our monthly direct ARPU was USD7.26, up \$0.03 sequentially and up \$0.01 compared to last year's results. Note that FX helped this metric by \$0.02 sequentially but had no impact year-over-year.

Operationally, ARPU remains stable to slightly up across our customer cohorts by brand and by market. As we grow our customer base, we have demonstrated the ability to further monetize after their first purchase, whether through cross-selling complementary products or upselling to higher tier memberships, both avenues providing additional customer value and enhanced cyber safety protection coverage. Our efforts to better customize and personalize offerings at the right moments of truth are working. And as we add new features and expand our portfolio, we will continue to feed this flywheel. The expanded values and services provided to our customers is also reflected in the retention increases to date.

In Q2, our direct retention rate was 78%, in line with the prior quarter and improving by 1 point year-over-year, steadily progressing towards our goal of 80%. While each point of retention will get harder to achieve as we continue to drive new customer growth, our teams are focused on driving gains at the cohort and product level.

And as Gen stack gets rolled out to more customers, we are driving better targeting and in-product messaging with the goal to create more personalized customer experiences that will in turn drive higher customer loyalty, retention and increased lifetime value. As we look forward, we will continue to focus on keeping our already high retention rates in our Norton and LifeLock brand stable and drive increases with our mobile customers and our Avast brands.

Turning to our partner business. Partner revenue was \$102 million in Q2, up 7% year-over-year as reported and up 8% in constant currency, as we grow our identity and privacy offerings. Our employee benefits channel continues to scale, helping over 10,000 companies protect their employees from identity and cyber threats.

As consumer awareness of identity theft grows and companies turn to offering more comprehensive benefits to their employees, our pipeline is strengthening. Our telco partnerships are also helping us scale our identity membership offerings internationally, leveraging the partner's scale and broad customer base to drive adoption in targeted expansion markets.

And as consumers increasingly gravitate towards identity and privacy solutions, our private browsers have also been an accelerator for partner growth as we see strong adoption in our customer base. Across our diverse set of partner channels, we are making steady progress towards \$0.5 billion in annual partner revenue over the next years. Rounding out our revenue, our legacy business lines contributed \$12 million this quarter, down from \$16 million in the prior year. As a reminder, we expect our legacy revenue to continue declining double digits year-over-year and represents approximately 1% of our total revenue.

Turning to profitability. Q2 operating income was \$567 million, up 4% year-over-year and translating to an operating margin of 58.2%. As I noted earlier, we're making focused investments to capitalize on the growth opportunities we see in the market, and that's reflected in our strong first half booking results. We continue to invest in marketing across all channels with an always-on optimization of existing funds and deployment of incremental funds to expand our customer base and accelerate growth.

We're also investing in R&D and our longer-term foundational technology capabilities while launching new offerings to fortify our comprehensive cyber safety product portfolio and stay ahead of emerging threats. And as we've demonstrated in prior quarters, we will continue to fund these investments through our operating leverage and by operating lean across the G&A organizations now at a record low of approximately 2% of revenue.

Building on the strength of our KPIs, along with our solid execution against expectations in the first half, we will continue to invest in our business with the same disciplined approach as we focus on driving sustainable mid-single-digit growth. Q2 net income was \$336 million, up 12% year-over-year. Diluted EPS was \$0.54 for the quarter, up 16% year-over-year, in line with our guidance. Interest expense related to our debt was \$142 million. Our non-GAAP tax rate remained steady at 22%, and our ending share count was \$622 million, down \$22 million year-over-year, reflecting the impact of share repurchases.

Turning to our balance sheet and cash flow. Q2 ending cash balance was \$737 million. We are supported by over \$2.2 billion of total liquidity, consisting of our ending Q2 cash balance and \$1.5 billion of revolver. Q2 operating cash flow was \$158 million, and free cash flow was \$156 million, which included approximately \$70 million of cash interest payments this quarter.

As a reminder, Q2 is seasonally high, our highest use of cash given the concentration of tax payments that are due in the quarter. And as a result, we did not purchase any stock or pay down additional debt this quarter. Also important to note, due to the timing of our quarter end being on September 27, this year, our Q2 ending balance does not reflect our \$89 million in cash interest and \$58 million paid for our maturity schedule on September 30.

As we look forward, we remain committed to our capital allocation strategy, returning 100% of excess free cash flow to shareholders, maintaining our dividend and balancing our capital allocation to both debt paydown and opportunistic share buyback.

In the quarter, we paid \$77 million to shareholders in the form of a regular quarterly dividend of \$0.125 per common share. For Q3 fiscal 2025, the Board of Directors approved a quarterly cash dividend of \$0.125 per common share to be paid on December 11, 2024 for all shareholders of record as of the close of business on November 18, 2024.

Since the start of fiscal year 2023, we have paid down over \$2 billion worth of debt and have deployed a total of \$1.6 billion of share repurchases over that time period. With our strong cash flow generation, we will continue to deploy our capital to achieve the long-term objectives laid out in our Analyst Day.

Now turning to our Q3 and fiscal '25 outlook. For Q3, we expect non-GAAP revenue in the range of \$980 million to \$990 million, translating to approximately 4% growth in cyber safety. And Q3 non-GAAP EPS to be in the range of \$0.54 to \$0.56. For fiscal year 2025, we are strengthening our prior guidance range and now expect full year revenue in the range of \$3.905 billion to \$3.93 billion translating to 3% to 4% growth in cyber safety, expressed in constant currency, supported by expected cyber safety bookings growth of 4% to 5%.

We have raised the lower end of our EPS guidance and now expect non-GAAP EPS to be in the range of \$2.18 to \$2.23 per share representing an annual increase of 12% to 15% in constant currency and in line with the EPS growth objectives we shared last November.

In summary, our Q2 results keep us on target for our 2025 plan, and we remain well positioned to achieve our long-term goals. Our key performance indicators continue to trend in the right direction. We are executing our plan and our strategic growth framework provides us guide points along the journey.

As always, thank you for your time today, and I will now turn the call back to the operator to take your questions. Operator?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Andrew Nowinski, Wells Fargo.

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**Andrew Nowinski** - Wells Fargo Securities LLC - Analyst

Good afternoon, and thank you for taking the questions and congrats on the strong Q2 results here.

**Vincent Pilette** - Gen Digital Inc - Chief Executive Officer, Director

Absolutely. Welcome to the call.

**Andrew Nowinski** - Wells Fargo Securities LLC - Analyst

Thank you very much on. I wanted to dig into the net adds this quarter, which I thought were very impressive. I mean it seems like it's almost a guarantee that every adult in the US now has their personal data on the dark web thanks to all the breaches we saw this summer, including that national public data breach. So do you think the net adds will improve, particularly in the US going forward? Because I think you said it was more influenced by the international growth this quarter.

**Vincent Pilette** - Gen Digital Inc - Chief Executive Officer, Director

So definitely, the National Data Breach helped making people more aware of the risks -- but this quarter, we grew our cohorts across all of our brands and across the continent balls, Americas and Europe. So we've seen kind of a broad base. Granted, it was a little bit more pronounced in the identity and in the US for that reason. And you're right that today, we believe that about one American out of three has enough of the personal data out there on the dark web for any criminals to stitch together a profile and do an identity test. We know ideally, -- we know that everybody should be protected and that the awareness is something that we'll expand to work on to ensure that everyone understands the risk. It's a little bit like a an insurance service, if you want, you need to have a first catastrophe to never skimp protection.

**Andrew Nowinski** - Wells Fargo Securities LLC - Analyst

Got it. And then I wanted to -- maybe just a clarification. I think last quarter, you talked about the Norton cross-sell penetration had increased to 20%. I didn't catch it this quarter if you gave that. But I was really wondering also did you see an improvement in the LifeLock attach rate or customers upgrading to that higher-end membership that includes LifeLock this quarter given all the breach activity?

**Natalie Derse** - Gen Digital Inc - Chief Financial Officer

Yeah. Thanks for the question. This is Natalie. So for sure, we saw increase in our cross-sell penetration. It's been a a growth driver for us and with us for several consecutive quarters. We laid that out as one of the five-to-five levers of what you have to believe for sustainable accelerated growth in the mid-single digits. And we definitely needed and wanted to show you guys and share with you guys what our starting point was and the milestone achievements that we would need to achieve mid-single-digit rate of growth over the long-term.

So it won't be a specific metric that we give you every single quarter, but absolutely consistent performance and driver of our -- not only our bookings growth, but our ARPU coming from cross-sell. And then from a LifeLock attach rate, yes, I mean you probably heard it more than a handful of times in my script because the LifeLock customers are such high value, highly retaining customers for us -- this has been a very healthy quarter for our business. We did see more LifeLock acquisition saw more up-sell into membership tiers with the LifeLock identity protection value. And we saw acquisition into higher tiered LifeLock offerings this quarter, especially even more fueled by that NPD bridge and the increased demand in the market.

**Andrew Nowinski** - Wells Fargo Securities LLC - Analyst

Got it. Thank you. Keep up the good work. Thank you.

**Vincent Pilette** - Gen Digital Inc - Chief Executive Officer, Director

Thank you for your questions.

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**Operator**

Saket Kalia, Barclays.

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**Unidentified Participant**

Hey, good evening. This is Ryan Parley on for Saket. And Natalie, maybe first for you. That was some helpful commentary just around the buybacks and de-levering activity this quarter, understanding the cash constrictions. Just going forward, as we take a look at the next near and mid-term, -- can you talk about how you're going to be balancing buybacks and de-levering over the next few quarters?

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**Natalie Derse - Gen Digital Inc - Chief Financial Officer**

Yes. I would say it's going to be a consistent approach that we've taken to the last handful of quarters. Of course, we all know what's happening in the debt market and the cost of debt now is very different than the environment than we were in a year ago. But both are very important for us in terms of capital allocation strategy. We'll strike the right balance quarter in, quarter out, not a specific percentage because we flex based on the macroeconomic indicators.

So everything from the cost of debt, the timing of the cash, Q2 is our highest use of cash. So we were largely constricted in terms of what else we could do for additional capital allocation -- but we also know we're highly cash generators. So the back half of capital allocation will be very, very balanced and very interesting.

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**Unidentified Participant**

Got it. That's super helpful. Maybe for my follow-up, I'd just love to dig into one other part of net adds. That was really interesting to see. Could you talk about first year retention and how that's been trending? Because I know we talked about that at Analyst Day. Just what do you think is -- are there any improvements there? And how has that been trending?

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**Natalie Derse - Gen Digital Inc - Chief Financial Officer**

Yes. So our first year retention rate is very consistent to up. And I'd point that to our continuously innovative product road map, the range of values and services that we are bringing to market is very, very competitive, very relevant and highly in demand and we make sure that we're not only bringing great products and services to market, but that we're competitively priced and our messaging and our personalization is a cut through to the customers as possible so that they understand what we can be for them in their ever increasing risk of cyber safety. And so yes, we see very, very solid results in first year -- in all of our retention rates, which is why we've been able to scale up to 78% overall. But yes, the first year renewal rates are higher than they have been in the past.

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**Unidentified Participant**

Very helpful. Thanks, guys.

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**Natalie Derse - Gen Digital Inc - Chief Financial Officer**

Thank you.



**Operator**

Peter Levine, Evercore.

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**Peter Levine - Evercore ISI - Analyst**

Thank you for taking my questions (technical difficulty) maybe to you. You talked about Genie AI I know you -- so with -- I think you mentioned, I think it was like 1.6, 1.7 downloads. But Vincent, in your commentary, you called out, I think, so more to come on that front, but will enable debt AI across your core offerings. Can you maybe just talk a little bit about your kind of what the aspirations are there in terms of putting that across the platform? And then maybe explain to us the monetization opportunities or if it's more of a resin tool just to kind of be more competitive. Just help us kind of balance those,

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**Vincent Pilette - Gen Digital Inc - Chief Executive Officer, Director**

Yes. It will be all of lever, but let me explain right. So definitely, we can see a very strong rise in scam, personalized scam and volume personalized scans the use of the eye. And when we came out with Genie we're singly focused on really developing our LLM to be able to spot those cans and then help our consumers detect what is a scam and what is not. And we did that also is a conversational interface, you can also decide on what's the with scam.

We've had 1.6 million downloads very strong models, and I think we're now ready to move that into our overall portfolio. We'll start first with the Norton 360 membership being the core Genie assistant or the anti-scam assistant in the first three level of our Norton 360 plan. And then we'll ramp up in features moving from tech scams to voice scams, to call blocks to scam insurance through the different plan, if you want all the way to Norton 360 with LifeLock. So that's coming now.

The first path of monetization is to help our customers to move and upgrade to the next level of plan that not only provide the current features of safety, but extend to all of those I've just mentioned. And there will be a Genie Pro cross-sell, if you want for those who wants to stand to the old plan and just want to have a stand-alone anti-scam tool.

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**Peter Levine - Evercore ISI - Analyst**

And maybe the second question or follow-up here is benefits enrollment. I know this was the quarter I think most would sign up for it. So maybe can you just give us an update on how that pipeline kind of closed off for the quarter versus expectations? And then kind of if you think about how this season ended, any changes that you're making to the go to market to your partners to kind of accelerate that for next year?

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**Vincent Pilette - Gen Digital Inc - Chief Executive Officer, Director**

So we continue to grow our employee benefit channel double digit. It's both growing on acquiring new accounts, but also we're working with each account and putting the right marketing and communication engagement materials to have more sign-ups in those accounts. We've seen growth through the last few quarters. We have a very strong funnel. We've always had a very strong funnel. Now it comes more to another jump in growth, if you want.

When it comes to the enrollment view where we can subscribe more customers if you want within those accounts. We obviously integrate everything we see the strong funnel and the activity in marketing I've just mentioned into our forecast. And I think we feel very good about the continued development of that channel in which we -- and are also new products and go all the way to a full reputation Defender service for executives and below.

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**Peter Levine** - *Evercore ISI - Analyst*

If I can just ask one more. Are these agreements when you go into a company and offer the benefits, is it an enterprise agreement? Or how does that get priced versus the consumer model? Just curious in terms of the pricing model versus the...

**Vincent Pilette** - *Gen Digital Inc - Chief Executive Officer, Director*

Absolutely. So the pricing is kind of an enterprise agreement, but it's on a perceived basis. It either is fully sponsored or partially sponsored by the employer benefit plans and the pricing is slightly below, but not materially below what you charge for the consumers.

**Operator**

Tomer Zilberman, Bank of America.

**Tomer Zilberman** - *Bank of America - Analyst*

Great. Hi, guys. I wanted to go back to the direct customer net adds. So when we look at the \$389,000, how much of that would you say is coming from the ads of international and mobile versus what you said the better identity sales on the back of the national data breach. And really, what I'm trying to ask here is what do you think is the normalized customer growth in the remainder of the year?

**Natalie Derse** - *Gen Digital Inc - Chief Financial Officer*

This is Natalie. So I'll take that one. The majority of our customer count net adds sequentially has consistently been coming from, as we expand and broaden solutions available on mobile as well as our international market expansion. So both of those have been consistent levers and consistent drivers of growth for us in customer acquisition as we expand and increase the penetration, increase the value proposition that we've got with our mobile users. And that stayed consistent in Q2. And then on top of that, we saw the increased demand coming from the identity offerings. On a go-forward basis, we it is very, very critical for us to continuously focus on healthy customer acquisition.

We do that on a global basis across all of our brands across all of our platforms. And we will continue to expand internationally as we identify new markets of healthy customer acquisition -- and yes, we're just getting started in terms of expanding the value proposition and the engagement that we've got with the ever-growing mobile users and customers in our portfolio. In addition, we will continue to foster all of the brands across our portfolio. All of them are critical.

And on a go-forward basis, we're going to be balancing our investments, whether it's product, the product road map and the technology solutions that we bring as well as combined with the different marketing channels that we've got to optimize a healthy customer acquisition that feeds our flywheel, feeds our increase in ARPU, feeds to cross-sell, feeds or upsell and therefore, feeds our retention and book -- accelerating bookings growth.

**Tomer Zilberman** - *Bank of America - Analyst*

Got it. And maybe as a follow-up, looking at the guidance raise this year for the full year, I saw in the quarter, your negative currency impact went down to about \$1 million from \$7 million over the last few quarters. How much of that is driving your guidance raise versus just the better business trends that you're seeing?

**Natalie Derse** - *Gen Digital Inc - Chief Financial Officer*

Yes, it's immaterial for us. And then when we set our -- when we revise our guide, we just use the current currency rates that we all know as of right now. We don't predict or project any currency fluctuations.

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**Tomer Zilberman** - *Bank of America - Analyst*

Got it. Okay. Thank you.

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**Operator**

Hamza Fodderwala, Morgan Stanley.

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**Hamza Fodderwala** - *Morgan Stanley & Co. LLC - Analyst*

Good evening. Thank you for taking my question. So I wanted a solid quarter in terms of top line, really strong sort of record net adds. I wanted to have a question on the cost side of the equation. The EBIT margin, I think, was slightly higher than it was in recent quarters. Just curious on the cost side, what are you seeing in terms of advertising costs. I know in the past that kind of gone up and down. So I'm curious what you're seeing currently?

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**Natalie Derse** - *Gen Digital Inc - Chief Financial Officer*

Yes, it varies across all the brands, quite honestly, in all the different channels. And we've got such a diverse set of channels and increasing marketing spend going to those channels. I think you're specifically talking about the gross margin rate. And yes, we do see shifts across our marketing portfolio. We optimize for healthy ROI customer acquisition, and we leverage the different channel diversification that we've got.

In terms of what's -- there is different accounting treatment, depending on what marketing channels there are. So I would encourage you to consider that when you think about the gross margin versus the op margin versus the EBITDA margin, -- and that's why we're able to hold the operating margin so consistently quarter-over-quarter. It's just P&L profile of where the marketing channel expense for this quarter actually hit.

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**Hamza Fodderwala** - *Morgan Stanley & Co. LLC - Analyst*

Maybe can I be more specific in the direct-to-consumer side of the business, how would you say advertising costs have been trending in the last few quarters up or down?

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**Natalie Derse** - *Gen Digital Inc - Chief Financial Officer*

Yeah. So overall, I would say it is definitely getting more competitive. Now keep in mind, our tax by brand and tax by channel are very, very different. And so overall, it's stable to up in terms of cost of acquisition. But when you think about a side by side and when we talk about our business sequentially, when we talk about taking and leveraging the increased market demand for LifeLock, that's obviously going to be a much, much higher absolute dollar [CAC] to acquire that much higher value customer than if you were to think about a lower AV security customer add in a new growth market internationally.

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**Hamza Fodderwala** - *Morgan Stanley & Co. LLC - Analyst*

Got it. So it's a higher lifetime value subscriber, but maybe initially might be a little bit higher CAC. Does that make sense. Thank you.

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**Operator**

Dan Bergstrom, RBC.

**Matt Hedberg** - RBC Capital Markets - Analyst

It's [Matt Hedberg] (technical difficulty) you just mentioned accelerated bookings growth in your answer to one of the last questions. that 5% constant currency number, really nice to see, especially following the uptick of 4% last quarter. And then it looks like the key assumptions moved up to 4% to 5% from 3% to 5% last quarter. Maybe just what could that 5% portend for revenue growth over the next year? Should we think of maybe the difference between bookings and revenue growth, it's maybe narrowing or maybe solidifying a potential around revenue acceleration? Just any further thoughts around accelerating bookings growth here?

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**Natalie Derse** - Gen Digital Inc - Chief Financial Officer

Yes. A large -- the majority of our portfolio or our book of business is going to be ratable. And so it's about rolling off the balance sheet relatively consistently. We don't have a ton of seasonality in terms of the size of our quarters. And so largely speaking, super high level, it will roll off over the next 12-months. We do have our monthly subscribers, which is still a small share of our business, you would see that hitting bookings and revenue in the same period because we recognize the revenue as we deliver on the service so monthly. But largely speaking, our portfolio and our book of business is on an annual subscription and we -- the majority of that is ratable over the next quarters.

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**Matt Hedberg** - RBC Capital Markets - Analyst

That's helpful. And then maybe a little more on any action that you maybe undertook outline that social security number breach. I mean, did you change marketing messaging channels? It seems like you had pretty prescient timing around the personal data exposure product. Any specifics you may have done to lean into it a little further?

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**Natalie Derse** - Gen Digital Inc - Chief Financial Officer

Yes. We did a full reallocation in terms of assessing where to put the marketing dollars a reallocation into the LifeLock business for sure in the brands and services. And with that, we did a healthy balance across the different channels to go where the demand was. There's a lot of demand for identity, obviously, in SEO as well as paid search. And then also the affiliate channels really helped us with referral traffic to bring them to our platform on the LifeLock side.

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**Matt Hedberg** - RBC Capital Markets - Analyst

That's great. Thank you.

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**Natalie Derse** - Gen Digital Inc - Chief Financial Officer

Thank you.

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**Operator**

Thank you for your questions. That concludes our Q&A session. I would now like to pass the conference to Vincent Pilette, CEO Gen Digital Inc., for closing remarks.

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**Vincent Pilette** - Gen Digital Inc - Chief Executive Officer, Director

Thank you. As the leader in consumer cyber safety, we have a bold vision to provide digital freedom for everyone. The threat landscape is more dynamic than ever, and our investments in technology, AI and product innovation are key to our success and future opportunities. We have a compelling AI-enabled product road map focused on security, financial safety, personal data control and other trust-based solutions.

Our go-to-market strategy is effective, and we have a long track record of serving our customers. We are well positioned to expand the adoption of cyber safety globally with our trusted brands and omnichannel expertise. Thank you for your interest and your support.

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**Operator**

That concludes today's call. Thank you for your participation, and enjoy the rest of your day.

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