

McAfee Corp.
Non-GAAP Financial Measures

In addition to McAfee's results determined in accordance with generally accepted accounting principles in the United States ("GAAP"), the Company believes the following non-GAAP measures presented in this presentation are useful in evaluating its operating performance: adjusted cost of sales, adjusted gross profit, adjusted operating expense, adjusted operating income, adjusted interest expenses and other, net, adjusted foreign exchange gain (loss), net, adjusted income before income tax expense, adjusted provision for income tax expense, adjusted net income, adjusted EBITDA and adjusted EPS. The non-GAAP financial information is presented for supplemental informational purposes only, and should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly titled non-GAAP financial measures used by other companies. A reconciliation has been provided in this presentation for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Readers are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

On March 6, 2021, we entered into a definitive agreement to sell certain assets of our Enterprise business to Symphony Technology Group ("STG"). Accordingly, the results of our Enterprise business segment were classified as discontinued operations and thus excluded from continuing operations for all periods presented. Starting in the first quarter of fiscal 2021, we operate in one reportable segment.

McAfee Corp.
Condensed Consolidated Statements of Operations - Fiscal Quarters
(in millions, except per share data)
(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
Net revenue	\$ 354	\$ 442
Cost of sales	<u>99</u>	<u>116</u>
Gross profit	255	326
Gross margin percentage	72.0%	73.8%
Operating expenses:		
Sales and marketing	60	85
Research and development	38	44
General and administrative	58	48
Amortization of intangibles	36	36
Restructuring charges	<u>1</u>	<u>8</u>
Total operating expenses	<u>193</u>	<u>221</u>
Operating income	62	105
Operating margin percentage	17.5%	23.8%
Other Expense:		
Interest expense and other, net	(75)	(60)
Foreign exchange gain (loss), net	<u>11</u>	<u>35</u>
Income (loss) from continued operations before income taxes	(2)	80
Provision for income tax expense (benefit)	<u>(10)</u>	<u>(3)</u>
Income from continued operations	8	83
Income from discontinued operations, net of taxes	<u>1</u>	<u>11</u>
Net income	<u>\$ 9</u>	<u>\$ 94</u>
Less: Net income attributable to redeemable noncontrolling interest ^(a)	N/A	64
Net income attributable to McAfee Corp. ^(a)	N/A	<u>\$ 30</u>
Net income attributable to McAfee Corp.:		
Income from continuing operations attributable to McAfee Corp.	N/A	\$ 27
Income from continuing operations attributable to McAfee Corp.	N/A	<u>3</u>
Net income attributable to McAfee Corp.	N/A	<u>\$ 30</u>
Earnings per share attributable to McAfee Corp., basic ^(b) :		
Continuing operations	N/A	\$ 0.17
Discontinued operations	N/A	\$ 0.02
Earnings per share, basic:	N/A	\$ 0.18
Earnings per share attributable to McAfee Corp., diluted ^(b) :		
Continuing operations	N/A	\$ 0.16
Discontinued operations	N/A	\$ 0.02
Earnings per share, diluted:	N/A	\$ 0.18
Weighted average shares outstanding, basic	N/A	162.4
Weighted average shares outstanding, diluted	N/A	176.3

^(a) Subsequent to the Reorganization Transactions and the initial public offering ("IPO"), McAfee Corp. consolidates the financial results of FTW and reports a redeemable noncontrolling interest ("RNCI") related to the LLC Units and management incentive units ("MIUs") not owned by the Corporation. See Note 1 to the condensed consolidated financial statements in the McAfee Corp. 2021 Q1 Form 10-Q.

^(b) Basic and diluted earnings per share of Class A common stock are not applicable prior to the IPO and related Reorganization Transactions.

McAfee Corp. - Combined^(a)

Adjusted Condensed Consolidated Statements of Operations - Fiscal Quarters

(in millions, except per share data)

(unaudited)

	2020	2021
	Q1	Q1
Net revenue	\$ 354	\$ 442
Adjusted cost of sales	<u>72</u>	<u>89</u>
Adjusted gross profit	282	353
Adjusted gross margin percentage	79.7%	79.9%
Adjusted operating expenses:		
Adjusted sales and marketing	59	82
Adjusted research and development	38	40
Adjusted general and administrative	<u>33</u>	<u>39</u>
Total adjusted operating expenses	130	161
Adjusted operating income	152	192
Adjusted operating margin percentage	42.9%	43.4%
Other Expense:		
Adjusted interest expense and other, net	<u>(70)</u>	<u>(51)</u>
Adjusted income before income taxes	82	141
Adjusted provision for income taxes	<u>18</u>	<u>31</u>
Adjusted net income from continuing operations	64	110
Adjusted net income from discontinued operations	<u>60</u>	<u>88</u>
Adjusted net income - combined	<u>\$ 124</u>	<u>\$ 198</u>
Adjusted EPS - continuing operations	N/A	\$ 0.25
Adjusted EPS - discontinued operations	N/A	\$ 0.20
Adjusted EPS - combined	N/A	\$ 0.44
Weighted average shares outstanding, diluted ⁽¹⁰⁾	N/A	448.5
Adjusted EBITDA - continuing operations	\$ 159	\$ 199
Adjusted EBITDA - discontinued operations	86	117
Adjusted EBITDA - combined	<u>\$ 245</u>	<u>\$ 316</u>
Adjusted EBITDA - continuing operations margin percentage	44.9%	45.0%
Adjusted EBITDA - discontinued operations margin percentage	26.0%	35.3%
Adjusted EBITDA - combined margin percentage	35.8%	40.9%

^(a) On March 6, 2021, we entered into a definitive agreement to sell certain assets together with certain liabilities, comprising substantially all of our Enterprise Business to STG. As a result, the results of our Enterprise Business were classified as discontinued operations and thus excluded from continuing operations for all periods presented. However, our Q1 FY2021 guidance included the results of operations related to our Enterprise Business divestiture. Consequently, we are presenting certain combined non-GAAP continuing operations and non-GAAP discontinued operations results, in order to facilitate a reader's understanding of our Q1 FY2021 financial performance compared to the Q1 FY2021 guidance provided on February 23, 2021, and the comparable prior year period. Our Management also used these combined non-GAAP results to evaluate our Q1 FY2021 financial performance against our comparable prior year period results. See Appendix A for an explanation of non-GAAP measures and other items.

McAfee Corp.**Adjusted Condensed Consolidated Statements of Operations - Fiscal Quarters***(in millions, except per share data)**(unaudited)*

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
Net revenue	\$ 354	\$ 442
Adjusted cost of sales	<u>72</u>	<u>89</u>
Adjusted gross profit	282	353
Adjusted gross margin percentage	79.7%	79.9%
Adjusted operating expenses:		
Adjusted sales and marketing	59	82
Adjusted research and development	38	40
Adjusted general and administrative	<u>33</u>	<u>39</u>
Total adjusted operating expenses	<u>130</u>	<u>161</u>
Adjusted operating income	152	192
Adjusted operating margin percentage	42.9%	43.4%
Other Expense:		
Adjusted interest expense and other, net	<u>(70)</u>	<u>(51)</u>
Adjusted income before income taxes	82	141
Adjusted provision for income taxes	<u>18</u>	<u>31</u>
Adjusted net income from continuing operations	<u>\$ 64</u>	<u>\$ 110</u>
Adjusted EPS - continuing operations	N/A	\$ 0.25
Weighted average shares outstanding, diluted ⁽¹⁰⁾	N/A	448.5

McAfee Corp.**GAAP to Non-GAAP Reconciliations - Fiscal Quarters***(in millions)**(unaudited)*

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
<u>Adjusted Cost of Sales</u>		
GAAP cost of sales	\$ 99	\$ 116
Amortization	(27)	(27)
Adjusted cost of sales	<u>\$ 72</u>	<u>\$ 89</u>
<u>Adjusted Gross Profit</u>		
GAAP gross profit	\$ 255	\$ 326
Amortization	27	27
Adjusted gross profit	<u>\$ 282</u>	<u>\$ 353</u>
<u>Adjusted Operating Expenses</u>		
GAAP total operating expenses	\$ 193	\$ 221
Amortization	(36)	(36)
Equity-based compensation	(14)	(14)
Acquisition and integration costs ⁽²⁾	(1)	(1)
Restructuring ⁽³⁾	(1)	(8)
Management fees ⁽⁴⁾	(2)	-
Transformation and transition ⁽⁵⁾	(7)	(1)
Executive severance ⁽⁶⁾	(2)	-
Adjusted operating expenses	<u>\$ 130</u>	<u>\$ 161</u>

McAfee Corp.

GAAP to Non-GAAP Reconciliations - Fiscal Quarters

(in millions)

(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
<u>Adjusted Operating Income</u>		
GAAP operating income	\$ 62	\$ 105
Amortization	63	63
Equity-based compensation	14	14
Acquisition and integration costs ⁽²⁾	1	1
Restructuring ⁽³⁾	1	8
Management fees ⁽⁴⁾	2	-
Implementation costs for ASC 606	-	-
Transformation and transition ⁽⁵⁾	7	1
Executive severance ⁽⁶⁾	2	-
Adjusted operating income	<u>\$ 152</u>	<u>\$ 192</u>
<u>Adjusted Interest Expense and Other, net</u>		
GAAP interest expense and other, net	\$ (75)	\$ (60)
Amortization of debt issuance costs	5	4
TRA adjustment ⁽⁷⁾	-	5
Other	-	-
Adjusted interest expense and other, net	<u>\$ (70)</u>	<u>\$ (51)</u>
<u>Adjusted Foreign Exchange Gain (Loss), net</u>		
GAAP foreign exchange gain (loss), net	\$ 11	\$ 35
Foreign exchange gain (loss), net adjustment ⁽⁸⁾	(11)	(35)
Adjusted foreign exchange gain (loss), net	<u>\$ -</u>	<u>\$ -</u>

McAfee Corp.**GAAP to Non-GAAP Reconciliations - Fiscal Quarters***(in millions)**(unaudited)*

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
<u>Adjusted Income Before Income Tax Expense</u>		
GAAP income (loss) before income tax expense	\$ (2)	\$ 80
Amortization of debt issuance costs	5	4
Amortization	63	63
Equity-based compensation	14	14
Cash in lieu of equity awards ⁽¹⁾	-	-
Acquisition and integration costs ⁽²⁾	1	1
Restructuring ⁽³⁾	1	8
Management fees ⁽⁴⁾	2	-
Implementation costs for ASC 606	2	-
Transformation and transition ⁽⁵⁾	-	-
Executive severance ⁽⁶⁾	7	1
TRA adjustment ⁽⁷⁾	-	5
Foreign exchange gain (loss), net ⁽⁸⁾	(11)	(35)
Other	-	-
Adjusted income before income tax expense	<u>\$ 82</u>	<u>\$ 141</u>
<u>Adjusted Provision for Income Tax Expense</u>		
GAAP provision for income tax expense	\$ (10)	\$ (3)
Provision for income tax expense adjustment	28	34
Adjusted provision for income tax expense	<u>\$ 18</u>	<u>\$ 31</u>

McAfee Corp.

GAAP to Non-GAAP Reconciliations - Fiscal Quarters

(in millions)

(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
<u>Adjusted EBTIDA</u>		
GAAP net income	\$ 9	\$ 94
Amortization	63	63
Equity-based compensation	14	14
Cash in lieu of equity awards ⁽¹⁾	-	-
Acquisition and integration costs ⁽²⁾	1	1
Restructuring ⁽³⁾	1	8
Management fees ⁽⁴⁾	2	-
Implementation costs for ASC 606	-	-
Transformation and transition ⁽⁵⁾	7	1
Executive severance ⁽⁶⁾	2	-
Interest expense and other, net	75	60
Provision for income tax expense	(10)	(3)
Foreign exchange loss (gain), net ⁽⁸⁾	(11)	(35)
Income from discontinued operations, net of taxes	(1)	(11)
Adjusted operating income	<u>152</u>	<u>192</u>
Depreciation	7	7
Other expense	-	-
Adjusted EBITDA	<u>\$ 159</u>	<u>\$ 199</u>

McAfee Corp.

GAAP to Non-GAAP Reconciliations - Fiscal Quarters

(in millions)

(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
<u>Adjusted Net Income</u>		
GAAP net income	\$ 9	\$ 94
Amortization of debt issuance costs	5	4
Amortization	63	63
Equity-based compensation	14	14
Cash in lieu of equity awards ⁽¹⁾	-	-
Acquisition and integration costs ⁽²⁾	1	1
Restructuring ⁽³⁾	1	8
Management fees ⁽⁴⁾	2	-
Implementation costs for ASC 606	-	-
Transformation and transition ⁽⁵⁾	7	1
Executive severance ⁽⁶⁾	2	-
Provision for income taxes expense	(10)	(3)
TRA adjustment ⁽⁷⁾	-	5
Foreign exchange loss (gain), net ⁽⁸⁾	(11)	(35)
Other	-	-
Income from discontinued operations, net of taxes	(1)	(11)
Adjusted income before taxes	<u>\$ 82</u>	<u>\$ 141</u>
Less: Adjusted provision for income taxes ⁽⁹⁾	18	31
Adjusted net income	<u>\$ 64</u>	<u>\$ 110</u>

McAfee Corp. - Discontinued Operations
Condensed Consolidated Statements of Net Income - Fiscal Quarters
(in millions)
(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
Net revenue	\$ 331	\$ 331
Cost of sales	105	94
Gross profit	226	237
Gross margin percentage	68.3%	71.6%
Operating expenses:		
Sales and marketing	114	97
Research and development	56	44
General and administrative	20	39
Amortization of intangibles	19	15
Restructuring charges	8	23
Total operating expenses	<u>217</u>	<u>218</u>
Operating income	9	19
Operating margin percentage	2.7%	5.7%
Other Expense:		
Interest expense and other, net	-	(1)
Foreign exchange gain (loss), net	-	-
Income from discontinued operations before income taxes	<u>9</u>	<u>18</u>
Less: Provision for income taxes	8	7
Income from discontinued operations , net of taxes	<u>\$ 1</u>	<u>\$ 11</u>
EPS from discontinued operations, basic(b)	N/A	\$ 0.02
EPS from discontinued operations, diluted(b)	N/A	\$ 0.02
Weighted average shares outstanding, basic	N/A	162.4
Weighted average shares outstanding, diluted	N/A	176.3

^(b) Basic and diluted earnings per share of Class A common stock are not applicable prior to the IPO and related Reorganization Transactions.

McAfee Corp. - Discontinued Operations
Adjusted Condensed Consolidated Statements of Adjusted Net Income - Fiscal Quarters
(in millions)
(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
Net revenue	\$ 331	\$ 331
Adjusted cost of sales	<u>70</u>	<u>71</u>
Adjusted gross profit	261	260
Adjusted gross margin percentage	78.9%	78.5%
Adjusted operating expenses:		
Adjusted sales and marketing	112	90
Adjusted research and development	53	43
Adjusted general and administrative	<u>19</u>	<u>14</u>
Total adjusted operating expenses	<u>184</u>	<u>147</u>
Adjusted operating income from discontinued operations	77	113
Adjusted operating margin percentage	23.3%	34.1%
Other Expense:		
Adjusted interest expense and other, net	-	-
Foreign exchange gain (loss), net	<u>-</u>	<u>-</u>
Adjusted income from discontinued operations before income taxes	77	113
Adjusted provision for income taxes ⁽⁸⁾	<u>17</u>	<u>25</u>
Adjusted net income from discontinued operations	<u>\$ 60</u>	<u>\$ 88</u>
Adjusted EPS from discontinued operations	N/A	\$ 0.20
Weighted average shares outstanding, diluted ⁽¹⁰⁾	N/A	448.5

McAfee Corp. - Discontinued Operations
GAAP to Non-GAAP Reconciliations - Fiscal Quarters
(in millions)
(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
<u>Adjusted Cost of Sales</u>		
GAAP cost of sales	\$ 105	\$ 94
Amortization	(34)	(20)
Equity-based compensation	-	(3)
Cash in lieu of equity awards ⁽¹⁾	(1)	-
Adjusted cost of sales	<u>\$ 70</u>	<u>\$ 71</u>
<u>Adjusted Gross Profit</u>		
GAAP gross profit	\$ 226	\$ 237
Amortization	34	20
Equity-based compensation	-	3
Cash in lieu of equity awards ⁽¹⁾	1	-
Adjusted gross profit	<u>\$ 261</u>	<u>\$ 260</u>
<u>Adjusted Operating Expenses</u>		
GAAP total operating expenses	\$ 217	\$ 218
Amortization	(19)	(15)
Equity-based compensation	(1)	(9)
Cash in lieu of equity awards ⁽¹⁾	(2)	(1)
Acquisition and integration costs ⁽²⁾	(1)	(1)
Restructuring ⁽³⁾	(8)	(23)
Transformation and transition ⁽⁵⁾	(1)	(22)
Executive severance ⁽⁶⁾	(1)	-
Adjusted operating expenses	<u>\$ 184</u>	<u>\$ 147</u>

McAfee Corp. - Discontinued Operations
GAAP to Non-GAAP Reconciliations - Fiscal Quarters
(in millions)
(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
<u>Adjusted Operating Income</u>		
GAAP operating income	\$ 9	\$ 19
Amortization	53	35
Equity-based compensation	1	12
Cash in lieu of equity awards ⁽¹⁾	3	1
Acquisition and integration costs ⁽²⁾	1	1
Restructuring ⁽³⁾	8	23
Transformation and transition ⁽⁵⁾	1	22
Executive severance ⁽⁶⁾	1	-
Non-GAAP operating income	<u>\$ 77</u>	<u>\$ 113</u>
<u>Adjusted Provision for Income Tax Expense</u>		
GAAP provision for income tax expense	\$ 8	\$ 7
Provision for income tax expense adjustment	9	18
Adjusted provision for income tax expense	<u>\$ 17</u>	<u>\$ 25</u>

McAfee Corp. - Discontinued Operations
GAAP to Non-GAAP Reconciliations - Fiscal Quarters
(in millions)
(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
<u>Adjusted EBITDA from discontinued operations</u>		
GAAP income from discontinued operations, net of taxes	\$ 1	\$ 11
Amortization	53	35
Equity-based compensation	1	12
Cash in lieu of equity awards ⁽¹⁾	3	1
Acquisition and integration costs ⁽²⁾	1	1
Restructuring ⁽³⁾	8	23
Transformation and transition ⁽⁵⁾	1	22
Executive severance ⁽⁶⁾	1	-
GAAP interest expense and other, net	-	1
GAAP provision for income tax expense	8	7
Adjusted operating income from discontinued operations	<u>\$ 77</u>	<u>\$ 113</u>
Depreciation	9	4
Adjusted EBITDA from discontinued operations	<u><u>\$ 86</u></u>	<u><u>\$ 117</u></u>

McAfee Corp. - Discontinued Operations
GAAP to Non-GAAP Reconciliations - Fiscal Quarters
(in millions)
(unaudited)

	<u>2020</u>	<u>2021</u>
	<u>Q1</u>	<u>Q1</u>
<u>Adjusted Net Income from discontinued operations</u>		
GAAP income from discontinued operations, net of taxes	\$ 1	\$ 11
Amortization	53	35
Equity-based compensation	1	12
Cash in lieu of equity awards ⁽¹⁾	3	1
Acquisition and integration costs ⁽²⁾	1	1
Restructuring ⁽³⁾	8	23
Transformation and transition ⁽⁵⁾	1	22
Executive severance ⁽⁶⁾	1	-
Provision for income taxes	8	7
TRA adjustment ⁽⁷⁾	-	1
Adjusted income from discontinued operations before taxes	<u>\$ 77</u>	<u>\$ 113</u>
Less: Adjusted provision for income taxes ⁽⁹⁾	<u>17</u>	<u>25</u>
Adjusted net income	<u><u>\$ 60</u></u>	<u><u>\$ 88</u></u>

McAfee Corp.**Adjustments for Adjusted EBITDA and Adjusted Net Income**

Below are additional information to the adjustments for Adjusted EBITDA and Adjusted Net Income:

- (1) As a result of our Sponsors' acquisition from Intel of a majority interest in Foundation Technology Worldwide LLC in April 2017 ("Sponsor Acquisition"), cash awards were provided to certain employees who held Intel equity awards in lieu of equity in Foundation Technology Worldwide LLC ("FTW"). In addition, as a result of the Skyhigh acquisition, cash awards were provided to certain employees who held Skyhigh equity awards in lieu of equity in FTW and vest over multiple periods based on employee service requirements. As these rollover awards reflect one-time grants to former employees of Intel and Skyhigh Networks in connection with these transactions, we believe this expense is not reflective of our ongoing results.
- (2) Represents both direct and incremental costs in connection with business acquisitions, including acquisition consideration structured as cash retention, third party professional fees, and other integration costs.
- (3) Represents both direct and incremental costs associated with costs to execute strategic restructuring events, including third-party professional fees and services, severance, and facility restructuring costs.
- (4) Represents management fees paid to certain affiliates of our Sponsors and Intel pursuant to the Management Services Agreement.
- (5) Represents costs incurred in connection with the announced sale of the Enterprise Business. Also includes costs incurred for transformational initiatives inclusive of duplicative run rate costs related to facilities and data center rationalization in 2020.
- (6) Represents severance for executive terminations not associated with a strategic restructuring event.
- (7) Represents the impact on net income of adjustments to liabilities under our tax receivable agreement.
- (8) Represents Foreign exchange gain (loss), net as shown on the consolidated statements of operations. This amount is attributable to gains or losses on non-U.S. Dollar denominated balances and is primarily due to unrealized gains or losses associated with our 1st Lien Euro Term Loan.
- (9) Prior to our IPO our structure was that of a pass through entity for U.S. federal income tax purposes with certain U.S. and foreign subsidiaries subject to income tax in their respective jurisdictions. Subsequent to the IPO, McAfee Corp. is taxed as a corporation and pays corporate federal, state, and local taxes on income allocated to it from Foundation Technology Worldwide LLC. This amount has been recast for periods reported previously. The adjusted provision for income taxes now represent the tax effect on net income, adjusted for all of the listed adjustments, assuming that all consolidated net income was subject to corporate taxation for all periods presented. We have assumed rate of 22% which represents our long term expected corporate tax rate excluding discrete and non-recurring tax items.
- (10) Represents weighted average shares outstanding and includes the dilutive impact of our outstanding equity awards and assumed conversion of our LLC units and MIUs not owned by the Corporation.

	<u>2021</u>
(shares in millions)	<u>Q1</u>
Weighted average shares outstanding, basic	162.4
Impact on dilution	
Equity awards	13.9
Assumed conversion of LLC Units and vested MIUs	<u>272.2</u>
Weighted average shares outstanding, diluted	448.5