

# Fourth Quarter 2020 Financial Results

February 23, 2021



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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 EBITDA, Adjusted EBITDA Margin, Consumer Adjusted EBITDA, Consumer Adjusted EBITDA Margin, Enterprise Adjusted EBITDA, Enterprise Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income Margin, Adjusted Net Income Excluding Impact of Foreign Exchange, Adjusted Net Income Excluding Impact of Foreign Exchange Margin, and Unlevered Free Cash Flow. 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 measures used by other companies. A reconciliation has been provided in an appendix to 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.

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Unless otherwise indicated, all references in this presentation to “McAfee,” “we,” “our,” “us”, or similar terms refer to McAfee Corp. and Foundation Technology Worldwide LLC and its subsidiaries.

# McAfee Investment Highlights

 **Trusted global brand and provider of cybersecurity solutions in large and growing markets**

 **Consumer market leader with large and sustained revenue and core subscriber base growth**

 **Holistic Consumer cybersecurity platform with differentiated omni-channel go-to-market strategy**

 **Driving Enterprise EBITDA growth through focusing on core customers and device to cloud portfolio**

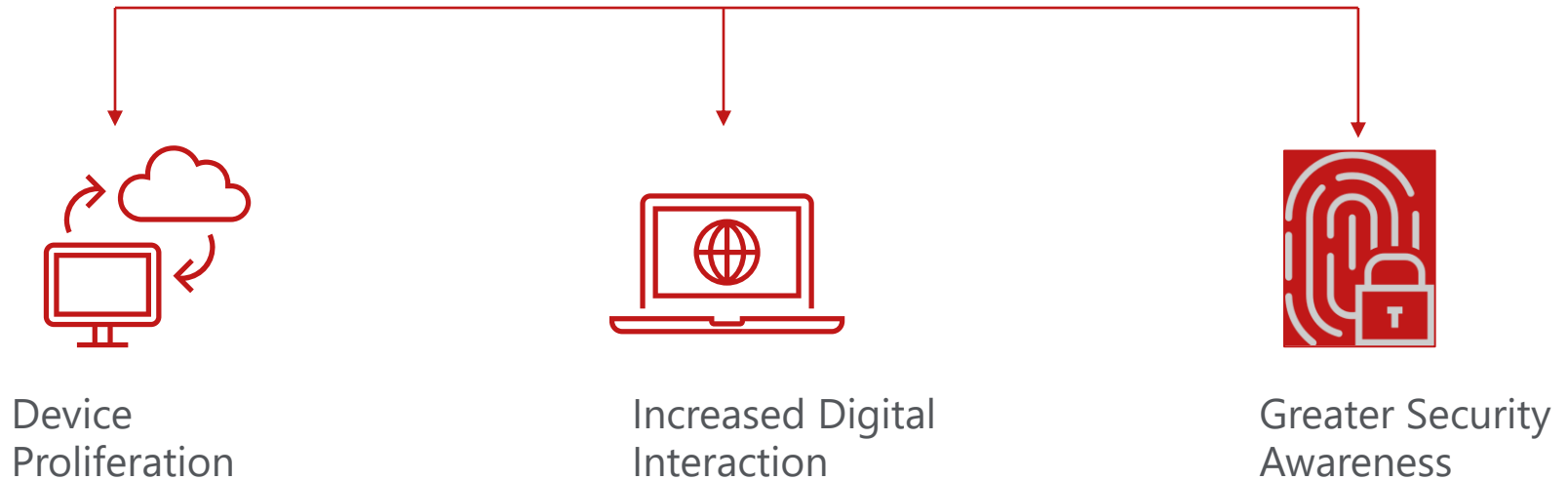
 **Highly attractive financial profile featuring consistent growth and profitability at scale with strong unlevered FCF**

# McAfee Financial Highlights

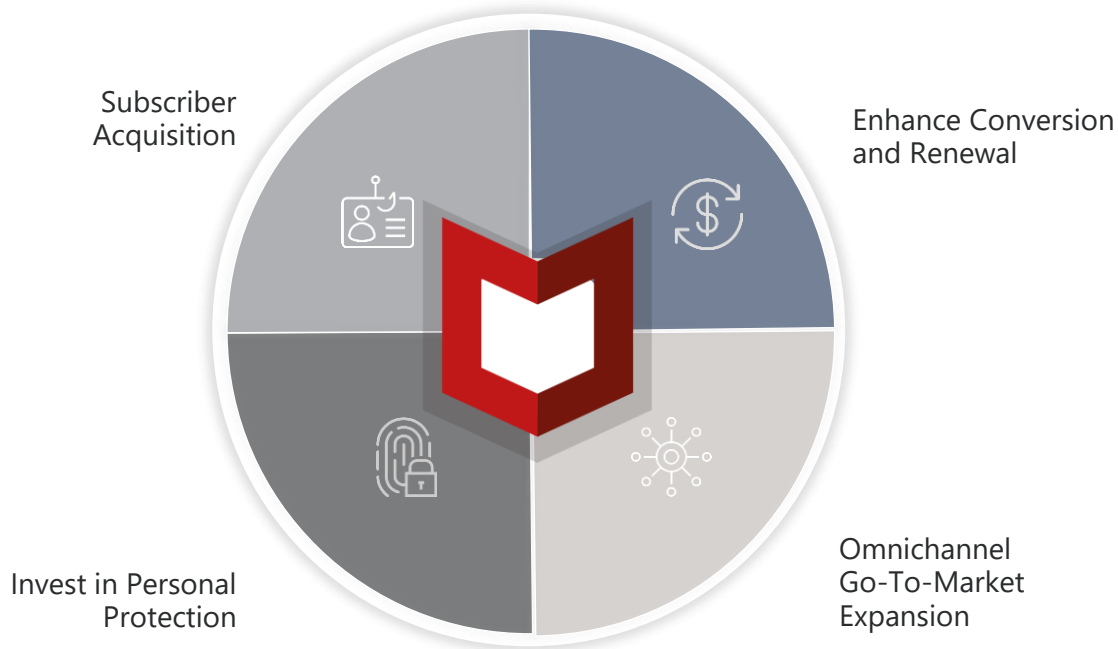
	Q420	Q420 v Q419
<b>McAfee</b>		
Industry leading <b>revenue scale</b> with <b>durable growth</b>	<b>\$777M</b> Net Revenue	<b>14%</b> Net Revenue Growth
Strong <b>adjusted EBITDA generation</b> and <b>growth</b>	<b>\$285M</b> Adj. EBITDA	<b>32%</b> Adj. EBITDA Growth
<b>Consumer</b>		
<b>Double-digit</b> revenue growth	<b>\$426M</b> Net Revenue	<b>23%</b> Net Revenue Growth
Sustained, industry-leading <b>subscriber growth</b>	<b>18.0M (1)</b> Core DTC Subscribers	<b>18%</b> Core DTC Subscriber Growth
Healthy adjusted <b>EBITDA margin</b> and adjusted <b>EBITDA growth</b>	<b>\$188M</b> Adj. EBITDA	<b>20%</b> Adj. EBITDA Growth
<b>Enterprise</b>		
Achieved <b>revenue growth</b>	<b>\$351M</b> Net Revenue	<b>5%</b> Net Revenue Growth
Increasing adjusted <b>EBITDA margin</b> with strong adjusted <b>EBITDA growth</b>	<b>\$97M</b> Adj. EBITDA	<b>64%</b> Adj. EBITDA Growth

As of 26-Dec-2020. All growth rates are year-over-year changes from Q4 2019 to Q4 2020, unless stated otherwise.  
 Note: Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. See appendix for GAAP financial measures and reconciliations.  
 1. Core Direct to Consumer Customers defined as active subscribers whose transaction for a subscription is directly with McAfee

# Global Macro Trends Driving Growth in Consumer



# McAfee Consumer: Strategy & Highlights



🛡️ **2.8M net** Core DTC Subscribers **added in past year**

🛡️ **668K net** Core DTC Subscribers **added in past quarter**

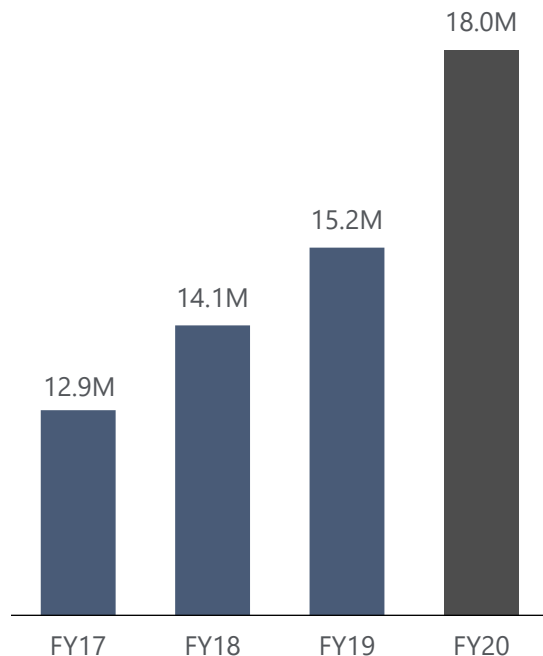
🛡️ **13 straight quarters** of net Core DTC Subscriber growth (both YoY and sequential)

🛡️ **Flywheel effect** yields large renewal base

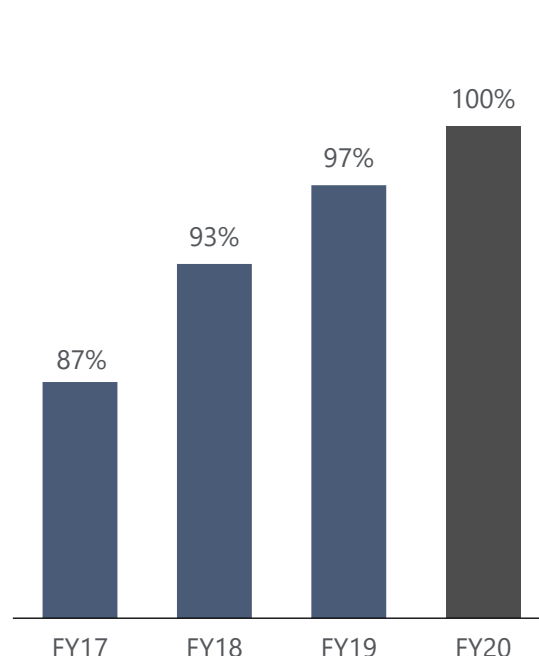
🛡️ Pursuing **Large \$19B projected TAM** by 2024

# We Have a Best-In-Class Consumer Business

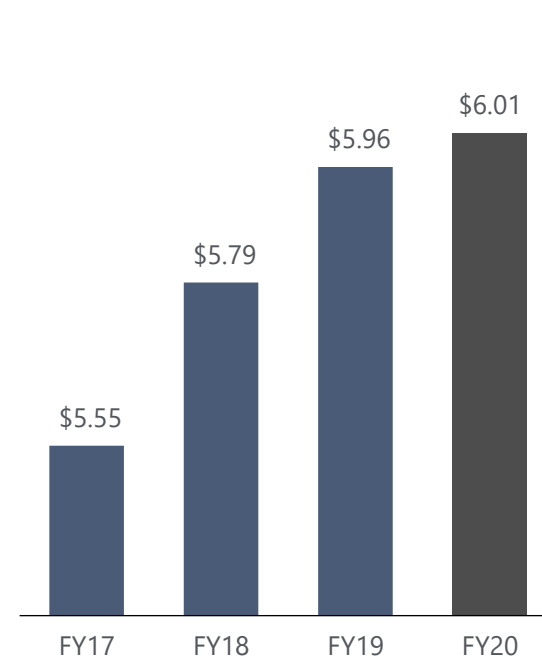
Core Direct to Consumer Customers <sup>(1)</sup> (M)



TTM Dollar Based Retention <sup>(2)</sup> (%)



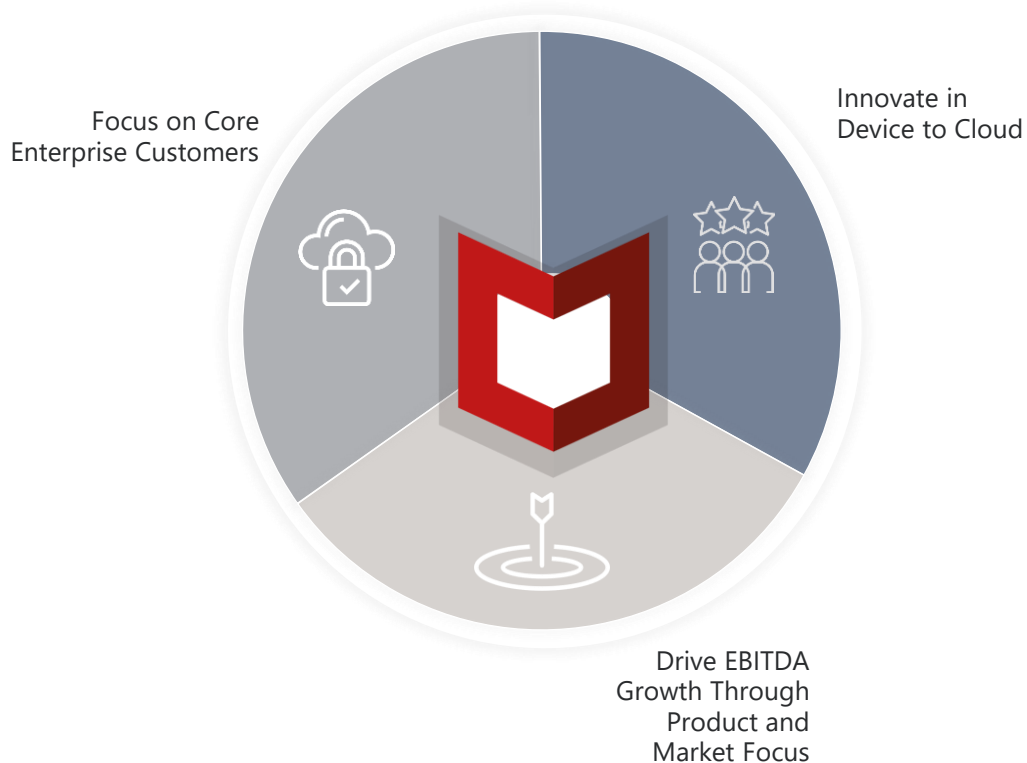
Monthly ARPC <sup>(3)</sup> (\$)



Period ending figures

1. Core Direct to Consumer Customers defined as active subscribers whose transaction for a subscription is directly with McAfee
2. Trailing twelve month dollar based retention is the annual contract value (ACV) of Core Direct to Consumer Customer subscriptions renewed in the trailing twelve months divided by the ACV for Core Direct to Consumer Customers subscriptions that were up for renewal in the same period
3. ARPC (Average Revenue Per Customer) is Subscription Revenue from Core Direct to Consumer Customers divided by average core direct to consumer customers

# McAfee Enterprise Business: Strategy & Highlights



- ❑ **Revenue growth of 5%**; adjusted EBITDA growth of 64% in Q4
- ❑ **>80% of Enterprise revenue** from Core Customers
- ❑ **Double-digit growth** in Endpoint Detection & Response (EDR) and Cloud Security offerings
- ❑ Leader in **2020 Gartner MQ for CASB** for fourth consecutive year
- ❑ Pursuing **Large \$23B projected TAM** by 2024



# McAfee Financial Principles



**Committed to organic revenue growth at scale**



**Deliberate resource allocation by investing in highest priority areas yielding high expected returns**



**Strong operational and financial management with strict adherences to margin discipline**



**Strategy for capital allocation to drive shareholder value via dividends and debt paydown over time**

# FY20 Financial Highlights



**\$2.9 Billion**  
Net Revenue  
(+10% YoY)



**\$1.1 Billion**  
Adjusted EBITDA  
(+32% YoY)

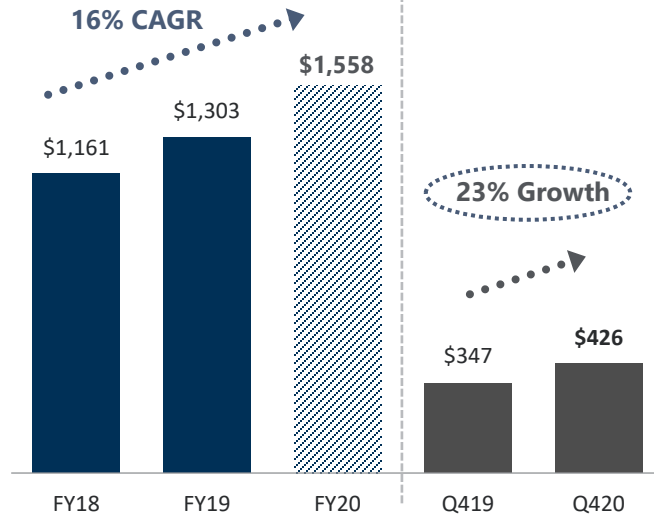


**\$982 Million**  
Unlevered FCF  
(+37% YoY)

# Consumer Business with Industry-leading Combination of Scale, Growth and Profitability

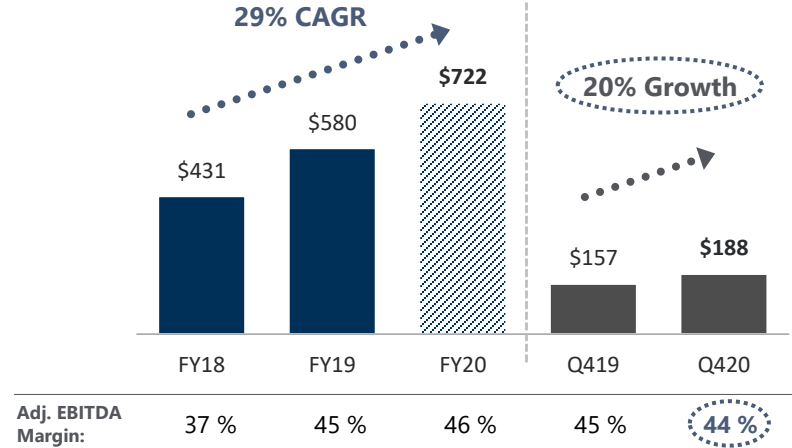
## Consumer: Net Revenue

(\$ in Millions, except percentages)



## Consumer: Adjusted EBITDA

(\$ in Millions, except percentages)



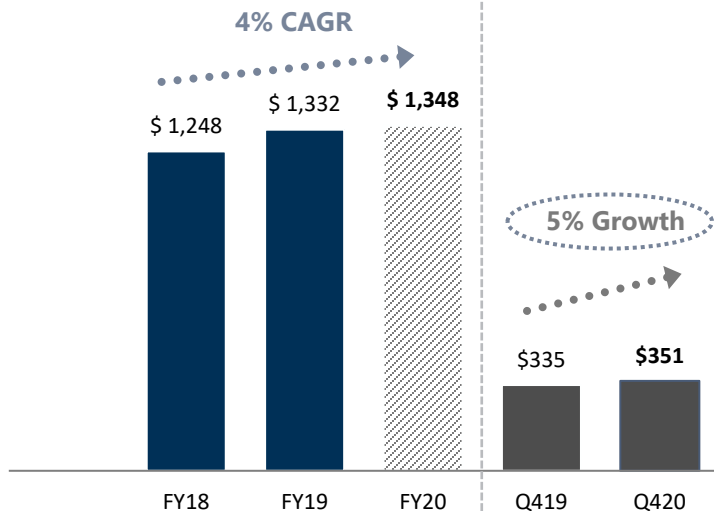
As of 26-Dec-2020.

Note: Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. See appendix for GAAP financial measures and reconciliations.

# Enterprise Business with Increasing Adjusted EBITDA Margin and Strong Adjusted EBITDA Growth

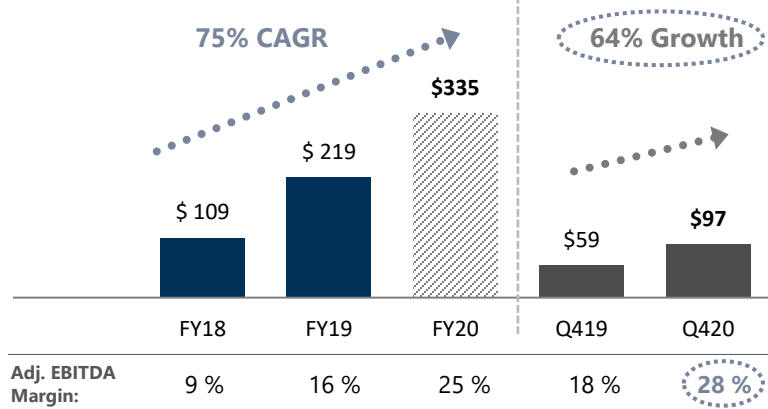
## Enterprise: Net Revenue

(\$ in Millions, except percentages)



## Enterprise: Adjusted EBITDA

(\$ in Millions, except percentages)



Adj. EBITDA Margin:	FY18	FY19	FY20	Q419	Q420
	9 %	16 %	25 %	18 %	28 %

As of 26 Dec-2020.

Note: Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. See appendix for GAAP financial measures and reconciliations.

# Strong cash generation and disciplined capital allocation



**\$231M in cash, cash equivalents, and short-term investments as of December 26<sup>th</sup>, 2020**



**Cash flow from operations increased by 53% in FY 2020 to \$760M**



**Paid down \$300M of first lien debt in December 2020 with excess cash**



**Plan to raise dividends to \$200M annually, \$50M higher than previously communicated**

# McAfee Q121 Financial Outlook

(\$in Millions)	Q121 Expected Range	Q120 Actual
<b>Net Revenue</b>		
Total	\$725 - \$735	\$685
<b>Adjusted EBITDA<sup>(1)</sup></b>		
Total	\$275 - \$285	\$245

(1) Adjusted EBITDA is a non-GAAP financial measure, and should be considered in addition to, but not as a substitute for, information provided in accordance with GAAP. We are not able to forecast net income (loss), the most directly comparable GAAP financial measure, on a forward-looking basis without unreasonable efforts due to the high variability and difficulty in predicting certain items that affect net income (loss) including, but not limited to, interest expense and other, net, provision for income tax expense and foreign exchange gain (loss), net, and equity-based compensation expense, any of which may be significant. Our forward-looking guidance regarding adjusted EBITDA should not be used to predict our future net income (loss), as the difference between the two measures varies as a result of these and other items.



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# Appendix

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# Appendix: Consolidated Adjusted EBITDA Reconciliation

(in millions)	2018	2019	2020	Q4 2019	Q4 2020
Net revenue	\$ 2,409	\$ 2,635	\$ 2,906	\$ 682	\$ 777
Net income (loss)	\$ (512)	\$ (236)	\$ (289)	\$ (81)	\$ (320)
Add: Amortization	482	470	436	117	106
Add: Equity-based compensation	28	25	313	6	288
Add: Cash in lieu of equity awards <sup>(1)</sup>	36	19	8	4	2
Add: Acquisition and integration costs <sup>(2)</sup>	30	23	8	5	2
Add: Restructuring and transition <sup>(3)</sup>	36	22	25	8	16
Add: Management fees <sup>(4)</sup>	8	8	28	2	22
Add: Implementation costs of adopting ASC Topic 606	6	4	-	-	-
Add: Transformation initiatives <sup>(5)</sup>	27	33	28	14	11
Add: Executive severance <sup>(6)</sup>	-	3	5	3	1
Add: Interest expense and other, net	307	295	308	76	85
Add: Provision for income tax expense	62	87	30	19	5
Add: Foreign exchange loss (gain), net	(30)	(20)	104	24	55
Adjusted operating income	480	733	1,004	197	273
Add: Depreciation	60	66	55	19	13
Less: Other expense	-	-	(2)	-	(1)
Adjusted EBITDA	\$ 540	\$ 799	\$ 1,057	\$ 216	\$ 285

# Appendix: Adjusted EBITDA Reconciliations By Segment

(in millions)	2018	2019	2020	Q4 2019	Q4 2020
Net revenue — Consumer	\$ 1,161	\$ 1,303	\$ 1,558	\$ 347	\$ 426
Operating income — Consumer	\$ 107	\$ 277	\$ 333	\$ 79	\$ 26
Add: Amortization	260	253	252	62	63
Add: Equity-based compensation	5	4	84	1	74
Add: Cash in lieu of equity awards <sup>(1)</sup>	5	2	-	1	-
Add: Acquisition and integration costs <sup>(2)</sup>	8	8	8	2	2
Add: Restructuring and transition <sup>(3)</sup>	7	2	2	-	1
Add: Management fees <sup>(4)</sup>	3	1	13	-	12
Add: Implementation costs of adopting ASC Topic 606	2	1	-	-	-
Add: Transformation initiatives <sup>(5)</sup>	11	6	9	3	5
Add: Executive severance <sup>(6)</sup>	-	1	1	1	-
Adjusted operating income — Consumer	408	555	702	149	183
Add: Depreciation	23	25	20	8	5
Less: Other expense	-	-	-	-	-
Adjusted EBITDA — Consumer	\$ 431	\$ 580	\$ 722	\$ 157	\$ 188
Net revenue — Enterprise	\$ 1,248	\$ 1,332	\$ 1,348	\$ 335	\$ 351
Operating income (loss) — Enterprise	\$ (280)	\$ (151)	\$ (180)	\$ (41)	\$ (201)
Add: Amortization	222	217	184	55	43
Add: Equity-based compensation	23	21	229	5	214
Add: Cash in lieu of equity awards <sup>(1)</sup>	31	17	8	3	2
Add: Acquisition and integration costs <sup>(2)</sup>	22	15	-	3	-
Add: Restructuring and transition <sup>(3)</sup>	29	20	23	8	15
Add: Management fees <sup>(4)</sup>	5	7	15	2	10
Add: Implementation costs of adopting ASC Topic 606	4	3	-	-	-
Add: Transformation initiatives <sup>(5)</sup>	16	27	19	11	6
Add: Executive severance <sup>(6)</sup>	-	2	4	2	1
Adjusted operating income — Enterprise	72	178	302	48	90
Add: Depreciation	37	41	35	11	8
Less: Other expense	-	-	(2)	-	(1)
Adjusted EBITDA — Enterprise	\$ 109	\$ 219	\$ 335	\$ 59	\$ 97

# Appendix: Unlevered Free Cash Flow Reconciliation

<b>(in millions)</b>	<b><u>FY2020</u></b>
<b><u>Unlevered Free Cash Flow</u></b>	
Net cash provided by operating activities	\$ 760
Add: Interest payments	268
Less: Capital expenditures	<u>(46)</u>
Unlevered Free Cash Flow	<u><u>\$ 982</u></u>
Net cash used by investing activities	\$ (51)
Net cash used by financing activities	\$ (651)

# Appendix: Non-GAAP Reconciliations Footnotes

Below are additional information to the adjustments for adjusted EBITDA, adjusted net income and adjusted net income excluding impact of foreign exchange:

(1) As a result of the Sponsor Acquisition, cash awards were provided to certain employees who held Intel equity awards in lieu of equity in Foundation Technology Worldwide LLC. 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 Foundation Technology Worldwide LLC and vest over multiple periods based on employee service requirements. As these rollover awards reflect one-time grants to former employees of the Predecessor Business 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 our separation from Intel, including implementing our own stand-alone back office and costs to execute strategic restructuring events, including third-party professional fees and services, transition services provided by Intel, severance, and facility restructuring costs.

(4) Represents management fees paid to certain affiliates of our Sponsors and Intel pursuant to the Management Services Agreement. The Management Services Agreement has been terminated subsequent to the IPO and we paid a one-time fee of \$22 million to such parties in October 2020.

(5) Represents costs incurred in connection with transformation of the business post-Intel separation. Also includes the cost of workforce restructurings involving both eliminations of positions and relocations to lower cost locations in connection with MAP and other transformational initiatives, strategic initiatives to improve customer retention, activation to pay and cost synergies, inclusive of duplicative run rate costs related to facilities and data center rationalization.

(6) Represents severance for executive terminations not associated with a strategic restructuring event.