

Second Quarter 2021 Financial Results

August 10, 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 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.

Information in this presentation, including any statements regarding McAfee’s market position, customer data, and other metrics, is based on statistical data, estimates and forecasts, that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness or the data contained in these industry publications and other publicly available information. Accordingly, we make no representations as to the accuracy or completeness of that data nor do we undertake to update such data after the date of this presentation.

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



Highly attractive consumer subscription business with industry-leading scale, double-digit growth and high profitability



Current trends have increased consumer digital interaction and accelerated core subscriber base growth



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



Focus on driving total shareholder return through consistent growth, profitability, cash flow generation and disciplined capital allocation

McAfee Financial Highlights

Continuing Operations – Consumer Business

✔ **Double-digit** revenue growth

2Q21

2Q21 v 2Q20

\$467M

Net Revenue

22%

Net Revenue Growth

✔ Healthy adjusted **EBITDA margin** and adjusted **EBITDA growth**

\$218⁽¹⁾

Adj. EBITDA

38%

Adj. EBITDA Growth

✔ Strong **uFCF⁽²⁾** generation

\$233⁽²⁾

uFCF

29%

uFCF Growth

✔ Sustained, industry-leading **subscriber growth**

19.4M⁽³⁾

Core DTC Subscribers

17%

Core DTC Subscriber Growth

As of 26-Jun-2021. All growth rates are year-over-year changes from 2Q20 to 2Q21, unless stated otherwise.

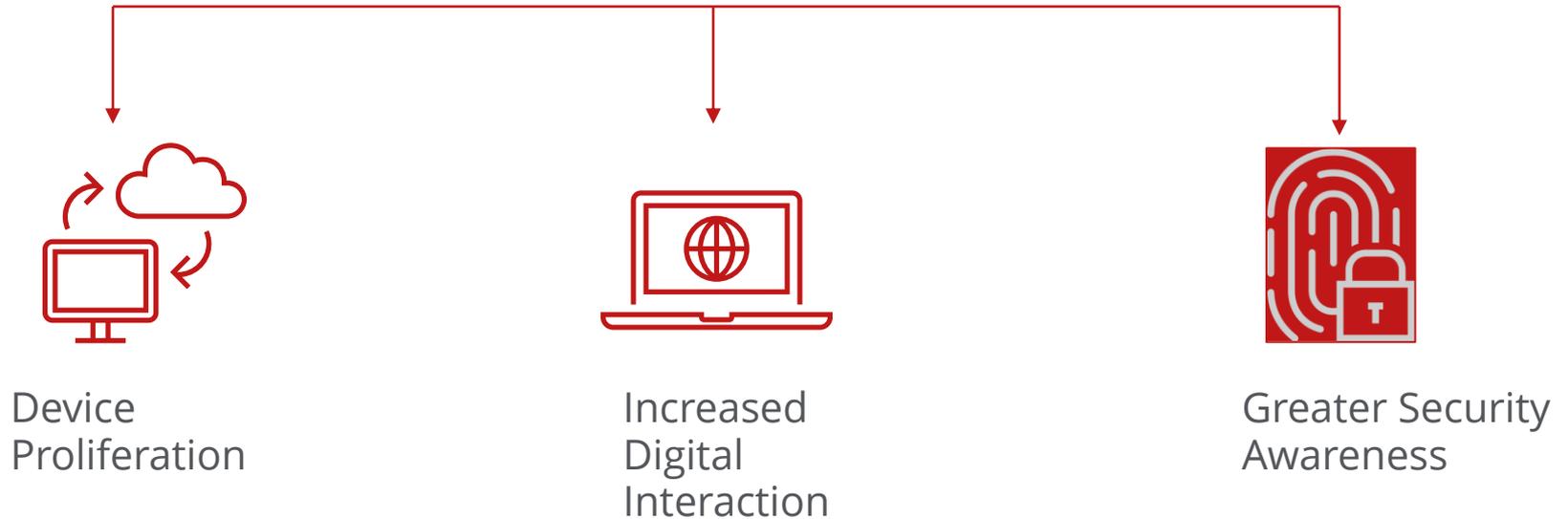
Note: Adjusted EBITDA, adjusted EBITDA margin and unlevered free cash flow are non-GAAP financial measures. See appendix for GAAP financial measures and reconciliations.

1. Includes \$21 million of stranded costs.

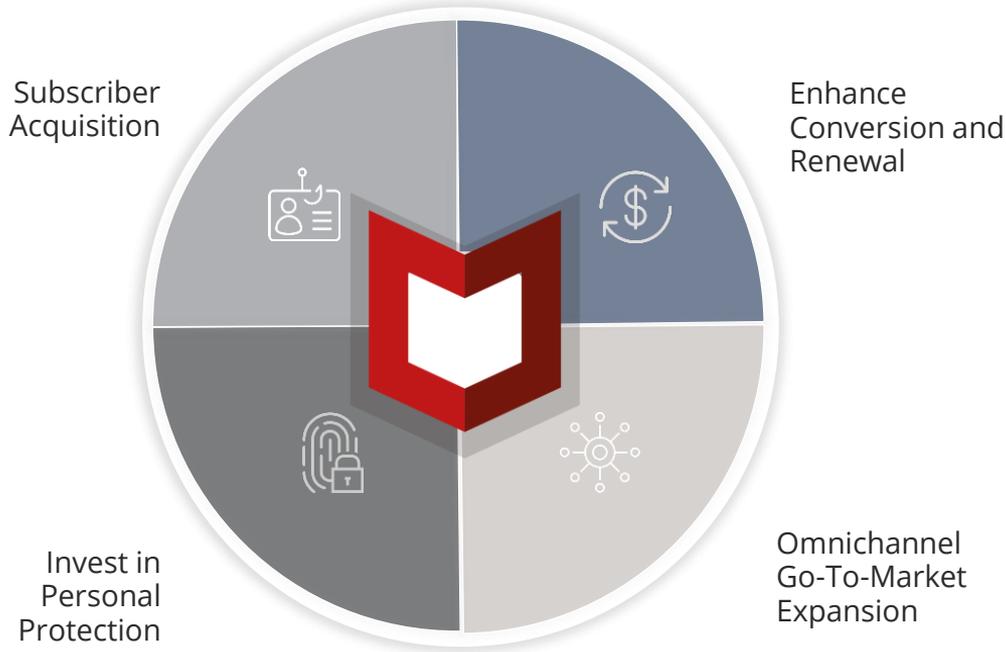
2. Total combined company; uFCF inclusive of \$50 million of restructuring and separation costs.

3. 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 & 2Q21 Highlights

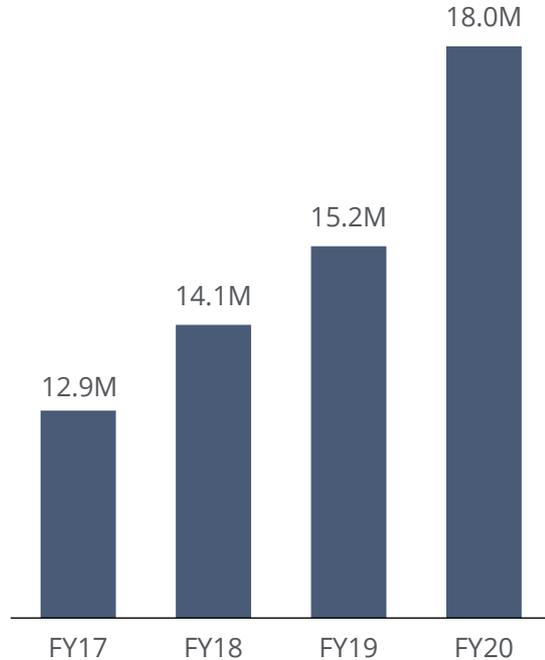


- 🛡️ **2.8M TTM net** Core DTC Subscribers **added**
- 🛡️ **556 net** Core DTC Subscribers **added**
- 🛡️ **15 straight quarters** of net Core DTC Subscriber growth (both YoY and sequential)
- 🛡️ **Dollar Retention Rate (DRR) of 100%**
- 🛡️ Pursuing **Large \$19B projected TAM** by 2024 ⁽¹⁾

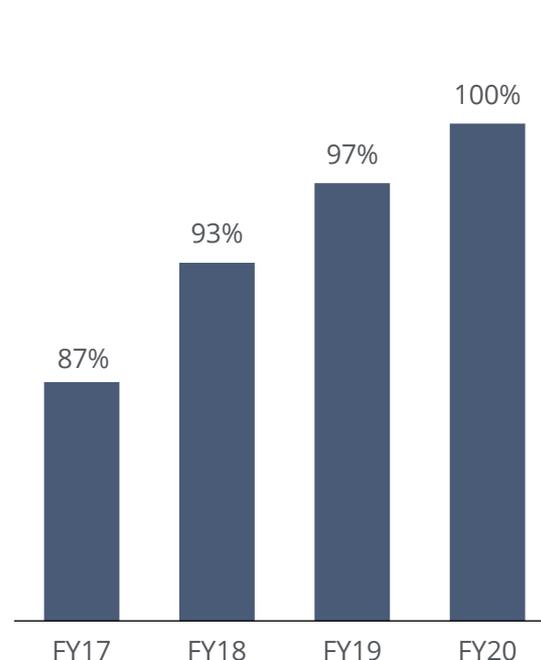
1. Source: "Frost & Sullivan, Global Consumer Cybersecurity and Privacy Market, August 2020 for Endpoint and Consumer Cybersecurity and Privacy Market"

We Have a Best-In-Class Consumer Business

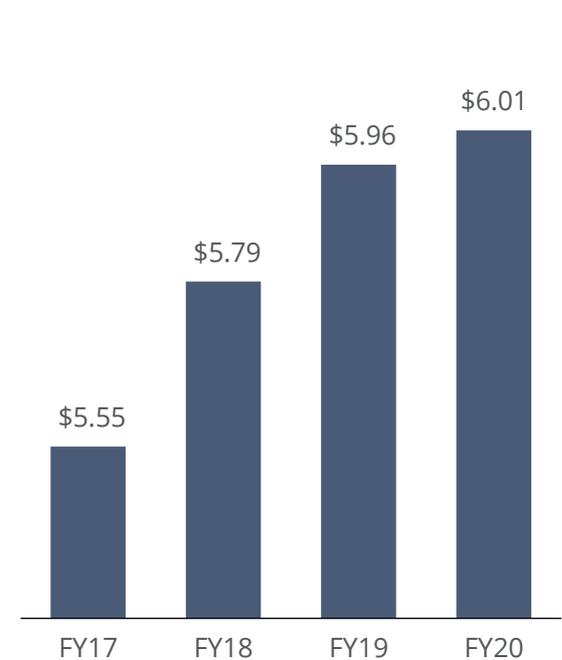
Core Direct-to-Consumer Customers ⁽¹⁾



TTM Dollar Based Retention ⁽²⁾



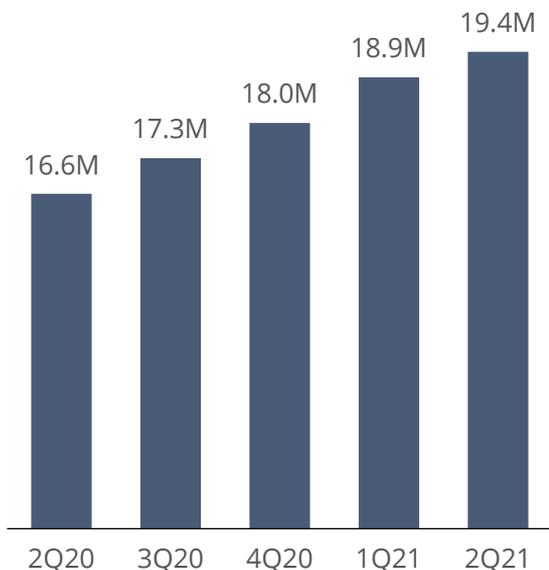
Monthly ARPC ⁽³⁾



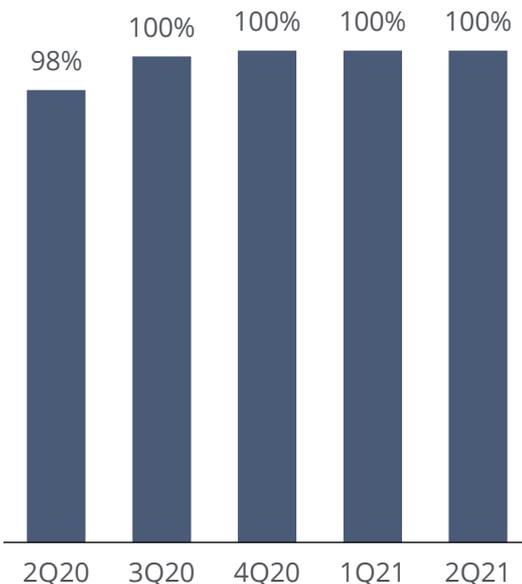
1. Core Direct to Consumer Customers defined as active subscribers whose transaction for a subscription is directly with McAfee.
2. Trailing-twelve-month dollar based retention is the annual contract value (ACV) of Core Direct to Consumer Customer subscriptions renewed in the trailing twelve months divided 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.

We Have a Best-In-Class Consumer Business

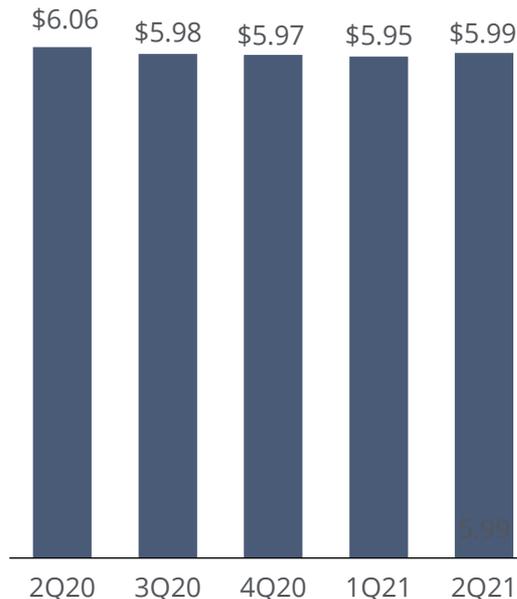
Core Direct-to-Consumer Customers ⁽¹⁾



TTM Dollar Based Retention ⁽²⁾



Monthly ARPC ⁽³⁾



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

Strong Cash Generation and Disciplined Capital Allocation



\$420 million in cash and cash equivalents as of June 26, 2021



Cash flow from operations increased by 62% in 2Q21 to \$189 million



Unlevered Free Cash Flow up 29% in 2Q21 to \$233 million



Declared an \$0.115 dividend per Class A common share 2Q21

McAfee 3Q21 Financial Outlook

3Q21 Expected Range

Net Revenue

Total	\$461 million - \$467 million
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Adjusted EBITDA ⁽¹⁾

Total	\$169 million - \$175 million
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Assume cash net interest between the range of \$45 million and \$50 million



Assume stranded cost between the range of \$35 million and \$40 million



Assume income tax rate of 22%



Assume fully diluted share count of 470 million shares

(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.

McAfee FY21 Financial Outlook

FY21 Expected Range

Net Revenue

Total	\$1,840 million - \$1,850 million
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Adjusted EBITDA ⁽¹⁾

Total	\$765 million - \$775 million
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Assume cash net interest between the range of \$185 million and \$195 million



Assume stranded cost between the range of \$120 million and \$125 million



Assume income tax rate of 22%



Assume fully diluted share count of 470 million shares

(1) Adjusted EBITDA is a non-GAAP financial measures, 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.



IR contact: investor@mcafee.com

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Appendix



Appendix: Adjusted EBITDA Reconciliations

<u>(in millions)</u>	<u>2020</u>	<u>2021</u>
	<u>Q2</u>	<u>Q2</u>
<u>Adjusted EBITDA</u>		
GAAP net income	\$ 22	\$ 108
Amortization	63	35
Equity-based compensation	2	19
Cash in lieu of equity awards ⁽¹⁾	1	-
Acquisition and integration costs ⁽²⁾	2	1
Management fees ⁽³⁾	2	-
Transformation ⁽⁴⁾	2	-
Executive severance ⁽⁵⁾	1	-
Interest expense and other, net	74	58
Provision for income tax expense	5	10
Foreign exchange loss (gain), net ⁽⁶⁾	17	20
Income from discontinued operations, net of taxes	<u>(40)</u>	<u>(40)</u>
Adjusted operating income	151	211
Depreciation	<u>7</u>	<u>7</u>
Adjusted EBITDA	<u>\$ 158</u>	<u>\$ 218</u>

Appendix: Unlevered Free Cash Flow Reconciliation

(in millions)	2020	2021
	Q2	Q2
<u>Unlevered Free Cash Flow</u>		
Net cash provided by operating activities	\$ 117	\$ 189
Add: Interest payments	70	51
Less: Capital expenditures	(7)	(7)
Unlevered Free Cash Flow	<u>\$ 180</u>	<u>\$ 233</u>
Net cash used by investing activities	\$ (12)	\$ (7)
Net cash used by financing activities	\$ (401)	\$ (109)

Appendix: Non-GAAP Reconciliations Footnotes

Below are additional information to the adjustments for Adjusted EBITDA:

- (1) As a result of the purchase from Intel of a majority interest in Foundation Technology Worldwide LLC (“FTW”) in April 2017, cash awards were provided to certain employees who held Intel equity awards in lieu of equity in FTW. As these rollover awards reflect one-time grants to former employees of Intel 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 management fees paid to certain affiliates of TPG, Thoma Bravo, and Intel pursuant to the Management Services Agreement.
- (4) Represents costs incurred for transformational initiatives inclusive of duplicative run rate costs related to facilities and data center rationalization in 2020.
- (5) Represents severance for executive terminations not associated with a strategic restructuring event.
- (6) 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.