

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

	2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2
<u>Adjusted Cost of Sales</u>						
GAAP cost of sales	\$ 99	\$ 110	\$ 112	\$ 123	\$ 116	\$ 116
Amortization	(27)	(27)	(26)	(28)	(27)	(22)
Equity-based compensation	-	-	(1)	(4)	-	(1)
Adjusted cost of sales	<u>\$ 72</u>	<u>\$ 83</u>	<u>\$ 85</u>	<u>\$ 91</u>	<u>\$ 89</u>	<u>\$ 93</u>
<u>Adjusted Gross Profit</u>						
GAAP gross profit	\$ 255	\$ 273	\$ 283	\$ 303	\$ 326	\$ 351
Amortization	27	27	26	28	27	22
Equity-based compensation	-	-	1	4	-	1
Adjusted gross profit	<u>\$ 282</u>	<u>\$ 300</u>	<u>\$ 310</u>	<u>\$ 335</u>	<u>\$ 353</u>	<u>\$ 374</u>

Adjusted Operating Expenses

GAAP total operating expenses	\$ 193	\$ 195	\$ 202	\$ 326	\$ 221	\$ 195
Amortization	(36)	(36)	(36)	(35)	(36)	(13)
Equity-based compensation	(14)	(2)	(4)	(88)	(14)	(18)
Cash in lieu of equity awards ⁽¹⁾	-	(1)	-	-	-	-
Acquisition and integration costs ⁽²⁾	(1)	(2)	(2)	(3)	(1)	(1)
Restructuring ⁽³⁾	(1)	-	-	(1)	(8)	-
Management fees ⁽⁴⁾	(2)	(2)	(2)	(22)	-	-
Transformation ⁽⁵⁾	(7)	(2)	(6)	(5)	(1)	-
Executive severance ⁽⁶⁾	(2)	(1)	-	-	-	-
Adjusted operating expenses	<u>\$ 130</u>	<u>\$ 149</u>	<u>\$ 152</u>	<u>\$ 172</u>	<u>\$ 161</u>	<u>\$ 163</u>

Adjusted Operating Income

GAAP operating income (loss)	\$ 62	\$ 78	\$ 81	\$ (23)	\$ 105	\$ 156
Amortization	63	63	62	63	63	35
Equity-based compensation	14	2	5	92	14	19
Cash in lieu of equity awards ⁽¹⁾	-	1	-	-	-	-
Acquisition and integration costs ⁽²⁾	1	2	2	3	1	1
Restructuring ⁽³⁾	1	-	-	1	8	-
Management fees ⁽⁴⁾	2	2	2	22	-	-
Transformation ⁽⁵⁾	7	2	6	5	1	-
Executive severance ⁽⁶⁾	2	1	-	-	-	-
Adjusted operating income	<u>\$ 152</u>	<u>\$ 151</u>	<u>\$ 158</u>	<u>\$ 163</u>	<u>\$ 192</u>	<u>\$ 211</u>

Adjusted Interest Expense and Other, net

GAAP interest expense and other, net	\$	(75)	\$	(74)	\$	(73)	\$	(85)	\$	(60)	\$	(58)
Amortization of debt issuance costs		5		4		5		22		4		4
TRA adjustment ⁽⁷⁾		-		-		-		2		5		3
Other		-		-		-		2		-		-
Adjusted interest expense and other, net	\$	(70)	\$	(70)	\$	(68)	\$	(59)	\$	(51)	\$	(51)

Adjusted Foreign Exchange Gain (Loss), net

GAAP foreign exchange gain (loss), net	\$	11	\$	(17)	\$	(43)	\$	(55)	\$	35	\$	(20)
Foreign exchange gain (loss), net adjustment ⁽⁸⁾		(11)		17		43		55		(35)		20
Adjusted foreign exchange gain (loss), net	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-

Adjusted Income Before Income Tax Expense

GAAP income (loss) before income tax expense	\$	(2)	\$	(13)	\$	(35)	\$	(163)	\$	80	\$	78
Amortization of debt issuance costs		5		4		5		22		4		4
Amortization		63		63		62		63		63		35
Equity-based compensation		14		2		5		92		14		19
Cash in lieu of equity awards ⁽¹⁾		-		1		-		-		-		-
Acquisition and integration costs ⁽²⁾		1		2		2		3		1		1
Restructuring ⁽³⁾		1		-		-		1		8		-
Management fees ⁽⁴⁾		2		2		2		22		-		-
Transformation ⁽⁵⁾		7		2		6		5		1		-
Executive severance ⁽⁶⁾		2		1		-		-		-		-
TRA adjustment ⁽⁷⁾		-		-		-		2		5		3
Foreign exchange gain (loss), net ⁽⁸⁾		(11)		17		43		55		(35)		20
Other		-		-		-		2		-		-
Adjusted income before income tax expense	\$	82	\$	81	\$	90	\$	104	\$	141	\$	160

Adjusted Provision for Income Tax Expense

GAAP provision for income tax expense	\$	(10)	\$	5	\$	5	\$	5	\$	(3)	\$	10
Provision for income tax expense adjustment		28		13		15		18		34		25
Adjusted provision for income tax expense	\$	18	\$	18	\$	20	\$	23	\$	31	\$	35

Adjusted EBITDA

GAAP net income (loss)	\$	9	\$	22	\$	-	\$	(320)	\$	94	\$	108
Amortization		63		63		62		63		63		35
Equity-based compensation		14		2		5		92		14		19
Cash in lieu of equity awards ⁽¹⁾		-		1		-		-		-		-
Acquisition and integration costs ⁽²⁾		1		2		2		3		1		1
Restructuring ⁽³⁾		1		-		-		1		8		-

Management fees ⁽⁴⁾	2	2	2	22	-	-
Transformation ⁽⁵⁾	7	2	6	5	1	-
Executive severance ⁽⁶⁾	2	1	-	-	-	-
Interest expense and other, net	75	74	73	85	60	58
Provision for income tax expense	(10)	5	5	5	(3)	10
Foreign exchange loss (gain), net ⁽⁸⁾	(11)	17	43	55	(35)	20
Income from discontinued operations, net of taxes	(1)	(40)	(40)	152	(11)	(40)
Adjusted operating income	152	151	158	163	192	211
Depreciation	7	7	7	7	7	7
Other expense	-	-	(1)	-	-	-
Adjusted EBITDA	<u>\$ 159</u>	<u>\$ 158</u>	<u>\$ 164</u>	<u>\$ 170</u>	<u>\$ 199</u>	<u>\$ 218</u>

Adjusted Net Income

GAAP net income (loss)	\$ 9	\$ 22	\$ -	\$ (320)	\$ 94	\$ 108
Amortization of debt issuance costs	5	4	5	22	4	4
Amortization	63	63	62	63	63	35
Equity-based compensation	14	2	5	92	14	19
Cash in lieu of equity awards ⁽¹⁾	-	1	-	-	-	-
Acquisition and integration costs ⁽²⁾	1	2	2	3	1	1
Restructuring ⁽³⁾	1	-	-	1	8	-
Management fees ⁽⁴⁾	2	2	2	22	-	-
Transformation ⁽⁵⁾	7	2	6	5	1	-
Executive severance ⁽⁶⁾	2	1	-	-	-	-
Provision for income taxes expense	(10)	5	5	5	(3)	10
TRA adjustment ⁽⁷⁾	-	-	-	2	5	3
Foreign exchange loss (gain), net ⁽⁸⁾	(11)	17	43	55	(35)	20
Other	-	-	-	2	-	-
Income from discontinued operations, net of taxes	(1)	(40)	(40)	152	(11)	(40)
Adjusted income before taxes	\$ 82	\$ 81	\$ 90	\$ 104	\$ 141	\$ 160
Less: Adjusted provision for income taxes ⁽⁹⁾	18	18	20	23	31	35
Adjusted net income	\$ 64	\$ 63	\$ 70	\$ 81	\$ 110	\$ 125