

Gen Digital, Inc.

Mixed 3Q results, yet net adds continues to impress and LT outlook remains strong

Reiterate Rating: BUY | PO: 28.00 USD | Price: 23.92 USD

Mixed quarter with strong net adds but weaker topline

Mixed 3Q24 results with direct customer net adds of +330k coming in well above expectations of ~+100-150k. This was largely driven by mobile users and growth in emerging markets. We note that mobile subscriptions carry a ~70% lower ARPU than Norton 360, which contributed to ARPU in the quarter declining 7c sequentially to \$7.21. Revenues of \$951mn were also soft vs. the Street's \$956mn estimate, primarily from a few partner deals that slipped into FY25 and partially drove EPS to miss by 1c, at 49c. However, in our view, Gen should see solid EPS accretion over the next few quarters from the ~\$900mn cash tax refund, which becomes active in F4Q24 and may be used for share buybacks. We update our estimates to reflect updated guidance and model EPS growing at a 14% CAGR through FY26E, with expected debt paydown also supportive of our forecasts. Overall, we remain positive on Gen's long-term growth strategy and plan for debt paydown. We reiterate our Buy and raise our PO from \$27 to \$28, now based on 13x FY25E EPS (vs 12x prior) to reflect potential share repurchases and debt paydown.

Positives: net adds, bookings growth, and debt paydown

Gen saw another solid quarter of net new direct customers, at 330k, after 380k last quarter. Gross retention was also solid at 77%, up 200bps YoY, and mgmt reaffirmed its long-term target of 80% retention. Bookings impressed in the qtr and grew 4% YoY to \$1.01bn, which suggests healthy demand for Gen's cyber safety solutions & a robust deal pipeline. On the debt side, the \$900mn cash injection reduces net leverage in 4Q to ~3.5x from 3.9x currently. This may help alleviate some investor concerns related to Gen's high debt levels, still at \$9.3bn. Further, Gen repaid \$259mn of debt in the qtr, up from \$58mn last qtr. It continues to make progress towards its target for less than 3.0x net leverage.

Negatives: revenues, ARPU, and 4Q guide

3Q revenues missed the midpoint of guidance by \$4mn from a mix of weaker partner revenues and FX headwinds. Despite the miss, management continues to see a robust partner ecosystem, especially within the employee benefit end-market. Further growth of employee benefit deals, which can include both Norton 360 and LifeLock, should help offset lower ARPU mobile adds. We model ARPU to steadily grow over the next two years and reach \$7.43 in FY26E. Lastly, the 4Q24 guide was mixed, with revenues/EPS of \$965mn/53c vs. the Street's \$975mn/53c estimates.

Estimates (Mar) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.75	1.81	1.94	2.21	2.51
GAAP EPS	1.41	2.16	1.14	1.73	2.03
EPS Change (YoY)	20.7%	3.4%	7.2%	13.9%	13.6%
Consensus EPS (Bloomberg)			2.00	2.30	2.58
DPS	0.51	0.51	0.51	0.50	0.50
Valuation (Mar)					
P/E	13.7x	13.2x	12.3x	10.8x	9.5x
GAAP P/E	17.0x	11.1x	21.0x	13.8x	11.8x
Dividend Yield	2.1%	2.1%	2.1%	2.1%	2.1%
EV / EBITDA*	21.2x	18.2x	17.2x	13.1x	12.5x
Free Cash Flow Yield*	6.3%	4.9%	6.9%	8.0%	8.5%

* For full definitions of *IQmethod*SM measures, see page 6.

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Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	27.00	28.00

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Stock Data

Price	23.92 USD
Price Objective	28.00 USD
Date Established	2-Feb-2024
Investment Opinion	B-1-7
52-Week Range	15.45 USD - 24.37 USD
Mkt Val (mn) / Shares Out (mn)	15,326 USD / 640.7
Free Float	87.1%
Average Daily Value (mn)	71.43 USD
BofA Ticker / Exchange	GEN / NAS
Bloomberg / Reuters	GEN US / GEN.OQ
ROE (2024E)	51.8%
Net Dbt to Eqty (Mar-2023A)	490.9%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

ARPU: Average Revenue Per User

iQprofileSM Gen Digital, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	18.9%	13.3%	11.3%	11.7%	12.3%
Return on Equity	NM	106.3%	51.8%	45.9%	38.9%
Operating Margin	52.7%	54.9%	58.3%	60.2%	61.1%
Free Cash Flow	968	751	1,053	1,224	1,310

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	0.7x	0.9x	0.9x	0.8x
Asset Replacement Ratio	0x	0x	0.1x	0.6x	1.7x
Tax Rate	24.0%	23.0%	22.0%	22.1%	22.1%
Net Debt-to-Equity Ratio	NM	490.9%	390.3%	262.5%	177.9%
Interest Cover	12.5x	4.8x	3.4x	3.9x	4.9x

Income Statement Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,807	3,340	3,810	3,982	4,152
% Change	9.8%	19.0%	14.1%	4.5%	4.3%
Gross Profit	2,440	2,890	3,320	3,514	3,693
% Change	9.6%	18.4%	14.9%	5.8%	5.1%
EBITDA	1,308	1,519	1,607	2,113	2,211
% Change	11.8%	16.1%	5.8%	31.5%	4.7%
Net Interest & Other Income	(120)	(379)	(615)	(581)	(485)
Net Income (Adjusted)	1,035	1,120	1,250	1,417	1,596
% Change	19.1%	8.2%	11.6%	13.4%	12.7%

Free Cash Flow Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,034	1,121	1,253	1,415	1,596
Depreciation & Amortization	140	329	388	60	21
Change in Working Capital	147	(969)	611	66	(23)
Deferred Taxation Charge	(81)	(145)	(965)	14	10
Other Adjustments, Net	(266)	421	(210)	(297)	(259)
Capital Expenditure	(6)	(6)	(25)	(33)	(35)
Free Cash Flow	968	751	1,053	1,224	1,310
% Change	38.3%	-22.4%	40.2%	16.3%	7.0%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(303)	(314)	(326)	(322)	(319)
Change in Debt	(29)	5,907	(625)	(400)	(1,400)

Balance Sheet Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,887	750	714	1,220	815
Trade Receivables	120	168	190	178	185
Other Current Assets	253	315	208	218	226
Property, Plant & Equipment	60	76	70	43	58
Other Non-Current Assets	4,623	14,638	15,210	15,327	15,410
Total Assets	6,943	15,947	16,392	16,988	16,693
Short-Term Debt	2,264	1,941	1,893	1,882	1,851
Other Current Liabilities	801	908	666	732	748
Long-Term Debt	2,778	9,609	9,061	8,661	7,259
Other Non-Current Liabilities	1,193	1,289	2,147	2,162	2,172
Total Liabilities	7,036	13,747	13,768	13,436	12,030
Total Equity	(93)	2,200	2,624	3,551	4,663
Total Equity & Liabilities	6,943	15,947	16,392	16,988	16,693

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Cyber Security

Company Description

Gen Digital provides software and services that help consumers worldwide to mitigate risk, and manage and secure their information and identity.

Investment Rationale

We favor Gen Digital's focus on consumer security and believe the Avast merger should add new long-term growth avenues. We see strong growth opportunities across the underpenetrated consumer cyber safety market driven by growing market awareness, Gen's global brand, international expansion, and upsell potential within the large freemium customer base. Gen Digital has a strong margin profile and strong cash flow generation, which should also help offset the company's higher debt levels.

Stock Data

Average Daily Volume

2,986,343

Quarterly Earnings Estimates

	2023	2024
Q1	0.45A	0.47A
Q2	0.45A	0.47A
Q3	0.45A	0.49A
Q4	0.46A	0.51E

Financial highlights

Exhibit 1: Actual versus estimated results

Gen Digital's 3Q24 results came in slightly below our expectations, yet net new direct customers positively surprised expectations at 330k

A vs. E	3Q23	4Q23	1Q24	2Q24	3Q24	Estimates			
\$ mn, except EPS	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Dec-23	Delta	QoQ	YoY
Revenues	\$936.0	\$948.0	\$946.0	\$948.0	\$951.0	\$957.9	(\$6.9)	0.3%	1.6%
y/y	33.0%	32.2%	33.6%	26.7%	1.6%	2.3%			
Cost of Revenues	\$120.0	\$132.0	\$121.0	\$121.0	\$124.0	\$121.7	\$2.3	2.5%	3.3%
Gross Profit	\$816.0	\$816.0	\$825.0	\$827.0	\$827.0	\$836.3	(\$9.3)	0.0%	1.3%
Gross Margin	87.2%	86.1%	87.2%	87.2%	87.0%	87.3%	-33.9 Bps	-27.5 Bps	-21.8 Bps
Research & Development	\$82.0	\$78.0	\$79.0	\$75.0	\$68.0	\$72.8	(\$4.8)	-9.3%	-17.1%
Sales and Marketing	\$174.0	\$166.0	\$172.0	\$174.0	\$171.0	\$175.7	(\$4.7)	-1.7%	-1.7%
General & Admin.	\$34.0	\$31.0	\$29.0	\$29.0	\$30.0	\$27.6	\$2.5	3.4%	-11.8%
Total Opex	\$290.0	\$275.0	\$280.0	\$278.0	\$269.0	\$276.0	(\$7.0)	-3.2%	-7.2%
Operating Income	\$526.0	\$541.00	\$545.00	\$549.00	\$558.0	\$560.2	(\$2.2)	1.6%	6.1%
Operating Margin	56.2%	57.1%	57.6%	57.9%	58.7%	58.5%	19.2 Bps	76.4 Bps	247.8 Bps
Net Interest and other income	(\$147.0)	(\$157.0)	(\$154.0)	(\$161.0)	(\$151.0)	(\$138.2)	(\$12.8)	-6.2%	2.7%
Income before Taxes	\$379.0	\$384.0	\$391.0	\$388.0	\$407.0	\$422.0	(\$15.0)	4.9%	7.4%
Taxes (Income)	\$88.0	\$88.0	\$86.0	\$85.0	\$90.0	\$92.4	(\$2.4)	5.9%	2.3%
Net Income (Loss)	\$291.0	\$296.0	\$305.0	\$303.0	\$317.0	\$329.5	(\$12.5)	4.6%	8.9%
Diluted EPS	\$0.45	\$0.46	\$0.47	\$0.47	\$0.49	\$0.51	(\$0.02)	4.5%	9.9%
Diluted Shares Outstanding (mn)	651	644	644	644	645	643	1.6	0.2%	-0.9%
Margin Analysis									
Gross Margin	87.2%	86.1%	87.2%	87.2%	87.0%	87.3%	-33.9 Bps	-27.5 Bps	-21.8 Bps
Research & Development	8.8%	8.2%	8.4%	7.9%	7.2%	7.6%	-44.4 Bps	-76.1 Bps	-161.0 Bps
Sales and Marketing	18.6%	17.5%	18.2%	18.4%	18.0%	18.3%	-36.5 Bps	-37.3 Bps	-60.9 Bps
General & Admin.	3.6%	3.3%	3.1%	3.1%	3.2%	2.9%	27.9 Bps	9.6 Bps	-47.8 Bps
Operating Margin	56.2%	57.1%	57.6%	57.9%	58.7%	58.5%	19.2 Bps	76.4 Bps	247.8 Bps
Tax Rate	23.2%	22.9%	22.0%	21.9%	22.1%	21.9%	20.6 Bps	20.6 Bps	-110.6 Bps
Net Margin	31.1%	31.2%	32.2%	32.0%	33.3%	34.4%	-106.8 Bps	137.1 Bps	224.4 Bps

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 2: Summary of model changes

We slightly reduce our FY25 revenue forecasts; we also increase our expected interest expense for next year, which brings down our FY25 EPS estimates by 8c

	Revenues			Gross Margin			EPS		
	Old	New	Change	Old	New	Change	Old	New	Change
FY23 (CY22)									
1Q23	\$708.00	\$708.00	\$0.00	86.4%	86.4%	0.0 Bps	\$0.45	0.45	\$0.00
2Q23	\$748.00	\$748.00	\$0.00	86.4%	86.4%	0.0 Bps	\$0.45	0.45	\$0.00
3Q23	\$936.00	\$936.00	\$0.00	87.2%	87.2%	0.0 Bps	\$0.45	0.45	\$0.00
4Q23	\$948.00	\$948.00	\$0.00	86.1%	86.1%	0.0 Bps	\$0.46	0.46	\$0.00
Total	\$3,340.00	\$3,340.00	\$0.00	86.5%	86.5%	0.0 Bps	\$1.81	\$1.81	\$0.00
FY24 (CY23)									
1Q24	\$946.00	\$946.00	\$0.00	87.2%	87.2%	0.0 Bps	\$0.47	0.47	\$0.00
2Q24	\$948.00	\$948.00	\$0.00	87.2%	87.2%	0.0 Bps	\$0.47	0.47	\$0.00
3Q24	\$957.91	\$951.00	-\$6.91	87.3%	87.0%	-33.9 Bps	\$0.51	0.49	(\$0.02)
4Q24E	\$978.17	\$964.80	-\$13.37	87.5%	87.2%	-33.9 Bps	\$0.54	0.51	(\$0.03)
Total	\$3,830.08	\$3,809.80	-\$20.28	87.3%	87.1%	-17.1 Bps	\$1.99	\$1.94	(\$0.05)
FY25 (CY24)									
1Q25E	\$983.76	\$975.05	-\$8.71	88.3%	88.0%	-33.9 Bps	\$0.55	0.53	(\$0.02)
2Q25E	\$997.01	\$987.66	-\$9.35	88.5%	88.2%	-33.9 Bps	\$0.55	0.54	(\$0.01)
3Q25E	\$1,013.72	\$1,002.76	-\$10.96	88.7%	88.4%	-33.9 Bps	\$0.58	0.56	(\$0.02)
4Q25E	\$1,036.90	\$1,016.38	-\$20.52	88.8%	88.5%	-33.9 Bps	\$0.61	0.58	(\$0.03)
Total	\$4,031.39	\$3,981.85	-\$49.54	88.6%	88.2%	-34.0 Bps	\$2.29	2.21	(\$0.08)

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Exhibit 3: Income statement

We model FY24E revenues/EPS to reach \$3.81 bn/\$1.94, respectively

(in mns, except EPS)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	FY23	FY24E	FY25E
Total revenue	\$708.00	\$748.00	\$936.00	\$948.00	\$946.00	\$948.00	\$951.00	\$964.80	\$975.05	\$987.66	\$1,002.76	\$1,016.38	\$3,340.00	\$3,809.80	\$3,981.85
YoY growth (%)	2.5%	7.6%	33.0%	32.2%	33.6%	26.7%	1.6%	1.8%	3.1%	4.2%	5.4%	5.3%	19.0%	14.1%	4.5%
Cost of goods sold	96.00	102.00	120.00	132.00	121.00	121.00	124.00	123.87	117.39	116.93	116.71	117.28	450.00	489.87	468.30
Total gross profit	\$612.00	\$646.00	\$816.00	\$816.00	\$825.00	\$827.00	\$827.00	\$840.93	\$857.66	\$870.74	\$886.05	\$899.10	\$2,890.00	\$3,319.93	\$3,513.55
Gross margin	86.4%	86.4%	87.2%	86.1%	87.2%	87.2%	87.0%	87.2%	88.0%	88.2%	88.4%	88.5%	86.5%	87.1%	88.2%
Sales & Marketing	149.00	159.00	174.00	166.00	172.00	174.00	171.00	174.42	176.16	179.69	177.89	179.67	648.00	691.42	713.41
Research & Development	55.00	67.00	82.00	78.00	79.00	75.00	68.00	66.64	68.64	70.01	71.06	70.35	282.00	288.64	280.06
General & Administrative	28.00	32.00	34.00	31.00	29.00	29.00	30.00	29.25	30.13	30.73	31.04	31.05	125.00	117.25	122.95
Operating Income / (Loss)	380.00	388.00	526.00	541.00	545.00	549.00	558.00	570.62	582.73	590.31	606.06	618.03	1,835.00	2,222.62	2,397.13
Operating margin	53.7%	51.9%	56.2%	57.1%	57.6%	57.9%	58.7%	59.1%	59.8%	59.8%	60.4%	60.8%	54.9%	58.3%	60.2%
Interest income (expense)	(32.00)	(43.00)	(147.00)	(157.00)	(154.00)		(151.00)	(149.40)	(147.70)	(146.00)	(144.30)	(142.60)	(379.00)	(615.40)	(580.60)
Taxes (benefit)	83.00	76.00	88.00	88.00	86.00	85.00	90.00	93.14	96.20	98.25	102.11	105.13	335.00	354.14	401.69
Net Income	265.00	269.00	291.00	296.00	305.00	303.00	317.00	328.07	338.83	346.06	359.65	370.29	1,121.00	1,253.07	1,414.84
Non-GAAP EPS	0.45	0.45	0.45	0.46	0.47	0.47	0.49	0.51	0.53	0.54	0.56	0.58	1.81	1.94	2.21
GAAP EPS	0.33	0.12	0.25	1.42	0.29	0.23	0.22	0.39	0.41	0.42	0.44	0.46	2.16	1.14	1.73
Total share count	586	595	651	644	644	644	645	644	643	642	640	639	619	644	641
Net Cash from Operating Activities	215.00	(88.00)	306.00	324.00	226.00	125.00	315.00	412.09	277.84	229.79	349.36	400.96	757	1,078.09	1,258
OCF Margin	30.4%	-11.8%	32.7%	34.2%	23.9%	13.2%	33.1%	42.7%	28.5%	23.3%	34.8%	39.5%	22.7%	28.3%	31.6%
Free cash flow	213.00	(90.00)	305.00	323.00	222.00	120.00	307.00	403.97	269.64	221.48	340.92	392.41	751.00	1,052.97	1,224.46
FCF Margin	30.1%	-12.0%	32.6%	34.1%	23.5%	12.7%	32.3%	41.9%	27.7%	22.4%	34.0%	38.6%	22.5%	27.6%	30.8%
Cash & Cash Equivalents	1,291.00	1,095.00	812.00	750.00	623.00	629.00	490.00	714.05	803.94	845.82	1,007.31	1,220.45	750.00	714.05	1,220.45
Total debt	3,416.00	10,123.00	10,128.00	9,819.00	9,611.00	9,558.00	9,300.00	9,200.00	9,100.00	9,000.00	8,900.00	8,800.00	9,819.00	9,611.00	9,558.00
Net debt	2,125.00	9,028.00	9,316.00	9,069.00	8,988.00	8,929.00	8,810.00	8,485.95	8,296.06	8,154.18	7,892.69	7,579.55	(9,069.00)	(8,896.95)	(8,337.55)
Margin Analysis															
Gross margin	86.4%	86.4%	87.2%	86.1%	87.2%	87.2%	87.0%	87.2%	88.0%	88.2%	88.4%	88.5%	86.5%	87.1%	88.2%
Sales & Marketing	21.0%	21.3%	18.6%	17.5%	18.2%	18.4%	18.0%	18.1%	18.1%	18.2%	17.7%	17.7%	19.4%	18.1%	17.9%
Research & Development	7.8%	9.0%	8.8%	8.2%	8.4%	7.9%	7.2%	6.9%	7.0%	7.1%	7.1%	6.9%	8.4%	7.6%	7.0%
General & Administrative	4.0%	4.3%	3.6%	3.3%	3.1%	3.1%	3.2%	3.0%	3.1%	3.1%	3.1%	3.1%	3.7%	3.1%	3.1%
Operating Expenses	53.7%	51.9%	56.2%	57.1%	57.6%	57.9%	58.7%	59.1%	59.8%	59.8%	60.4%	60.8%	54.9%	58.3%	60.2%
Operating Income / (Loss)	53.7%	51.9%	56.2%	57.1%	57.6%	57.9%	58.7%	59.1%	59.8%	59.8%	60.4%	60.8%	54.9%	58.3%	60.2%
Tax rate	23.9%	22.0%	23.2%	22.9%	22.0%	21.9%	22.1%	22.1%	22.1%	22.1%	22.1%	22.1%	23.0%	22.0%	22.1%
Net Income	37.4%	36.0%	31.1%	31.2%	32.2%	32.0%	33.3%	34.0%	34.8%	35.0%	35.9%	36.4%	33.6%	32.9%	35.5%
YoY Growth															
Total revenue	2.5%	7.6%	33.0%	32.2%	33.6%	26.7%	1.6%	1.8%	3.1%	4.2%	5.4%	5.3%	19.0%	14.1%	4.5%
Total Operating expenses	6.9%	5.5%	11.9%	9.2%	15.1%	12.6%	8.9%	10.8%	11.1%	14.2%	13.5%	12.9%	8.4%	11.8%	12.9%
Non-GAAP EPS	7.8%	4.8%	1.6%	0.6%	4.7%	4.1%	9.9%	10.8%	11.3%	14.6%	14.3%	13.8%	3.6%	7.4%	13.5%
QoQ Growth															
Total revenue	-1.3%	5.6%	25.1%	1.3%	-0.2%	0.2%	0.3%	1.5%	1.1%	1.3%	1.5%	1.4%			
Total Operating expenses	-0.4%	11.2%	12.4%	-5.2%	1.8%	-0.7%	-3.2%	0.5%	1.7%	2.0%	-0.2%	0.4%			

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Price objective basis & risk

Gen Digital, Inc. (GEN)

Our \$28 PO is based on 13x our FY25E EPS. We use P/E as our target valuation metric due to Gen Digital's lower growth, consistent profitability, and is a discount to peer freemium/subscription-based consumer businesses trading between 15x-25x, and a discount to Identity Theft Protection peers, which trade closer to 19x P/E. We believe this discount is justified given GEN's recent merger with Avast, exposure to the lower ARPU, and slower growing malware protection and device security markets.

Downside risks to our PO are: 1) inability to execute on recent Avast acquisition, 2) brand reputation damage due to any malware/data/identity breaches, 3) macro weakness, 4) inability to pay down debt on time, and 5) failure to reach management's long-term financial targets.

Upside risks to our PO are: 1) significant improvement in execution, 2) improving spending environment from stabilizing macro, 3) stronger consumer market awareness for cyber safety.

Analyst Certification

I, Jonathan Eisenson, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Qualcomm	QCOM	QCOM US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
NEUTRAL				
	Cellebrite	CLBT	CLBT US	Tal Liani
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
UNDERPERFORM				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	SecureWorks	SCWX	SCWX US	Tal Liani



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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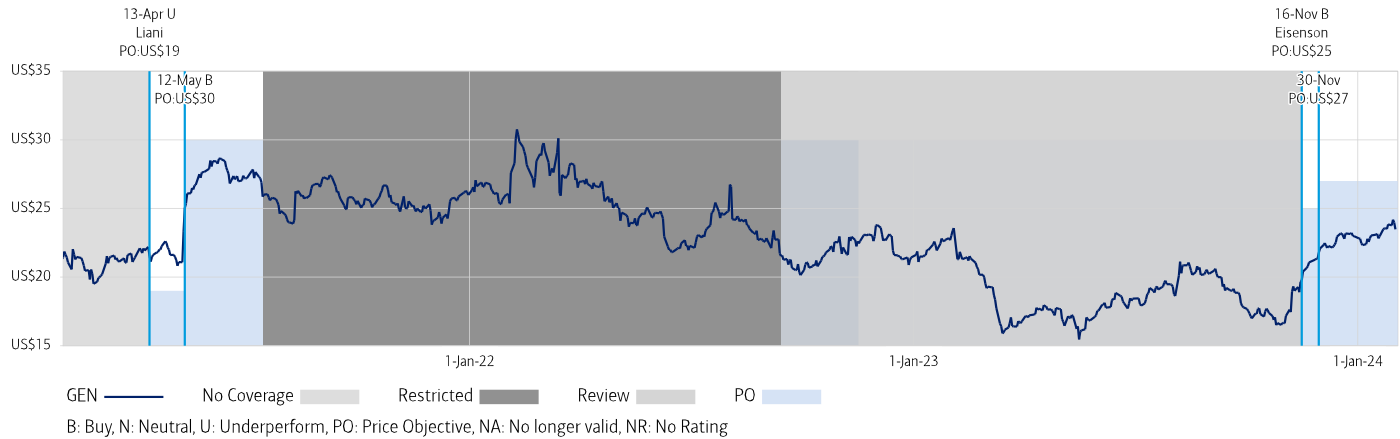
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Gen Digital, Inc. (GEN) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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