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GEN.OQ - Q3 2026 Gen Digital Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good afternoon, everyone. Thank you for standing by. My name is Tamia, and I will be your conference operator today. Today's call is being recorded (Operator Instructions)

At this time, for opening remarks, I would like to pass the call over to Jason Starr, Head of Investor Relations.

Jason Starr *- Gen Digital Inc - Head of Investor Relations*

Thank you, Tamia, and good afternoon, everyone. Welcome to Gen's third quarter fiscal year 2026 earnings call. Joining me today are Vincent Pilette, CEO; and Natalie Derse, CFO. As a reminder, there will be a reminder of this call posted on the Investor Relations website along with our slides and press release. I'd like to remind everyone that during this call, all references to the financial measures are non-GAAP, and all growth rates are year over year unless otherwise stated.

A reconciliation of non-GAAP to GAAP measures is included in our press release and earnings presentation. both of which are available on our IR website at investor.gendigital.com. We encourage investors to monitor this website as we routinely post investor-oriented information such as news and events and financial filings. Today's call contains statements regarding our business, financial performance and operations, including the impact on our business and industry that may be considered forward-looking statements, and such statements involve risks and uncertainties that may cause actual results to differ materially from our current expectations. Those statements are based on our current beliefs, assumptions and expectations as of today's date, February 5, 2026.

We undertake no obligation to update these statements as a result of new information or future events. For more information, please refer to the cautionary statements in our press release and the risk factors in our filings with the SEC, and in particular, our most recent reports on Form 10-K and Form 10-Q.

And now I'll turn the call over to Vincent.

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Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

Thanks, Jason, and thanks, everyone, for joining us. We continue to make steady progress toward our long-term vision building a trusted AI-powered platform that keeps people safe online and helps them manage their financial lives. Our results show the strategy is working. We delivered another quarter of double-digit bookings growth, grew our paid customer base to more than 78 million and increased non-GAAP EPS 14% year over year. What matters most is what these results represent, growing trust.

Millions of people choose Gen to stay safe online, protect their identity and manage their financial lives. Everything we build is designed to earn that trust every day. Today, I'll focus on three things: how AI is reshaping the threat landscape, how cyber safety and financial wellness needs are converging, and how our unified AI-driven platform underpins durable long-term growth. And after that, Natalie will review our financials. So let's start with the threat landscape.

The most dangerous attacks today no longer look like traditional hacking. They are embedded into everyday digital experiences: shopping, social feeds, search or payments. Consumers are not being breached through technical exploits. They're being redirected from trusted behaviors into outcomes that look legitimate and feel safe. Sponsored ad, a realistic video endorsement, a QR code at checkout, a device pairing prompt, any one of these can trigger a scam that compromises both digital identity and financial health.

We see this shift clearly in our data. Across Gen, we block tens of millions of scam attempts every quarter, most tied to financial fraud. Last quarter alone, we blocked more than 45 million fake online shop attacks, up over 60% year over year. These scams mirror exactly how people shop today and scammers are following consumers in those same channels. As a result, fake ads now represent more than 40% of all consumer cyber threats that are visually indistinguishable from legitimate brands, and the fraud often is not revealed until credentials are stolen and payments are made.

Speed is the second major shift. AI has compressed the life cycle of attacks from months to days, sometimes hours. It has lowered the cost and effort required to launch personalized scams at scale. The implications are clear: more attacks, faster execution and higher success rates. And Gen is built for this reality.

Because of our scale and the depth of our telemetry, Gen has a unique view into how threats emerge, spread and intersect with real consumer behavior. We analyze real-time signals across security, identity, devices, platforms and financial activities. This lets us go beyond blocking threats to understanding risk as it evolves and adapting protection dynamically. Cyber safety today is no longer about blocking malware or bad website after the fact. It is about understanding behavior, intent, context in the moment across identity devices, platforms and money.

And Gen's platform is built for exactly that. This approach is resonating. Cyber safety bookings grew 5% year over year with double-digit growth in our most comprehensive Norton 360 with LifeLock offerings. Customers are choosing broader protection because of the risks they face are broader. Looking ahead, AI agents represent the next major shift and the next major consumer risk.

Millions of people already use AI agents to browse, shop, manage accounts and make decisions on their behalf, and adoption is accelerating. These systems act like humans online but at far greater speed and scale, creating new vulnerabilities. AI agents can be received the same way people can through fake ads, impersonation sites or misleading messages, but the speed and impact are amplified. We're already seeing agents click on fraudulent ads and the credentials into impersonation sites and authorized transaction based on manipulated information. Take Openflow as an example.

It runs locally and performs tasks on your behalf, like managing e-mails and automating daily activities. To work, these agents access your files, your messages and credentials. And if something goes wrong, the consequences can be severe. A single malicious e-mail could prompt an AI agent to scan a device, extract sensitive data and send them out without exploiting any traditional software bug. The AI is doing exactly what it was designed to do, just without enough safeguards.

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Autonomous agents redefine what consumer cyber safety means. Protection is no longer just about protecting users. It's about protecting the autonomous systems people rely on. Security cannot be optional, but the providers of these innovations are not focused on making it foundational. That is a gap Gen is uniquely positioned to fill.

Earlier this week, Gen Threat Labs introduced a beta version of the world's first agent, Trust Hub. It allows users both humans and AI bots to scan skills for risk before execution, control what agents access and verify safety before it's used. It also includes a curated marketplace of skills maintained by Gen security researchers, effectively the world's first trusted app store for agent skills. Also in December, we launched Norton Neo, the world's first safe AI browser. Adoption has been strong in our installed base, reinforcing demand for AI experiences that are secured by design.

AI agents will go through hype cycles, of course, but the trend is permanent. As AI have becomes embedded in daily life, people need a trusted partner to protect them. The AI economy cannot scale without safety and confidence, and that's where Gen comes in. Our competitive advantage is based on AI combined with and powered by the unmatched breadth of signals that we bring together across security, identity and financial risks. At our skills, those signals allow us to retrain our defenses continuously, detect scams earlier, adapt faster and stop attacks in real time.

That allows us to deploy enhanced anti-scam protection across our portfolio, including on-device deepfake detection that can stop an attack during a video playback. These are practical defenses designed to protect consumers against real-world threats. We also recognize that identity threats and financial risks are no longer separate. They are deeply interconnected. That is where Gen delivers true peace of mind, and our customers recognize this shift, trusting us more every day.

Across our portfolio, we're approaching 100 million active financial accounts monitored and over 500 million protected endpoints. Each month, customers take millions of financial actions, allowing us to strengthen protection, personalization and recommendations. Within LifeLock, we continue to expand beyond traditional identity protection. Financial accounts monitored grew double digits year over year to nearly 50 million. We are redesigning the LifeLock experience to deliver clear and expanded alerts, personalized insights and more actionable recommendations reinforcing its position as the most trusted financial protection partner.

MoneyLion also continues to perform strongly, with nearly 40% revenue growth in Q3. More importantly, it is evolving into an always-on financial hub. Beyond short-term liquidity solutions, we're helping consumers manage cash flow, build confidence and protect financial progress they're working hard to achieve. Later this year, we will launch Money One, a new subscription, combining the best of MoneyLion with scam and identity protection currently in close beta and moving towards early access. This quarter, we introduced a new feature like Found Money, our savings optimization assistant.

Early engagement has been strong. 60% of user engaging with Found Money interacted with an offer and 30% linked at least one additional account, strengthening the data foundation that powers personalized guidance. Leveraging the strength of Gen, we also embedded scam security and risk detection directly into MoneyLion's transaction insights. And as adoption grows, this reinforces the flywheel between engagement, insight and value. And as a result, we delivered record highs in Instacash usage, RoarMoney deposits and card activity, prove that trust, safety and growth scale together.

Our marketplace, Engine, continues to scale under the Gen brand. This quarter, Engine processed a record number of inquiries as we expanded into new credit cards and mortgage categories and integrated Engine more deeply into our consumer brands, helping insights turn into action more often. Yesterday, we announced an expanded partnership with Equifax using Equifax' differentiated data to enable enhanced alerts and insights for our customers across our entire portfolio. It also enables Equifax to offer more personalized financial offer on myequifax.com powered by Engine. Stepping back.

Our platform strategy is a real differentiator. Across Norton, Avast, LifeLock and MoneyLion, we operate leading consumer brands that generate high-value signals on behavior, risk and intent that are amplified by our marketplace. Engine alone now processed over 360 million inquiries annually with expanding financial product verticals and improving conversion.

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What sets Gen apart is how we connect these inputs to create value for our customers and the business. Unifying AI and our data-driven platform to bring together security telemetry, identity events, financial behavior and marketplace interactions is at the core of our strategy. This shared foundation allows us to move beyond static protection and deliver personalized contextual guidance when it matters the most. After building our modular cyber safety tech stack, we're now focused on expanding our unified data platform and automation trust layer, turning vast amounts of data into actionable intelligence that helps consumers make better digital and financial decisions. In an AI-driven world, where outputs can be biased or manipulated, Gen's ability to anchor guidance in verified identity and trusted data is a durable competitive advantage.

And our strategy is simple: turn proprietary signals into trusted recommendation and scale them across our products and partners. We are already seeing early benefits. Our AI life cycle agent is orchestrating customer life cycle communication, engagement and personalization across the portfolio. Our real-time data platform powers customer-facing features like protection score, giving consumers a clear actionable view of their protection. And shared LLM frameworks are accelerating innovation across products with new agent capabilities deployed in MoneyLion and Norton Money app.

So in closing, success for Gen is defined by trust, earning it, scaling it and delivering it in the moments that matter the most, helping people make safer, smarter digital financial decisions. Cyber safety remains foundational, and it's not just a category. It's a promise. And as awareness of Gen portfolio grows, we are increasingly recognized not only as a cybersecurity leader but is a trusted partner across consumers' digital and financial lives. We are executing well in a rapidly changing environment.

Our platform is scaling. Our strategy is working, and we are focused on long-term value creation by earning our customers' trust every single day.

And with that, I'll turn it over to Natalie.

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

Thank you, Vincent, and hello, everyone. For today's call, I will walk through our Q3 results and also provide some additional color on our performance metrics. I'll then conclude by providing an outlook for Q4 and fiscal year 2026. I will focus on non-GAAP financials and year over year growth rates, unless otherwise stated. I will also include commentary on our pro forma growth, which includes MoneyLion's results from the prior year for comparative purposes.

Now on to our results. Q3 was another strong quarter for Gen, with results coming in at the high end of our guidance, driven by record revenue and bookings, double-digit EPS growth and exceptional free cash flow generation. On a reported basis, Q3 bookings was $1.3 billion, up 27% year over year and up 10% on a pro forma basis, with revenue of $1.2 billion, up 26% year over year and up 8% on a pro forma basis. In our Cyber Safety segment, bookings grew 5% and revenue grew 3%. Our strong bookings reflects ongoing demand for our cyber safety subscriptions and is a leading indicator for future revenue.

Operating margins remained strong at 61%, as we drive increased leverage in this segment. Growth continues to be supported by secular tailwinds from rising scam activity, driving strong adoption of our Norton 360 memberships across both desktop and mobile. Our higher tier memberships continue to grow double digits, where customers choose the most comprehensive security, privacy and identity protection and our newest capability Genie Pro Scam Protection. Through our expanded features, we are strengthening our product relevancy and driving increased membership conversion now nearing 45%. We will continue to strengthen life cycle messaging and upsell pathways, improving the customer lifetime value across all cohorts.

In our customer success organization, our product recommender continues to scale with select customer cohorts. This is an internally developed AI model that analyzes customer product ownership, feature usage and behavioral signals to deliver more relevant and timely offers. This approach allows us to better match customers with the services that they are most likely to need, improving conversion rates and increasing product penetration across our installed base.

Early results are encouraging, particularly across our privacy add-on products, with Norton cross-sell penetration now exceeding 26%, which reflects our continued progress towards the targets we set out at our last Analyst Day. Based on this performance, we plan to expand this capability to additional cohorts in Q4 and continue to drive more commercial benefits from our Gen platform.

In our Trust-Based Solutions segment, on a pro forma basis, bookings and revenue grew 23% and 22%, respectively, and more than doubled on a reported basis. Operating margins remained stable at 30%, in line with expectations, as we make targeted investments in MoneyLion and other AI-related initiatives. Performance this quarter was led by nearly 40% revenue growth in MoneyLion, well balanced across strong customer demand for personal financial products like Instacash and further scaling of our Engine marketplace, which enriches the Gen platform through tens of millions of inquiries taking place every quarter.

Double clicking a bit more, Instacash delivered record originations during the quarter, supported by targeted marketing investments to capture elevated demand during the holiday season. At the same time, Engine continued to gain traction as we added new partners across leading financial brands and top online publishers. The strength of the Gen brand and our scaled audience is increasingly elevating Engine as a premium marketplace partner. Growing adoption of third-party financial products on Engine reinforces our mission to help consumers make better financial decisions through embedded experiences across both financial and nonfinancial platforms. And we continue to deliver a steady growth in our Identity offerings.

We remain our -- which remain our highest value customer cohort with the highest retention. We are also advancing our secure financial wellness strategy with the initial rollout of a LifeLock-branded marketplace that now includes offers from leading credit card issuers and high-yield savings accounts. While still early, initial test results are encouraging, particularly in driving offer engagement with our LifeLock cohorts.

And across the segments, our direct channels continue to reflect the strength of our first-party portfolio and innovation efforts with revenue growing 18% as reported and 6% pro forma. Our partner business continues to scale impressively, growing revenue 88% as reported and 23% pro forma, supported by diversified growth across the portfolio, led by Engine marketplace, retail channels, particularly in Japan, and employee benefits, which delivered another strong double-digit quarter of growth driven by continued new logo acquisition during open enrollment season.

We continue to drive broad-based growth in our paid customer base, now totaling over 78 million customers and up 1 million sequentially. Cyber Safety direct customers were up 0.5 million as we continue to expand across the regions and channels, consistent with prior quarters. And we are acquiring new customers through MoneyLion and Engine marketplace as we add new verticals, all with sustainable, healthy returns. Now turning to profitability. Q3 operating income was $629 million, translating to a 51% operating margin, in line with our expectation.

Our margins remain robust across our segments as we scale and diversify. We remain committed to operating in a disciplined fashion as our results demonstrate, scrutinizing our cost envelope proactively. We have and will continue to invest in our strategic AI opportunities. We will invest in our long-term strategic growth initiatives while remaining steadfast in driving efficiencies. Q3 net income was $394 million, and diluted EPS was $0.64, up 14% year over year as reported and at the high end of our guidance.

This represents our ninth consecutive quarter of achieving or exceeding our 12% to 15% EPS growth target, reflecting consistent execution and capital allocation. During the quarter, we reduced our weighted average ending share count to 618 million, down 5 million shares year over year. Interest expense was $131 million in Q3, and our non-GAAP tax rate remained steady at 22%. Turning to our balance sheet and cash flow. Q3 ending cash balance was $619 million, representing over $2.1 billion of liquidity, including our $1.5 billion revolver.

During the quarter, we generated $541 million in operating cash flow and $535 million in free cash flow. This robust free cash flow enabled us to deploy nearly $700 million of capital for shareholders, including $300 million towards share repurchases, which is 11 million shares as well as $300 million of debt repayment and $77 million of regular quarterly dividend. We exited the quarter with net leverage at 3.1 times EBITDA, which puts us ahead of schedule for our goal to drive net leverage below 3 times in fiscal year 2027 while maintaining flexibility to continue investing in growth and additional capital returns. Please note, we are currently exploring refinancing options for our TLA, our

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Term Loan A, which matures in September of fiscal 2028. Early market discussions have been encouraging, and we expect to complete this before it becomes current.

For Q4 fiscal 2026, the Board of Directors approved a regular quarterly cash dividend of $0.125 per common share to be paid on March 11, 2026, for all shareholders of record as of the close of business on February 16, 2026. These strong quarterly results underscore our commitment to driving profitable growth with disciplined execution, generating strong free cash flow and returning capital to shareholders that have become hallmarks for Gen.

Now let me share our Q4 and fiscal year 2026 outlook. We are raising our revenue and EPS guidance again for fiscal 2026 based on our strong results and the momentum we're seeing. Our business remains resilient, bolstered by a highly recurring revenue base further supported by solid customer retention and substantial free cash flow generation.

For fiscal year 2026, we are raising our annual guidance and now expect full year revenue in the range of $4.955 billion to $4.975 billion, up from our prior expectation of $4.92 billion to $4.97 billion. We expect non-GAAP EPS to be in the range of $2.54 to $2.56, representing our continued commitment to achieving a 12% to 15% annual EPS growth. This implies an expected Q4 non-GAAP revenue in the range of $1.24 billion to $1.26 billion and EPS in the range of $0.64 to $0.66. Our Q4 and full year guidance assumes high single-digit pro forma growth and disciplined cost management while funding targeted longer-term growth initiatives and investments in the Gen platform and additional AI capabilities. This guidance range also assumes current FX rates for Q3.

We're now well into our final quarter of a very strong fiscal year. We've successfully integrated MoneyLion and continue to accelerate our growth profile while maintaining the same operating discipline that has long defined our strategy. With many opportunities ahead, we are driving healthy growth across both our operating segments and focused on unlocking top line synergies through our secure financial wellness strategy. Operating margins remain strong, and we're continuing to invest in scalable innovation without compromising returns. Our free cash flow generation is robust, creating capacity for growth investments, ongoing opportunistic share repurchases and further delivering -- delevering to drive strong returns for our shareholders.

We continue to hit the mile markers we've laid out as we navigate towards our long-term growth objectives. I want to thank the entire team for staying focused and delivering great value to our customers and to our shareholders.

As always, thank you for your time today, and I will now turn the call back to the operator to take your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Roger Boyd, UBS.

Roger Boyd *- UBS AG - Analyst*

I wanted to come back to consumer AI and what we saw with OpenClaw, Moltbot. I know you touched upon this a little bit, but I think we're becoming more aware of how much trust individuals are going to need to place in the hands of AI that's going to touch all accesses of their digital lives. And I'm just curious how you're thinking about the role Gen can play there in helping consumers. I know you mentioned the agent Trust Hub, AI web cycle, the Neo browser. But do you feel like this could be a material kind of tailwind to demand for cyber safety moving forward? And are you seeing any sort of uptick in pipeline around that so far?

Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

Very good question, and I confirm, Roger, that the trend is happening. The revolution of AI is happening, and everybody saw it with the virality of OpenClaw in the last two weeks or even last weekend. I would say I see it in a sequential way suddenly exponential growth. We initially -- as you know, we're protecting in the initial days of the Internet the device and protecting against weakness in the operating systems and then later on protecting against the flurry of website that existed in the early days of uncategorized search tools. All of that create opportunity, as you know, and that's the root of Avast and Norton brands.

If you take today this revolution of AI, it is happening in front of us. We're agents in the case of OpenClaw and do your task. As you know, you can send a WhatsApp text to your machine at home and ask them to go and book a restaurant or do other activities, and they will do it. And the agency, if they don't know how to do it or cannot do it via e-mail, may go and download other agents or skills if you want and do it that way. And so then you have an explosion of players around you that are going to try to complete the task you've asked them.

Today, like any new innovations, a super fund is an early adopter. Security is not the mindset. It's really about how cool it is to be more efficient to be delegating your tasks to those agents. And similarly that, at the beginning, the operating system were not fully secured and Norton created the antivirus, we feel there's a huge gap here to singly focus on bringing that trust and security and verification inside this environment. As you mentioned, we launched the agent Trust Hub at Gen from our lab.

It actually comes from the fact that, over the last two weeks, we saw many of our Norton users starting to use some agents, cascading those activities to other agents and so exposed to risk. There's over 18,000 skills that have exposure to the Internet that can be pulled by your agents. Some of them could be malicious. Some of them could leak some of your information like password or other things if you give them access to your machine. And people don't always know what they will do.

This Trust Hub will enable to really validate whether an agent or skills will have a set of risks and decide whether it's an acceptable risk or not. And actually, very uniquely, we built it for bots and agents. So website normally designed for humans and you can if you want to program it yourself. But it's also for the agent to go and look at it. You see what's verified or risky, and then where the marketplace is to see which other skills can be used.

Similarly that when the Internet and the different websites were not fully categorized and search organized, we can play that role of helping what is safe and secure to give confidence for you or your agents to go and delegate those tasks. So now it's not only anymore about protecting a machine, then we were moving to protecting a user with multiple surface exposure. Now it's about protecting a user plus an infinite amount of agents that can represent that users. And so we definitely see this as a renewed need for our mission to play right in that center and that revolution.

Roger Boyd - *UBS AG - Analyst*

Awesome. I appreciate all the color there. And just a quick follow-up on the MoneyLion business. Again, very solid growth there, 40%. I just want to confirm, where are you kind of in that shift over to kind of more subscriptions in that business? I think you noted that some of those are trending towards early access. But it seems like still very early days. But how at all is that impacting the growth in that business and then your outlook for trust-based services for the rest of the year?

Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. 100%, and we said the mark for a very, how could I say, cautious pace, it doesn't mean a slow pace, but a cautious pace to make sure that we follow the consumer needs where they are, and we do not compromise the customer experience. MoneyLion itself in the financial wellness sector is growing ahead of market, continue to be very strong on both leg, the personal consumer offering led within Instacash but also membership savings account. And then with Engine, that's really outgrowing the rest. And today, the ratio is roughly 60% on the consumer side or the personal financial side and then 40% on the Engine side.

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We continue to see steady growth. You mentioned 40%. We do have a good business responsible management where we set the long-term business growth at around 30% as we scale for a margin that is above 20%. And then when we see pocket of acceleration, we'll, of course, capture them as we saw this quarter. As we continue to scale this business, the biggest opportunity for us is really to drive the revenue synergies across the portfolio.

As we see our customers, already when they come to cyber safety, their number one concern is to protect against a financial damage, to protect their financial health. And now with MoneyLion, as we embedded white label and created into our Norton and Avast, LifeLock applications, we enable the consumers to not only be protected but improve that position. We have a few activities put in. We started -- created Engine version into LifeLock, where we're redesigning the experience here. We've seen an increase -- a double-digit growth in LifeLock customer connecting their bank account into the LifeLock app to be able to detect anomalies and give advice on that.

And that will continue as we said. We launched last quarter Norton Money both in the employee benefit channel, which will only, as you know, show up materially at time of benefit inscription at the end of the calendar year. And then we also launched it into our own installed base to really refine and connect between cyber safety and financial wellness. And we see early adoption of -- and convergence of the need between the cybersecurity and the financial health position. Those are really good fact patterns. We said that we'll start sizing revenue synergies and then overall long-term growth after this fiscal year, so probably in the May time frame for the next fiscal year.

Operator

Meta Marshall, Morgan Stanley.

Meta Marshall - *Morgan Stanley - Analyst*

Great. Maybe I just wanted to spend a second on -- if you could kind of go more into the Equifax partnership and just how that can help drive incremental MoneyLion product adoption, if there's any kind of economics of the partnership that we should be mindful of.

Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, very good. So you referred to our partnership we just announced two days ago with Equifax. Up to now and before we penetrated financial wellness, our relationship with the credit bureaus was essentially a vendor to customer relationship. We were consuming some of their data, some of their information to embed that into our proprietary algorithm and modules to give alerts to our customers, help them restore and serve them that peace of mind that their financial profile in the digital world was fully protected. With MoneyLion, especially the Engine now, we're able to match financial institution offers with consumer traffic.

And then, as you know, we already embedded in that some of the LifeLock benefits, some of the identity protection, and we have very strong momentum. That enabled us to have a very strong strategic discussion with Equifax, a two way discussion, and their strategy is essentially positioned on the financial institution, the SMB, the enterprise side if you want.

And as we are very strongly and uniquely focused on the consumer side, coming together, if you want, we can bring more value to the customer. So on one way, we now have deep access to their differentiated data set, not just credit monitoring but the credit block and some utilities and really expand the alerts and visibility for the consumers on their risk profile out there. And then they're going to use Engine on myequifax.com to bring all of their traffic a more personalized, both safety and financial solutions offering, which will increase, over time, obviously, monetization.

And then that strategic partnership will also enable to enrich the offers on the Engine as the financial partners that Equifax has relationship with will also then use that Engine platform. So feel pretty excited about that. We obviously look with -- to partner with many others in the industry to really provide this unique value proposition, this matchmaker, if you want, between financial solutions, safety at the core and then consumer with their needs.

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Meta Marshall - *Morgan Stanley - Analyst*

Got it. And maybe just as a follow-up. I know you touched on it but kind of expanding on that last answer. Just any trends between first-party products and third-party products on the MoneyLion marketplace? Any material shifts in any direction?

Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

So the short answer is all of the trends you've seen for the last two, three quarters for money have continued and continued. And that's what we embedded in our guidance, and January was no different either. We have grown, as I mentioned, our first-party product, which essentially was not from the Engine only but some of -- from the engine at the somewhat same growth rate at the Engine. And we cite Engine is pretty balanced on the first party and third party. Obviously, where we're strong, like short-term lending and some of the credit builder, we lead in that subcategory. And in others where we don't have, of course, an offering, it could be a credit card or an insurance, we are obviously all third party.

Operator

Matt Hedberg, RBC.

Matthew Hedberg - *RBC Capital Markets Inc - Analyst*

Congrats on the results, really, really impressive. Natalie, you didn't talk about fiscal '27 and obviously, you're not guiding to it yet. But when we think about anniversarying MoneyLion, you talked a lot on this call about cross-sell and AI, additives. Are there any sort of high-level kind of early guardrails or kind of building blocks that we should think in reference to profitability?

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

Yeah. In the overall business, I would point you to, outside of MoneyLion, we had said we wanted to drive a sustainable mid-single-digit rate of growth over the long term, and we have now done that for several quarters in a row. And so as we go into fiscal year '27 in that same type of period of long-term Analyst Day targets, I would point you to that. Now parts of our business are growing faster than others, especially as you see the MoneyLion results and some of the areas of partner. But all of that's embedded in the guide. All of that is embedded in the mile markers that we put out there.

Specific guardrails as it pertains to fiscal year '27, I would point you back to that overarching growth and profitability architecture. Don't forget that we had the extra week in this fiscal year, so you definitely want to keep that in mind. Don't forget that the special tax is now behind us, and so that will give us a couple of hundred million dollars of additional capital allocation to go after and to deploy in a productive fashion. And then other than that, it's going to be balancing, making sure that we're investing for the long term while capturing the current demand and continuously driving a very efficient business.

Matthew Hedberg - *RBC Capital Markets Inc - Analyst*

That's great. That's super helpful. And then, Vincent, I wanted to double click back on MoneyLion synergies. It sounds like you're doing a lot right now. You talked about Money One, and it sounds like synergies maybe later in the year -- fiscal year here. I guess, when we start to think a little bit more broadly about some of these synergies, how do you think about bridging the gap between kind of the historical MoneyLion cohort and kind of your premium base? It feels like there could be a lot of synergies there. But could you see not only cross-selling synergies but also sort of benefiting your premium base?

Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. Actually, we see synergies across the entire cohort as we see the convergence between cyber safety and financial wellness needs from a customer perspective. I mentioned the customer come to our portfolio for about four key reasons, and the number one is always protect me against financial damage. That space, of course, has to run its course. And part of it is us educating, but of course, they have to realize our offering and experiences, et cetera.

That's why sometimes you may feel it's slow, but we want to make sure we follow that customer experience. Obviously, LifeLock customers, a little bit more -- or further away in that convergence because they already had organically in our portfolio moved from basic credit monitoring to monitoring your key assets like your home for home title, your bank account for anomalies, and we continue to expand that pool. And so that awareness, if you want, is strong.

And now we can bring other additional value. I think I had mentioned to you that one of the first realization that financial wellness was coming closer and closer is as we were monitoring those anomalies and we introduced our AI assistant into the environment, most of the question was not too much please spot the anomaly, was what can I do with it.

Can I consolidate this? Can I save money here? And we didn't have at the time the value to deliver it. Today with MoneyLion, which, of course, we're creating for a LifeLock customer journey experience, we'll be able to address all of that. So it's expanding that view. We're not approaching it as a cross-sell the same way that maybe a traditional cross-sell has been, and so it's much more customer-driven from a customer adoption using our assistants into the platform.

Operator

Saket Kalia, Barclays.

Saket Kalia - *Barclays Services Corp - Analyst*

Okay. Great. And great to see the consistency. Vincent, maybe we'll start with you. There's clearly a lot of success on driving the top of the funnel, right, with various offerings, right? And of course, MoneyLion is the newest one. I'm curious how the addition of all these businesses and the growing membership mix is contributing to retention. I know that's not maybe the perfect metric to look at right now, but I'm just curious how you think about that just as you kind of build this flywheel.

Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, absolutely. So before I talk about retention, I would say the customer experience is the most important. That's why very early on in our strategy, we took a modular white label approach in our stack. The second view is it's good to have your modular white label, so you can curate the user interface and experience to your brands. So it's part of your own journey as a special LifeLock customer or a Norton customer or an Avast customer, which is different in adoption of innovations and other things.

And then you really drive that. Now our second step is to drive that with intelligence. And so unifying our data set across all of our applications to drive intelligence and leverage those intelligence pools, of those LLMs across the different apps is adding more value, personalized, contextualized, finding that right moment of your needs, and that also is a big impact, a big driver in this multi-application or multi-brand portfolio. And then to answer your question, if you do really well in customer experience and you find the right moment and the right intelligence, if you want to do it, you're going to have improved retention. Today, we have our cohort by cohort that continue to improve in retention.

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Of course, MoneyLion doesn't have subscriptions, so we do know about MoneyLion yet in terms of material retention pool. As we'll grow subscription, we'll be able to tell you more at that time. And overall, Gen retention has been stable.

Saket Kalia - *Barclays Services Corp - Analyst*

Got it. Got it. Very helpful. Natalie, for my follow-up, maybe for you. It was great to see the strong capital return, I think, in $300 million in the quarter in both delevering and in buybacks. I was just wondering if there are any guardrails that you would have us think about for kind of how you'll deploy kind of going forward beyond Q3.

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

Yeah, we were happy about this quarter. It's -- we generate such a substantial amount of free cash flow, and we really challenge ourselves to deploy that in a balanced fashion as fast and as efficiently as we can. And I think Q3 was reflective of that. And Q3 is going to continue in terms of as we look into Q4 and we look into the fiscal year. The tenants are the same. We'll continue the dividend. We'll have a balanced approach across accelerated debt paydown and opportunistic share buyback. We have lots of room left in our buyback program. And as we look to the future, it's going to be a balance across the two. Keep in mind what I mentioned earlier.

We will have a couple of hundred million more than we even did in fiscal year 2026 because we're through the transition tax that kind of hits us and has hit us for the last six years in Q2. So even though we already, on an annualized basis, generate enormous amount of free cash flow to deploy, we'll have even more next year to deploy. We'll do it in a balanced fashion. We stay very committed to -- yes. And we stay very committed to -- like we put that under 3 times net target out there for ourselves. We're really, really close. I mean, even if I look at -- in the next quarter or two, we're going to organically be there through mandatory debt pay down and a little bit of accelerated debt. And so we'll continue the balanced approach. It's working for us.

Operator

Rob Coolbrith, Evercore.

Robert Coolbrith - *Evercore Inc - Equity Analyst*

Congratulations to the team on the strong results and outlook. Just wanted to ask on some of the investments you're making operationally in the business. Sales and marketing seem to be accelerated a bit in the quarter. I was just wondering if that's something that's reflective of inflation in the media cost environment or if that's in response to anything you're seeing in the business, maybe faster payback periods, stronger LTVs maybe on the Norton 360 mix shift, which sounds quite positive. And then on R&D, it looks like you're seeing even stronger efficiency and productivity growth there. Just wanted to ask, anything new you could add on the use of AI within the organization, if that makes a strong contribution, just maybe better synergy realization. Anything more you might be able to add on that?

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

Yeah. Thanks for the questions. We appreciate it. On sales and marketing, let me take that one. We have increased our sales and marketing. We continue to deploy in the market where we see the highest and the most efficient return. There's a few. We're definitely investing in capturing more on an acquisition front the bigger higher ROAS on the membership adoption, so the 360 memberships, to your point. We see that really taking off in the mobile, the customers that are being acquired through the App Store. That's driven by a lot of the new functionality that our team has built and expanded into the mobile channels. But it doesn't stop there. We're seeing the demand for the 360 memberships across the board. That's fantastic.

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We continue to invest in MoneyLion, both on the first and the third party. We see well-balanced growth, even higher than we had indicated to you guys, higher than our expectations, higher than the average industry growth. So we saw both first party and third party growing at approximately 40% in the quarter and so continuously investing in healthy returns to shore that up. And then just generally across the board, we're very, very diversified across the channels. We really just operate in a disciplined fashion to create the capacity to invest more and more in sales and marketing because we want those healthy returns.

We want to make sure that we're acquiring the right cohorts at the right high so that we continue to sustainably grow at that mid-single-digit rate of growth. And so yes, for Q3, I'm proud of the team. And then every quarter, we just get smarter and smarter through the analytic and the tools that we're using on those returns on that CLV over CAC, and that continues to be a horse that we'll ride to drive our revenue growth.

Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

Cool. And then maybe I'll take the R&D. And then, Rob, as you analyze it, also keep in mind that the MoneyLion business and you have the public data from prior acquisition versus a core security business have different profiles. Obviously, the MoneyLion is more -- a little bit more in cost of goods sold, a little bit more in S&M, a little bit less in R&D. And I would say our security business is exactly the reverse.

So you do have a little bit of a mix impact. On R&D, though, we're doing pretty cool things. I mentioned, I think a few times, that we have two big buckets of AI initiatives. One, we call them AI-native portfolio, and it's really about rebuilding many of our new applications or features with, first, an AI lens as opposed to introducing AI feature into it, redesigning it from an AI native view. And then the second one is changing our functions to be AI first.

And there are three buckets that are making really progress. One is in our support area. The second one is in our marketing area, and the third is in R&D. And there is no order of priorities on those. We're making really good progress on redesigning how we approach software development and product from ideation to product launch.

We have a set of seeds, I would call that we say -- we call Gen acorn, and it's basically a squad of three, a PM, an R&D developer and a design person, and they have to drive everything from ideation to product using only AI tools. And we're running experiment. We're still in the learning phase, but super exciting by how the capacity, if you want, to test, learn and put to market new products at the speed of -- never equaled before. That will continue to lower your cost of overall R&D. We're trying to bring that approach into our more infrastructure, so into the licensing system, into the billing system, which takes a little bit more time versus the ideation. But I think the world is here to change, and we've got to be at the forefront of it and leverage the full benefit of it.

Operator

Joseph Gallo, Jefferies.

Joseph Gallo - *Jefferies LLC - Analyst*

I really appreciate it. Earlier in the call, you talked about protecting the user and the incident amount of agents that represent that user. How should we think about the ASP uplift or monetization opportunity there? Just can you share a little bit more details on that opportunity?

Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. We are absolutely not yet the level of discussing an ARPU, an ASP. This is really a fast evolving -- I was going to say evolution. I should say, revolution happening. Even people who are not technically savvy, like some of my dear Board members, are calling and say, Oh my God, I use OpenClaw and now I've connected my e-mail and my calendars, and I don't know what's working.

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Can we please undo it? I'm worried. And so we see that real time, real life with people adopting it. Right now, there is a gap to fill, which is providing that safety the same way that antivirus suddenly provided safety into the operating system at the beginning of its life that was not focusing on security, more on all the features. We believe there's a similar need here into the AI economy, and we were going to move super-fast on that. There is no doubt in our mind that as we continue to expand that and able to protect not only the users but now the exponential amount of agents they may use, they would be willing to pay for that pain point because we see it real life that it is a pain point and a worry for those who are using it.

Joseph Gallo - *Jefferies LLC - Analyst*

That's really helpful. Maybe just as a follow-up, I mean, you guys have done a tremendous job of beating the expectations you've laid out. As we think about 4Q guidance, is there anything we should consider in terms of macro or as we're getting used to MoneyLion, just anything to call out in terms of seasonality there?

Natalie Derse - *Gen Digital Inc - Chief Financial Officer*

I think just from a current consideration standpoint, everything is baked into either our actuals or we're just -- we're responding to what we know of right now. I don't really look at macro factors and try and fold in or weave in anything specific with the unknown. And I would include FX in that. So the currencies that we assume are what we already know and what's already in the Q3 actuals. Anything else that you --

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Vincent Pilette - *Gen Digital Inc - Chairman of the Board, President, Chief Executive Officer*

Well, if I can add, obviously, you've seen the consumer sentiment being at a multiyear low. But I would say the last months, maybe the last few months have been stable at that level. And obviously, the need we address, whether it's security or, frankly, financial health to be able to survive in that are all super relevant in that environment. So notwithstanding a onetime special, crazy environment that could happen in the world, we do feel that even though it's low, it's stable.

Operator

Thank you. This concludes today's conference call. Thank you for your participation. You may now disconnect your line.