SYMANTEC CORP
Form 10-Q
November 16, 2018
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 29, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to
Commission File Number 000-17781
Symantec Corporation
(Exact name of the registrant as specified in its charter)

Delaware	77-0181864
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer Identification no.)

350 Ellis Street Mountain View, California	94043
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code:
(650) 527-8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No þ

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The number of shares of Symantec common stock, $0.01 par value per share, outstanding as of November 5, 2018 was 638,888,439 shares.

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FORM 10-Q
Quarterly Period Ended June 29, 2018
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EXPLANATORY NOTE

As previously reported, we were unable to timely file our Annual Report on Form 10-K for the fiscal year ended March 30, 2018, this Quarterly Report on Form 10-Q for the first quarter of fiscal 2019 ended June 29, 2018 and our Quarterly Report on Form 10-Q for the second quarter of fiscal 2019 ended September 28, 2018 as a result of an Audit Committee investigation as described herein. We filed our late Annual Report on Form 10-K for the fiscal year ended March 30, 2018 on October 26, 2018 and are filing our Quarterly Report on Form 10-Q for the second quarter of fiscal 2019 simultaneously herewith.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
SYMANTEC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions, except par value per share amounts)

	June 29, 2018	March 30, 2018 [1]
ASSETS		
Current assets:		
Cash and cash equivalents	$2,001	$1,774
Short-term investments	324	388
Accounts receivable, net	502	809
Other current assets	501	522
Total current assets	3,328	3,493
Property and equipment, net	758	778
Intangible assets, net	2,532	2,643
Goodwill	8,322	8,319
Other long-term assets	1,308	526
Total assets	$16,248	$15,759
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$170	$168
Accrued compensation and benefits	165	262
Contract liabilities	2,137	2,368
Other current liabilities	403	372
Total current liabilities	2,875	3,170
Long-term debt	5,032	5,026
Long-term contract liabilities	630	735
Deferred income tax liabilities	598	592
Long-term income taxes payable	1,112	1,126
Other long-term liabilities	83	87
Total liabilities	10,330	10,736
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, $0.01 par value: 1 shares authorized; 0 shares issued and outstanding	—	—
Common stock and additional paid-in capital, $0.01 par value: 3,000 shares authorized; 631 and 624 shares issued and outstanding as of June 29, 2018 and March 30, 2018, respectively	4,780	4,691
Accumulated other comprehensive income (loss)	(20)	4
Retained earnings	1,158	328
Total stockholders' equity	5,918	5,023
Total liabilities and stockholders' equity	$16,248	$15,759

(1) Derived from audited financial statements.
The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions, except per share amounts)

	Three Months Ended	
	June 29, 2018	June 30, 2017
Net revenues	$1,156	$1,175
Cost of revenues	249	257
Gross profit	907	918
Operating expenses:		
Sales and marketing	386	433
Research and development	237	233
General and administrative	133	149
Amortization of intangible assets	53	59
Restructuring, transition and other costs	96	88
Total operating expenses	905	962
Operating income (loss)	2	(44)
Interest expense	(52)	(84)
Other expense, net	(19)	(6)
Loss from continuing operations before income taxes	(69)	(134)
Income tax benefit	(4)	(24)
Loss from continuing operations	(65)	(110)
Income (loss) from discontinued operations, net of income taxes	5	(23)
Net loss	$(60)	$(133)
Income (loss) per share - basic and diluted:		
Continuing operations	$(0.10)	$(0.18)
Discontinued operations	$0.01	$(0.04)
Net loss per share - basic and diluted (1)	$(0.10)	$(0.22)
Weighted-average shares outstanding - basic and diluted	624	609
Cash dividends declared per common share	$0.075	$0.075

(1) Net loss per share amounts may not add due to rounding.
The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, in millions)

	Three Months Ended	
	June 29, 2018	June 30, 2017
Net loss	$ (60)	$ (133)
Other comprehensive loss, net of taxes:		
Foreign currency translation adjustments	(24)	(2)
Comprehensive loss	$ (84)	$ (135)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Three Months Ended	
	June 29, 2018	June 30, 2017
OPERATING ACTIVITIES:		
Net loss	$(60)	$(133)
(Income) loss from discontinued operations, net of income taxes	(5)	23
Adjustments:		
Amortization and depreciation	152	165
Impairments of long-lived assets	4	14
Stock-based compensation expense	113	147
Deferred income taxes	(42)	(62)
Other	(21)	26
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	321	188
Accounts payable	19	(32)
Accrued compensation and benefits	(77)	(68)
Contract liabilities	(106)	(21)
Income taxes payable	(1)	2
Other assets	(5)	41
Other liabilities	39	(39)
Net cash provided by continuing operating activities	331	251
Net cash used in discontinued operating activities	—	(38)
Net cash provided by operating activities	331	213
INVESTING ACTIVITIES:		
Additions to property and equipment	(44)	(47)
Payments for acquisitions, net of cash acquired	(5)	(8)
Proceeds from maturities and sales of short-term investments	64	—
Other	(5)	1
Net cash provided by (used in) investing activities	10	(54)
FINANCING ACTIVITIES:		
Repayments of debt	—	(2,010)
Net proceeds from sales of common stock under employee stock incentive plans	4	11
Tax payments related to restricted stock units	(42)	(61)
Dividends and dividend equivalents paid	(60)	(66)
Net cash used in financing activities	(98)	(2,126)
Effect of exchange rate fluctuations on cash and cash equivalents	(16)	26
Change in cash and cash equivalents	227	(1,941)
Beginning cash and cash equivalents	1,774	4,247
Ending cash and cash equivalents	$2,001	$2,306

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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SYMANTEC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Note 1. Description of Business and Significant Accounting Policies
Business
Symantec Corporation (“Symantec,” the “Company,” “we,” “us,” and “our” refer to Symantec Corporation and all of its subsidiaries) is a global leader in cybersecurity. We provide security products, services and solutions to organizations and individuals. Our Integrated Cyber Defense Platform helps enterprise, business and government customers unify cloud and on-premises security to protect against threats and safeguard information across every control point and attack vector. Our Cyber Safety Solutions (delivered through our Norton and LifeLock offerings) help consumers protect their information, identities, devices and networks at home and online.
Basis of presentation
The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America (“U.S.”) for interim financial information. In the opinion of management, the unaudited Condensed Consolidated Financial Statements contain all adjustments, consisting only of normal recurring items, except as otherwise noted, necessary for the fair presentation of our financial position, results of operations, and cash flows for the interim periods. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and accompanying Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 30, 2018. The results of operations for the three months ended June 29, 2018, are not necessarily indicative of the results expected for the entire fiscal year.
We have a 52/53-week fiscal year ending on the Friday closest to March 31. Unless otherwise stated, references to three-month periods in this report relate to fiscal periods ended June 29, 2018 and June 30, 2017, each consisting of 13 weeks. Our 2019 fiscal year consists of 52 weeks and ends on March 29, 2019.
Use of estimates
The preparation of Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Such estimates include, but are not limited to, the determination of revenue recognition, valuation of goodwill, intangible assets and long-lived assets, income taxes, valuation of stock-based awards and recognition of stock-based compensation expense, and loss contingencies. Management determines these estimates and assumptions based on historical experience and on various other assumptions that are believed to be reasonable. Actual results could differ significantly from these estimates, and such differences may be material to the Condensed Consolidated Financial Statements.
Significant accounting policies
There have been no material changes to our significant accounting policies as of and for the three months ended June 29, 2018, except for those noted in Note 2 and Note 3, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 30, 2018.
Note 2. Recent Accounting Standards
Recently adopted authoritative guidance
Revenue Recognition - Contracts with Customers. In May 2014, the Financial Accounting Standards Board ("FASB") issued new authoritative guidance for revenue from contracts with customers. The standard’s core principle is that a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration that the company expects to receive in exchange for those goods or services. In addition, companies are required to capitalize certain contract acquisition costs, including commissions paid, when contracts are signed. The asset recognized from capitalized incremental and recoverable acquisition costs is amortized on a straight-line basis consistent with the timing of transfer of the products or services to which the asset relates.
On March 31, 2018, the first day of our fiscal 2019, we adopted the new guidance on a modified retrospective basis, applying the practical expedient to all uncompleted contracts as of March 31, 2018, and as a result, results for reporting periods beginning in the first quarter of our fiscal 2019 are presented under the new revenue recognition

guidance, while prior period amounts are not adjusted and continue to be reported under the prior revenue recognition guidance.

During the three months ended June 29, 2018, as a result of the adoption of the new revenue recognition guidance, our net revenue increased $5 million and operating expenses decreased $9 million.

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The effects of the adoption of the new revenue recognition guidance on our June 29, 2018 Condensed Consolidated Balance Sheets were as follows:

	As of June 29, 2018		
(In millions)	As Reported	Balances Without Adoption of New Standard	Effect of Change
Accounts receivable, net	$502	$459	$43
Other current assets [1]	$501	$490	$11
Other long-term assets [2]	$1,308	$1,260	$48
Total assets	$16,248	$16,146	$102
Short-term contract liabilities	$2,137	$2,242	$(105)
Other current liabilities	$403	$377	$26
Long-term contract liabilities	$630	$708	$(78)
Deferred income tax liabilities	$598	$551	$47
Total liabilities	$10,330	$10,440	$(110)
Accumulated other comprehensive loss	$(20)	$(16)	$(4)
Retained earnings	$1,158	$942	$216
Total stockholders' equity	$5,918	$5,706	$212

(1) As reported includes short-term deferred commissions of $87 million. The balance without adoption of new standard includes short-term deferred commissions of $80 million.

(2) As reported includes long-term deferred commissions of $88 million. The balance without adoption of new standard includes long-term deferred commissions of $39 million.

The adoption of the new revenue recognition guidance had no impact on our Condensed Consolidated Statements of Cash Flows.

Financial Instruments - Recognition and Measurement. In January 2016, the FASB issued new authoritative guidance on financial instruments. The new guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. We adopted this new guidance in the first quarter of fiscal 2019. Substantially all of our equity investments that were not accounted for under the equity method were previously accounted for under the cost method and are now accounted for using the measurement alternative defined as cost, less impairments, adjusted for observable price changes. Based on the composition of our investment portfolio, the adoption of this guidance did not have a material impact on our Consolidated Financial Statements.

Income Taxes - Intra-Entity Asset Transfers Other Than Inventory. In October 2016, the FASB issued new authoritative guidance that requires entities to immediately recognize the tax consequences of intercompany asset transfers, excluding inventory, at the transaction date, rather than deferring the tax consequences under legacy GAAP. We adopted this new guidance in the first quarter of fiscal 2019 using a modified retrospective transition method. The adoption resulted in a cumulative-effect adjustment of a $742 million increase to retained earnings. This cumulative-effect adjustment primarily consisted of additional deferred tax assets related to an intra-entity sale of intangible assets in periods prior to adoption, partially offset by the write-off of income tax consequences deferred from pre-adoption intra-entity transfers and other liabilities for amounts not recognized under legacy GAAP.

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Opening Balance Sheet Adjustments

The following summarizes the effect of adopting the above new accounting standards:

(in millions)	Balance as of March 30, 2018	Revenue Recognition Guidance	Accounting for Income Taxes Guidance	Opening Balance as of March 31, 2018
Accounts receivable, net	$809	$ 24	$ —	$833
Other current assets [(1)]	$522	$ (8)	$ (8)	$506
Other long-term assets [(2)]	$526	$ 57	$ 750	$1,333
Total assets	$15,759	$ 73	$ 742	$16,574
Short-term contract liabilities	$2,368	$ (107)	$ —	$2,261
Other current liabilities	$372	$ (2)	$ —	$370
Long-term contract liabilities	$735	$ (62)	$ —	$673
Deferred income tax liabilities	$592	$ 47	$ —	$639
Total liabilities	$10,736	$ (124)	$ —	$10,612
Stockholders' equity:				
Retained earnings	$328	$ 197	$ 742	$1,267

(1) The balance as of March 30, 2018, includes income tax receivable and prepaid income taxes of $107 million and short-term deferred commissions of $94 million. The opening balance as of March 31, 2018, includes income tax receivable and prepaid income taxes of $99 million and short-term deferred commissions of $86 million.

(2) The balance as of March 30, 2018, includes long-term deferred commissions of $35 million, long-term income tax receivable and prepaid income taxes of $61 million and deferred income tax assets of $46 million. The opening balance as of March 31, 2018, includes long-term deferred commissions of $92 million, long-term income tax receivable and prepaid income taxes of $29 million and deferred income tax assets of $828 million.

Recently issued authoritative guidance not yet adopted

Leases. In February 2016, the FASB issued new guidance on lease accounting which will require lessees to recognize assets and liabilities on their balance sheet for the rights and obligations created by operating leases and will also require disclosures designed to give users of financial statements information on the amount, timing, and uncertainty of cash flows arising from leases. The new guidance will be effective for us in our first quarter of fiscal 2020. Early adoption is permitted but we do not plan to adopt the provisions of the new guidance early. We are currently in the assessment phase to determine the adoption methodology and are evaluating the impact of this new standard on our Consolidated Financial Statements and disclosures. We expect that most of our operating lease commitments will be subject to the new standard and recognized as lease liabilities and right-of-use assets upon adoption, which will increase the total assets and total liabilities we report. We are evaluating the impact to our Consolidated Financial Statements as it relates to other aspects of the business.

Credit Losses. In June 2016, the FASB issued new authoritative guidance on credit losses which changes the impairment model for most financial assets and certain other instruments. For trade receivables and other instruments, we will be required to use a new forward-looking “expected loss” model. Additionally, for available-for-sale debt securities with unrealized losses, we will measure credit losses in a manner similar to today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The standard will be effective for us in our first quarter of fiscal 2021. We are currently evaluating the impact of the adoption of this guidance on our Consolidated Financial Statements.

Accumulated Other Comprehensive Income. In February 2018, the FASB issued new authoritative guidance that will permit entities to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act (H.R.1) (the “Act”) to retained earnings. The amendment will be effective for us in our first quarter of fiscal 2020. If we decide to adopt this amendment, we do not expect that it will have a material impact on our Consolidated Financial Statements.

Although there are several other new accounting pronouncements issued or proposed by the FASB that we have adopted or will adopt, as applicable, we do not believe any of these accounting pronouncements has had, or will have, a material impact on our consolidated financial position, operating results or disclosures.

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Note 3. Revenues

General

We recognize revenue when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for the goods or services. Revenue is recognized net of allowances for returns, discounts, distributor incentives and end-user rebates, and any taxes collected from customers and subsequently remitted to governmental authorities.

For arrangements with multiple performance obligations, which may include hardware, software licenses, cloud services, support and maintenance, and professional services, we allocate revenue to each performance obligation on a relative fair value basis based on management's estimate of stand-alone selling price ("SSP"). Judgment is required to determine the SSP for each performance obligation. The determination of SSP is made by taking into consideration observable prices in historical transactions. When observable prices in historical transactions are not available or are inconsistent, we estimate SSP based on observable prices in historical transactions of similar products, pricing discount practices, product margins, and other factors that may vary over time depending upon the unique facts and circumstances related to each performance obligation.

Enterprise Security

Revenue for our Enterprise Security products is earned from arrangements that can include various combinations of software licenses, cloud services, hardware, support and maintenance, and professional services, which are sold directly to end-users or through a multi-tiered distribution channel.

We generally do not offer rights of return for Enterprise Security products and the distribution channel does not hold inventory. As a result, historical returns and related reserves have been insignificant. We offer channel rebates and marketing programs for our Enterprise Security products. Our estimated reserves for channel volume incentive rebates are based on distributors' and resellers' performance compared to the terms and conditions of volume incentive rebate programs, which are typically entered into quarterly. We had reserves for Enterprise Security rebates and marketing programs of $5 million recorded in Other current liabilities as of June 29, 2018, and $6 million recorded against Accounts receivable, net as of March 30, 2018.

Consumer Digital Safety

We sell consumer products and services directly to end-users and consumer packaged software products through a multi-tiered distribution channel.

We offer various channel and end-user rebates for our Consumer Digital Safety products. Our estimated reserves for channel volume incentive rebates are based on distributors' and resellers' performance compared to the terms and conditions of volume incentive rebate programs, which are typically entered into quarterly. Our reserves for end-user rebates are estimated based on the terms and conditions of the promotional program, actual sales during the promotion, the amount of redemptions received, historical redemption trends by product and by type of promotional program, and the value of the rebate. We record estimated reserves for channel and end-user rebates as an offset to revenue or contract liabilities. We had reserves for Consumer Digital Safety rebates of $11 million recorded in Other current liabilities as of June 29, 2018 and $21 million recorded against Accounts receivable, net as of March 30, 2018.

For consumer products that include content updates, rebates are recognized as a ratable offset to revenue or contract liabilities over the term of the subscription.

Performance obligations

At contract inception, we assess the products and services promised in the contract to identify each performance obligation and evaluate whether the performance obligations are capable of being distinct and are distinct within the context of the contract. Performance obligations that are not both capable of being distinct and distinct within the context of the contract are combined and treated as a single performance obligation in determining the allocation and recognition of revenue. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. In determining whether products and services are considered distinct performance obligations, we assess whether the customer can benefit from the products and services on their own or together with other readily available resources, and whether our promise to transfer the product or service to the customer is separately identifiable from other promises in the contract.

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Our typical performance obligations include the following:

Performance Obligation	When Performance Obligations is Typically Satisfied
Products and services transferred at a point in time:	
License with distinct deliverables	When software activation keys have been made available for download
Hardware with distinct deliverables	When control of the product passes to the customer; typically upon shipment
Products and services transferred over time:	
License with interrelated deliverables	Over the expected performance term, beginning on the date that software activation keys are made available to the customer
Cloud hosted solutions	Over the contract term, beginning on the date that service is made available to the customer
Support and maintenance	Ratably over the course of the service term
Professional services	As the services are provided

Timing of revenue recognition

As a result of the adoption of the new revenue recognition guidance, the timing of recognition of certain of our performance obligations has changed. For example, certain term-based licenses with distinct performance obligations have a portion of revenue recognized up front when the software activation keys have been made available for download, whereas these arrangements were previously recognized over time. In addition, allocating the transaction price for perpetual software licenses and support on a relative standalone selling price basis under the new guidance has generally resulted in more revenue allocated to the upfront license compared to the residual method of allocation under the previous guidance. Conversely, certain of our perpetual licenses are not distinct from their accompanying support and maintenance under the new guidance and are now recognized over time.

The following table provides our revenue disaggregated by the timing of recognition under both the new guidance and the legacy guidance during the three months ended June 29, 2018.

(In millions)	As Reported	Amounts Without Adoption of New Standard	Effect of Change
Enterprise Security:			
Products and services transferred at a point in time	$ 99	$ 61	$ 38
Products and services transferred over time	$ 457	$ 490	$ (33)
Consumer Digital Safety:			
Products and services transferred at a point in time	$ 12	$ 12	$ —
Products and services transferred over time	$ 588	$ 588	$ —
Total			
Products and services transferred at a point in time	$ 111	$ 73	$ 38
Products and services transferred over time	$ 1,045	$ 1,078	$ (33)

Contract liabilities

Contract liabilities consist of deferred revenue and customer deposit liabilities and represent cash payments received or due in advance of our performance obligations. Deferred revenue represents billings under non-cancelable contracts before the related product or service is transferred to the customer. Certain arrangements in our Consumer Digital Safety segment include terms that allow the end user to terminate the contract and receive a pro-rata refund for a period of time. In these arrangements, we have concluded there are no enforceable rights and obligations during the period in which the option to cancel is exercisable by the customer and therefore the consideration received or due from the customer is recorded as a customer deposit liability.

During the three months ended June 29, 2018, we recognized $848 million of revenue from our beginning contract liabilities balance.

Contract acquisition costs

Sales commissions that are incremental to obtaining a customer contract for which revenue is deferred are accrued and capitalized, and subsequently amortized to sales and marketing expense on a straight-line basis over three years, the expected period of benefit. In arriving at the average period of benefit, we evaluate both qualitative and quantitative factors which include historical customer renewal rates, anticipated renewal periods, and the estimated useful life of the underlying product sold as part of the transaction. Commissions paid on renewals of support and maintenance are not commensurate with the initial commissions paid, and therefore the amortization period of commissions for initial contracts considers the estimated term of specific anticipated renewal contracts over the life of the customer.

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During the three months ended June 29, 2018, we recognized $23 million of amortization expense of capitalized contract acquisition costs. There were no impairment losses recognized during the period.

Remaining performance obligations

Remaining performance obligations represent contracted revenue that has not been recognized, which include contract liabilities and amounts that will be billed and recognized as revenue in future periods. As of June 29, 2018, we had $2.8 billion of remaining performance obligations and the approximate percentages expected to be recognized as revenue in the future are as follows:

(In millions, except percentages)	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue			
		0 - 12 Months	13 - 24 Months	25 - 36 Months	Over 36 Months
Enterprise Security	$ 1,747	65%	23 %	10 %	2 %
Consumer Digital Safety	1,053	96%	3 %	1 %	— %
Total	$ 2,800	77%	15 %	7 %	1 %

Note 4. Goodwill and Intangible Assets

Goodwill

The changes in the carrying amount of goodwill by segment are as follows:

(In millions)	Enterprise Security	Consumer Digital Safety	Total
Balance as of March 30, 2018	$ 5,734	$ 2,585	$ 8,319
Acquisitions	—	6	6
Translation adjustments	(2)	(1)	(3)
Balance as of June 29, 2018	$ 5,732	$ 2,590	$ 8,322

During the three months ended June 29, 2018, we completed the acquisition of a business for a net cash purchase price of $5 million.

Intangible assets, net

(In millions)	June 29, 2018			March 30, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 1,462	$ (409)	$ 1,053	$ 1,462	$ (357)	$ 1,105
Developed technology	1,039	(419)	620	1,037	(361)	676
Finite-lived trade names and other	13	(9)	4	13	(8)	5
Total finite-lived intangible assets	2,514	(837)	1,677	2,512	(726)	1,786
Indefinite-lived trade names	852	—	852	852	—	852
In-process research and development	3	—	3	5	—	5
Total intangible assets	$ 3,369	$ (837)	$ 2,532	$ 3,369	$ (726)	$ 2,643

Amortization expense for purchased intangible assets is summarized below:

(In millions)	Three Months Ended		Statements of Operations Classification
	June 29, 2018	June 30, 2017	
Customer relationships and other	$ 53	$ 59	Operating expenses
Developed technology	58	55	Cost of revenues
Total	$ 111	$ 114	

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As of June 29, 2018, future amortization expense related to intangible assets that have finite lives is as follows by fiscal year:

(In millions)	June 29, 2018
Remainder of 2019	$ 330
2020	434
2021	323
2022	262
2023	220
Thereafter	108
Total	$ 1,677

Note 5. Supplementary Information (in millions)

Cash and cash equivalents:

	June 29, 2018	March 30, 2018
Cash	$ 472	$ 1,016
Cash equivalents	1,529	758
Total cash and cash equivalents	$ 2,001	$ 1,774

Other current assets:

	June 29, 2018	March 30, 2018
Prepaid expenses	$ 184	$ 177
Income tax receivable and prepaid income taxes	79	107
Short-term deferred commissions	87	94
Assets held for sale	26	26
Other	125	118
Total other current assets	$ 501	$ 522

In October 2018, we completed the sale of certain land and buildings that were reported as assets held for sale as of June 29, 2018 and March 30, 2018 for a sales price of $26 million, net of selling costs, which was equal to their carrying value.

Property and equipment, net:

	June 29, 2018	March 30, 2018
Land	$ 65	$ 66
Computer hardware and software	1,083	1,081
Office furniture and equipment	106	110
Buildings	365	365
Leasehold improvements	328	339
Construction in progress	37	29
Total property and equipment, gross	1,984	1,990
Accumulated depreciation and amortization	(1,226)	(1,212)
Total property and equipment, net	$ 758	$ 778

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Other long-term assets:

	June 29, 2018	March 30, 2018
Cost method investments	$ 175	$ 175
Equity method investment	108	134
Long-term income tax receivable and prepaid income taxes	29	61
Deferred income tax assets	828	46
Long-term deferred commissions	88	35
Other	80	75
Total other long-term assets	$ 1,308	$ 526

Short-term contract liabilities:

	June 29, 2018	March 30, 2018
Deferred revenue	$ 1,686	$ 2,368
Customer deposit liabilities	451	—
Total short-term contract liabilities	$ 2,137	$ 2,368

Long-term income taxes payable:

	June 29, 2018	March 30, 2018
Deemed repatriation tax payable	$ 820	$ 824
Uncertain tax positions (including interest and penalties)	292	302
Total long-term income taxes payable	$ 1,112	$ 1,126

Other income (expense), net:

	Three Months Ended	
	June 29, 2018	June 30, 2017
Interest income	$ 7	$ 6
Loss from equity interest	(26)	—
Foreign exchange loss	(9)	(14)
Other	9	2
Total other expense, net	$ (19)	$ (6)

Note 6. Financial Instruments and Fair Value Measurements

For financial instruments measured at fair value, fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use when pricing the asset or liability.

The three levels of inputs that may be used to measure fair value are:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets or model-derived valuations. All significant inputs used in our valuations, such as discounted cash flows, are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. We monitor and review the inputs and results of these valuation models to help ensure the fair value measurements are reasonable and consistent with market experience in similar asset classes.

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Assets measured and recorded at fair value on a recurring basis

The following table summarizes our financial instruments measured at fair value on a recurring basis:

(In millions)	June 29, 2018 Fair Value	Level 1	Level 2	March 30, 2018 Fair Value	Level 1	Level 2
Assets:						
Cash equivalents:						
Money market funds	$1,418	$1,418	$—	$679	$679	$—
Certificates of deposit	111	—	111	79	—	79
Short-term investments:						
Corporate bonds	318	—	318	374	—	374
Commercial paper	—	—	—	2	—	2
Certificates of deposit	6	—	6	12	—	12
Total	$1,853	$1,418	$435	$1,146	$679	$467

The following table presents the contractual maturities of our investments in debt securities as of June 29, 2018:

(In millions)	Fair Value
Due in one year or less	$ 88
Due after one year through five years	236
Total	$ 324

Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay certain obligations.

Financial instruments not recorded at fair value on a recurring basis include our non-marketable equity investments, equity method investment and our long-term debt.

Non-marketable equity investments

Our non-marketable equity investments are investments in privately-held companies without a readily determinable fair value. Prior to March 31, 2018, we accounted for substantially all of these investments at cost less impairment and recognized realized gains or losses from sale or impairment in Other expense, net in our Condensed Consolidated Statements of Operations.

Effective March 31, 2018, we adopted the new accounting guidance related to the recognition and measurement of financial instruments. As a result, starting the first quarter of fiscal 2019, we measure these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. Gains and losses on these investments, whether realized or unrealized, are recognized in Other expense, net in our Condensed Consolidated Statements of Operations. As of June 29, 2018 and March 30, 2018, the carrying value of our non-marketable equity investments was $175 million.

Equity method investment

Our investment in equity securities that is accounted for using the equity method is included in Long-term other assets in our Condensed Consolidated Balance Sheets and consists of our equity investment in a privately-held company that had a carrying value of $108 million and $134 million at June 29, 2018 and March 30, 2018, respectively.

We recorded a loss from equity interests of $26 million during the three months ended June 29, 2018, in Other expense, net in our Condensed Consolidated Statements of Operations. This loss was reflected as a reduction in the carrying amount of our investment in equity interests in our Condensed Consolidated Balance Sheets.

The following table summarizes unaudited financial data from the privately-held company for the three months ended March 31, 2018, which was provided to us on a three-month lag:

(In millions)	
Revenue	$66
Gross profit	$53
Net loss	$(82)

Current and long-term debt

As of June 29, 2018 and March 30, 2018, the total fair value of our current and long-term fixed rate debt was $3.9 billion. The fair value of our variable rate debt approximated its carrying value. The fair values of all our debt obligations were based on Level 2 inputs.

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Note 7. Debt

The following table summarizes components of our long-term debt:

(In millions, except percentages)	June 29, 2018	March 30, 2018	Effective Interest Rate
Senior Term Loan A-2 due August 1, 2019	$600	$ 600	LIBOR plus (1)
4.2% Senior Notes due September 15, 2020	750	750	4.25 %
2.5% Convertible Senior Notes due April 1, 2021	500	500	3.76 %
Senior Term Loan A-5 due August 1, 2021	500	500	LIBOR plus (1)
2.0% Convertible Senior Notes due August 15, 2021	1,250	1,250	2.66 %
3.95% Senior Notes due June 15, 2022	400	400	4.05 %
5.0% Senior Notes due April 15, 2025	1,100	1,100	5.23 %
Total principal amount	5,100	5,100	
Less: Unamortized discount and issuance costs	(68)	(74)	
Total long-term debt	$5,032	$ 5,026	

(1) The senior term facilities bear interest at a rate equal to the London Interbank Offered Rate ("LIBOR") plus a margin based on the current debt rating of our non-credit-enhanced, senior unsecured long-term debt and the underlying loan agreements. The interest rates for the outstanding senior term loans are as follows:

	June 29, 2018	March 30, 2018
Senior Term Loan A-2 due August 1, 2019	3.88 %	3.31 %
Senior Term Loan A-5 due August 1, 2021	4.08 %	3.54 %

As of June 29, 2018, the future contractual maturities of debt by fiscal year are as follows:

(In millions)	June 29, 2018
2020	$ 600
2021	1,250
2022	1,750
2023	400
Thereafter	1,100
Total future maturities of debt	$ 5,100

Based on the closing price of our common stock of $20.65 on June 29, 2018, the if-converted values of our 2.5% and 2.0% Convertible Senior Notes exceeded the principal amount by approximately $116 million and $15 million, respectively.

The following table sets forth total interest expense recognized related to our 2.5% and 2.0% Convertible Senior Notes:

(In millions)	Three Months Ended June 29, 2018	June 30, 2017
Contractual interest expense	$ 9	$ 9
Amortization of debt discount and issuance costs	$ 4	$ 4

Revolving credit facility

We have an unsecured revolving credit facility to borrow up to $1.0 billion through May 10, 2021. For our current credit rating, borrowings under the credit facility are subject to the same interest rate as our Senior Term Loan A-2. We are obligated to pay commitment fees on the unused commitment at a rate based on our debt ratings. As of June 29, 2018 and March 30, 2018, there were no borrowings outstanding under this revolving credit facility.

Covenant compliance

The Senior Term Loan agreements A-2, A-5 and our revolving credit facility contain customary representations and warranties, affirmative and negative covenants, including compliance with specified financial ratios, non-financial covenants for financial reporting, and restrictions on subsidiary indebtedness, liens, stock repurchases and dividends (with exceptions permitting our regular quarterly dividend). Our Convertible Senior Notes agreements and the agreement for our 5.0% Senior Note due April 15, 2025 also require us to file periodic reports with the U.S. Securities and Exchange Commission (the “SEC”) by specified deadlines.

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As of June 29, 2018, we had not met the requirements in the Senior Term Loan agreements A-2, A-5, the revolving credit facility agreement, the Convertible Senior Notes agreements and the agreement for our 5.0% Senior Note due April 15, 2025 to deliver audited financial statements for our fiscal year ended March 30, 2018 and file our Annual Report on Form 10-K for such period with the SEC. In addition, we subsequently did not meet the requirements under the Convertible Senior Notes agreements and the agreement for our 5.0% Senior Note due April 15, 2025 to file our quarterly report on Form 10-Q for our fiscal quarter ended June 29, 2018 with the SEC by the specified deadline.
On June 22, 2018, we reached an agreement with lenders to waive the financial reporting requirements under the Senior Term Loan agreements A-2, A-5 and the revolving credit facility agreement through October 27, 2018. On October 26, 2018 we satisfied these requirements for our fiscal year ended March 30, 2018 by filing our Form 10-K for such period with the SEC.
The filing of our Form 10-K and this Form 10-Q for the first quarter ended June 29, 2018 also satisfied our SEC reporting requirements for our year ended March 30, 2018 and our quarter ended June 29, 2018, respectively, under the Convertible Senior Notes agreements and the agreement for our 5.0% Senior Note due April 15, 2025. However, we have not yet met our SEC reporting requirements under these notes for our quarterly period ended September 28, 2018.
The failure to meet these reporting requirements under the 5% Notes and the Convertible Senior Notes does not mature into the right for noteholders to take action until notice is received from noteholders and a grace period, as defined in the associated indentures, has passed. Furthermore, according to the Convertible Senior Note agreements, we have the option to remedy an event of default by paying additional interest for up to 360 days after the passage of the grace period. As of the date of this filing, no notice has been received from noteholders.
Because we expected as of June 29, 2018 that we will comply with all of our debt covenants before the applicable grace periods have passed and waivers have expired, we have classified all of the associated outstanding debt as long-term debt in our Condensed Consolidated Balance Sheets.

Note 8. Derivatives

We conduct business in numerous currencies throughout our worldwide operations and our entities hold monetary assets or liabilities, earn revenues and/or incur costs in currencies other than their functional currency. As a result, we are exposed to foreign exchange gains or losses which impact our operating results. As part of our foreign currency risk mitigation strategy, we have entered into foreign exchange forward contracts for up to six months in duration. We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of the changes in foreign exchange rates.
The notional amount of our outstanding foreign exchange forward contracts in U.S. dollar equivalent was as follows:

(In millions)	June 29, 2018	March 30, 2018
Foreign exchange forward contracts purchased	$ 856	$ 697
Foreign exchange forward contracts sold	$ 171	$ 151

The fair value of our foreign exchange forward contracts is presented on a gross basis in our Condensed Consolidated Balance Sheets. As of June 29, 2018 and March 30, 2018, the fair value was insignificant. To mitigate losses in the event of nonperformance by counterparties, we have entered into master netting arrangements with our counterparties that allow us to settle payments on a net basis. The effect of netting on our derivative assets and liabilities was not material as of June 29, 2018 and March 30, 2018.
Our foreign exchange forward contracts are not designated as hedging instruments. The related gain (loss) recognized in Other expense, net in our Condensed Consolidated Statements of Operations was as follows:

	Three Months Ended	
(In millions)	June 29, 2018	June 30, 2017
Foreign exchange forward contracts gain (loss)	$(36)	$ 10

Note 9. Restructuring, Transition and Other Costs

Our restructuring, transition and other costs consist primarily of severance, facilities, transition and other related costs. Severance costs generally include severance payments, outplacement services, health insurance coverage and legal costs. Included in other exit and disposal costs are advisory fees incurred in connection with restructuring events and facilities exit costs, which generally include rent expense and lease termination costs, less estimated sublease income. Transition costs are incurred in connection with Board of Directors approved discrete strategic information technology transformation initiatives and primarily consist of consulting charges associated with our enterprise resource planning and supporting systems and costs to automate business processes. In addition, transition costs include expenses associated with divestitures of our product lines.

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Fiscal 2017 Plan

We initiated a restructuring plan in the first quarter of fiscal 2017 to reduce complexity by means of long-term structural improvements (the "Fiscal 2017 Plan"), under which we reduced headcount and closed certain facilities. These actions were substantially completed at the end of our first quarter of fiscal 2019. As of June 29, 2018, liabilities for excess facility obligations at several locations around the world are expected to be paid throughout the respective lease terms, the longest of which extends through fiscal 2025.

Restructuring, transition and other costs summary

Our restructuring, transition and other costs are presented in the table below:

(In millions)	Three Months Ended June 29, 2018	June 30, 2017
Severance and termination benefit costs	$12	$ 27
Other exit and disposal costs	9	32
Asset write-offs	2	1
Transition costs	73	28
Total restructuring, transition and other costs	$96	$ 88

Restructuring summary

Our restructuring activities related to the Fiscal 2017 Plan are presented in the table below:

(In millions)	Balance as of March 30, 2018	Additional Accruals, Net of Adjustments	Cash Payments	Balance as of June 29, 2018	Cumulative Incurred to Date
Severance and termination benefit costs	$ 10	$ 12	$ (12)	$ 10	$ 149
Other exit and disposal costs	15	9	(8)	16	140
Total	$ 25	$ 21	$ (20)	$ 26	$ 289

The restructuring liabilities are included in Other current liabilities and Other long-term liabilities in our Condensed Consolidated Balance Sheets.

Note 10. Income Taxes

The following table summarizes our effective tax rate for income (loss) from continuing operations:

(In millions, except percentages)	Three Months Ended June 29, 2018	June 30, 2017
Loss from continuing operations before income taxes	$(69)	$(134)
Income tax benefit	$(4)	$(24)
Effective tax rate	6 %	18 %

For the three months ended June 29, 2018, we had no income tax expense on discontinued operations. For the three months ended June 30, 2017, we recorded an income tax expense of $41 million on discontinued operations.

Our effective tax rate for continuing operations for the three months ended June 29, 2018 was based on the statutory tax rate of 21%. Our effective tax rate for continuing operations for the three months ended June 29, 2018 differs from the federal statutory income tax rate primarily due to the benefits of lower-taxed international earnings, the research and development tax credit and foreign derived intangible income deduction, partially offset by tax expense from certain intercompany transactions and various permanent differences.

Our effective tax rate for continuing operations for the three months ended June 30, 2017 was based on the historic statutory tax rate of 35%. Our effective tax rate for continuing operations for the three months ended June 30, 2017 differs from the federal statutory income tax rate primarily due to the benefits of lower-taxed international earnings, the research and development tax credit, and excess tax benefits related to stock-based compensation, partially offset by various permanent differences.

As of June 29, 2018, we have not completed our accounting for the tax effects of the enactment of the Act; however, in certain cases, as described below, we have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax. These amounts may require further adjustments as a result of additional future guidance from the U.S. Department of the Treasury, changes in our assumptions, and the availability of further information and interpretations. On August 21, 2018, the U.S. Internal Revenue Service ("IRS") issued a notice providing additional guidance on the application of

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new provisions under Section 162(m) regarding deductibility of stock-based compensation enacted with the Act. On September 13, 2018, the U.S. Department of Treasury released proposed regulations under the global intangible low taxed Income (“GILTI”) regime of the Act. We are in the process of evaluating the impact of the proposed regulations and notices on our provisional estimate for transition tax liability.

The Act contained a one-time transition tax that is based on our total post-1986 earnings and profits (“E&P”) that we previously deferred from U.S. income taxes. In fiscal 2018, we recorded a provisional amount for our one-time transition tax liability of our foreign subsidiaries. We have not yet completed our calculation of the total post-1986 E&P for these foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. This amount may change when we finalize the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalize the amounts held in cash or other specified assets. Future accounting guidance may also change our provisional estimates for the transition tax. On August 1, 2018, the IRS and U.S. Department of Treasury issued proposed regulations on the one-time transition tax under Section 965 on untaxed foreign earnings of U.S. controlled foreign companies and other specified foreign corporations, which was enacted under the Act. Additional guidance on the transition tax was provided in the form of an IRS notice on October 1, 2018. During the three months ended June 29, 2018, we recorded a tax benefit of approximately $5 million to reduce our provisional estimate for the transition tax liability.

We have not completed our analysis of the deferred tax accounting for the new taxes on GILTI and, therefore, have not recorded provisional amounts. We have not determined whether our accounting policy will be to record these amounts as deferred taxes or as period costs. We do not have sufficient information to complete the analysis and are awaiting potential further guidance required to evaluate the impact of deferred tax accounting for these provisions. As of June 29, 2018, because we are still evaluating the GILTI provisions and our analysis of future taxable income that is subject to GILTI, we have only considered the GILTI impact related to current-year operations in our estimated annual effective tax rate and have not provided deferred taxes for future reversal of GILTI timing items.

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involves multiple tax periods and jurisdictions, it is reasonably possible that the gross unrecognized tax benefits related to these audits could decrease, whether by payment, release, or a combination of both, in the next 12 months by $13 million, which could reduce our income tax provision and therefore benefit the resulting effective tax rate.

We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions.

Note 11. Stockholders' Equity

Dividends

The following table summarizes dividends declared and paid and dividend equivalents paid for the periods presented:

	Three Months Ended			
(In millions, except per share data)	June 29, 2018		June 30, 2017	
Dividends declared and paid	$	47	$	46
Dividend equivalents paid	13		20	
Total dividends and dividend equivalents paid	$	60	$	66

On August 2, 2018, we announced a cash dividend of $0.075 per share of common stock to be paid in September 2018. On November 1, 2018, we announced a cash dividend of $0.075 per share of common stock to be paid in December 2018. All shares of common stock issued and outstanding and all restricted stock units ("RSUs") and performance-based restricted stock units ("PRUs") as of the record date will be entitled to the dividend and dividend equivalents, respectively. Any future dividends and dividend equivalents will be subject to the approval of our Board of Directors.

Stock Repurchase Program

Under our current stock repurchase program, we may purchase shares of our outstanding common stock through open market and through accelerated stock repurchase transactions. As of June 29, 2018, the remaining balance of our stock repurchase authorization was $800 million and does not have an expiration date.

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Accumulated other comprehensive income (loss)

Components of Accumulated other comprehensive income (loss), net of taxes, were as follows:

(In millions)	Foreign Currency Translation Adjustments	Unrealized Loss on Available-For-Sale Securities	Total
Balance as of March 30, 2018	$ 8	$ (4)	$4
Other comprehensive loss before reclassifications	(24)	—	(24)
Balance as of June 29, 2018	$ (16)	$ (4)	$(20)

Note 12. Stock-Based Compensation

Stock-based compensation expense

The following table sets forth the stock-based compensation expense recognized for our equity incentive plans:

(In millions)	Three Months Ended June 29, 2018	June 30, 2017
Cost of revenues	$5	$ 6
Sales and marketing	31	43
Research and development	39	41
General and administrative	38	57
Total stock-based compensation expense	$113	$ 147
Income tax benefit for stock-based compensation expense	$(26)	$ (51)

The following table summarizes additional information related to our stock-based compensation:

(In millions, except per grant data)	Three Months Ended June 29, 2018	June 30, 2017
RSUs:		
Weighted-average fair value per award granted	$21.71	$ 29.91
Awards granted	10	7
Total fair value of awards released	$167	$ 170
Outstanding and unvested	20	23
PRUs:		
Weighted-average fair value per award granted	$—	$ 33.96
Awards granted	—	3
Total fair value of awards released	$8	$ 21
Outstanding and unvested at target payout	3	8
Stock options:		
Total intrinsic value of stock options exercised	$7	$ 17
Outstanding and unvested	13	18
Restricted stock:		
Outstanding and unvested	1	—

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PRUs

As of June 29, 2018, 12 million PRUs that vested on March 30, 2018 remained unreleased.

Liability-classified awards settled in shares

For certain employees, we settled fiscal 2018 bonuses in approximately 1 million RSUs. These awards were granted and vested in the first quarter of fiscal 2019. Certain fiscal 2019 bonuses are expected to be settled in RSUs in the first quarter of fiscal 2020. As of June 29, 2018 and March 30, 2018, the total liability associated with liability-classified awards was $8 million and $25 million, respectively which is presented in Accrued compensation and benefits in our Condensed Consolidated Balance Sheets.

As of June 29, 2018, the total unrecognized stock-based compensation costs, net of estimated forfeitures, were as follows:

(In millions)	Unrecognized compensation cost	Weighted-average remaining years
RSUs	$ 329	2.1 years
PRUs	50	1.5 years
Options	27	1.0 year
Restricted stock	32	2.1 years
Liability-classified awards settled in shares	40	1.4 years
Employee stock purchase plan	4	0.2 years
Total	$ 482	

Note 13. Net Income Per Share

Basic income per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share also includes the incremental effect of dilutive potentially issuable common shares outstanding during the period using the treasury stock method. Dilutive potentially issuable common shares includes the dilutive effect of the shares underlying convertible debt and employee equity awards. Diluted loss per share was the same as basic loss per share for each of the three months ended June 29, 2018 and June 30, 2017, as there was a loss from continuing operations in the periods and inclusion of potentially issuable shares was anti-dilutive.

The components of basic and diluted net income (loss) per share are as follows:

(In millions, except per share amounts)	Three Months Ended June 29, 2018	Three Months Ended June 30, 2017
Loss from continuing operations	$(65)	$(110)
Income (loss) from discontinued operations, net of income taxes	5	(23)
Net loss	$(60)	$(133)
Income (loss) per share - basic and diluted:		
Continuing operations	$(0.10)	$(0.18)
Discontinued operations	$0.01	$(0.04)
Net loss per share - basic and diluted (1)	$(0.10)	$(0.22)
Weighted-average shares outstanding - basic and diluted	624	609
Anti-dilutive shares excluded from diluted net income per share calculation:		
Convertible debt	91	91
Employee equity awards	55	53
Total	146	144

(1) Net loss per share amounts may not add due to rounding.

Under the treasury stock method, our Convertible Senior Notes will generally have a dilutive impact on net income per share when our average stock price for the period exceeds approximately $16.77 per share for the 2.5% Convertible Senior Notes and $20.41 per share for the 2.0% Convertible Senior Notes. The conversion feature of both notes was anti-dilutive during the three months ended June 29, 2018 and June 30, 2017 as there was a loss from continuing operations in the periods.

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Note 14. Segment and Geographic Information

We operate in the following two reporting segments, which are the same as our operating segments:

- Enterprise Security. Our Enterprise Security segment focuses on providing solutions to protect organizations so they can securely conduct business while leveraging new platforms and data. Our Enterprise Security portfolio includes products, services and solutions that are delivered as part of an Integrated Cyber Defense Platform.
- Consumer Digital Safety. Our Consumer Digital Safety segment focuses on providing a comprehensive Digital Safety solution to protect information, devices, networks and the identities of consumers. This solution includes our Norton-branded security solutions and LifeLock identity theft protection solutions.

Operating segments are based upon the nature of our business and how our business is managed. Our Chief Operating Decision Makers ("CODM"), consisting of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), use our operating segment financial information to evaluate segment performance and to allocate resources.

There were no inter-segment sales for the periods presented. The following table summarizes the operating results of our reportable segments:

(In millions)	Three Months Ended June 29, 2018	June 30, 2017
Total Segments:		
Net revenues	$1,156	$ 1,175
Operating income	$319	$ 324
Enterprise Security:		
Net revenues	$556	$ 646
Operating income	$56	$ 94
Consumer Digital Safety:		
Net revenues	$600	$ 529
Operating income	$263	$ 230

We do not allocate to our operating segments certain operating expenses that we manage separately at the corporate level and are not used in evaluating the results of, or in allocating resources to, our segments. These unallocated expenses consist primarily of stock-based compensation expense; amortization of intangible assets; restructuring, transition and other costs; and acquisition-related costs.

The following table provides a reconciliation of our total reportable segments' operating income to our total operating income (loss):

(In millions)	Three Months Ended June 29, 2018	June 30, 2017
Total segment operating income	$319	$ 324
Reconciling items:		
Stock-based compensation expense	113	147
Amortization of intangible assets	111	114
Restructuring, transition and other costs	96	88
Acquisition-related costs	2	19
Other	(5)	—
Total consolidated operating income (loss) from continuing operations	$2	$ (44)

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The following table summarizes net revenues by significant products and services categories:

(In millions)	Three Months Ended June 29, 2018	June 30, 2017
Enterprise Security:		
Endpoint and information protection	$253	$ 237
Network and web security	173	172
Website security and public key infrastructure	—	103
Other products and services	130	134
Total Enterprise Security	$556	$ 646
Consumer Digital Safety:		
Consumer security	$369	$ 371
Identity and information protection	231	158
Total Consumer Digital Safety	600	529
Total net revenues	$1,156	$ 1,175

Endpoint and information protection products include endpoint security, advanced threat protection, and information protection solutions and their related support services. Network and web security products include network security, web security, and cloud security solutions and their related support services. Website security and public key infrastructure products consist of the solutions we divested on October 31, 2017. Other products and services primarily consist of email security products, managed security services, consulting and other professional services. Consumer security products include Norton security, Norton Secure VPN, and other consumer security solutions. Identity and information protection products include LifeLock identity theft protection and other information protection solutions.

Geographical information

Net revenues by geography are based on the billing addresses of our customers. The following table represents net revenues by geographic area for the periods presented:

(In millions)	Three Months Ended June 29, 2018	June 30, 2017
Americas	$734	$ 736
EMEA	243	250
APJ	179	189
Total net revenues	$1,156	$ 1,175

The Americas include U.S., Canada and Latin America; EMEA includes Europe, Middle East and Africa; APJ includes Asia Pacific and Japan.

Revenues from customers inside the U.S. were $688 million and $679 million during the three months ended June 29, 2018 and June 30, 2017, respectively. No other individual country accounted for more than 10% of revenues.

Most of our assets, excluding cash and cash equivalents and short-term investments, as of June 29, 2018 and June 30, 2017, were attributable to our U.S. operations. The table below represents cash, cash equivalents and short-term investments held in the U.S. and internationally in various foreign subsidiaries.

(In millions)	June 29, 2018	March 30, 2018
U.S.	$ 1,627	$ 858
International	698	1,304
Total cash, cash equivalent and short-term investments	$ 2,325	$ 2,162

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The table below represents our property and equipment, net of accumulated depreciation and amortization, by geographic area, based on the physical location of the asset, at the end of each period presented.

(In millions)	June 29, 2018	March 30, 2018
U.S.	$ 663	$ 677
International [(1)]	95	101
Total property and equipment, net	$ 758	$ 778

(1) No individual country represented more than 10% of the respective totals.

Significant customers

In the three months ended June 29, 2018 and June 30, 2017, no customer accounted for more than 10% of our net revenues.

As of June 29, 2018 and March 30, 2018, customers, which are distributors, that accounted for over 10% of our net accounts receivable, are as follows:

	June 29, 2018	March 30, 2018
Customer A	15 %	22 %
Customer B	N/A	15 %

Note 15. Commitments and Contingencies

Lease commitments

Our operating leases primarily consist of leases of our facilities and data center co-locations. As of June 29, 2018, the minimum future rentals on non-cancelable operating leases by fiscal year are as follows:

(In millions)	June 29, 2018
Remainder of 2019	$ 66
2020	50
2021	42
2022	30
2023	21
Thereafter	43
Total minimum future lease payments	252
Sublease income	(13)
Total minimum future payments, net	$ 239

Purchase obligations

As of June 29, 2018, we had purchase obligations of $619 million associated with agreements for purchases of goods or services. Management believes that cancellation of these contracts is unlikely and we expect to make future cash payments according to the contract terms.

Deemed repatriation taxes

As of June 29, 2018, we are required to pay a one-time transition tax of $892 million on untaxed foreign earnings of our foreign subsidiaries in annual installments over the next eight years as a result of the Act. See Note 10 for further information on the transition tax.

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Indemnifications

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, subsidiaries and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements or representations and warranties made by us. In addition, our bylaws contain indemnification obligations to our directors, officers, employees and agents, and we have entered into indemnification agreements with our directors and certain of our officers to give such directors and officers additional contractual assurances regarding the scope of the indemnification set forth in our bylaws and to provide additional procedural protections. We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and officers. It is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements might not be subject to maximum loss clauses. Historically, we have not incurred material costs as a result of obligations under these agreements and we have not accrued any liabilities related to such indemnification obligations.

In connection with the sale of Veritas, we assigned several leases to Veritas Technologies LLC or its related subsidiaries. As a condition to consenting to the assignments, certain lessors required us to agree to indemnify the lessor under the applicable lease with respect to certain matters, including, but not limited to, losses arising out of Veritas Technologies LLC or its related subsidiaries' breach of payment obligations under the terms of the lease. As with our other indemnification obligations discussed above and in general, it is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. As with our other indemnification obligations, such indemnification agreements might not be subject to maximum loss clauses and to date, generally under our real estate obligations, we have not incurred material costs as a result of such obligations under our leases and have not accrued any liabilities related to such indemnification obligations.

We provide limited product warranties and the majority of our software license agreements contain provisions that indemnify licensees of our software from damages and costs resulting from claims alleging that our software infringes on the intellectual property rights of a third party. Historically, payments made under these provisions have been immaterial. We monitor the conditions that are subject to indemnification to identify if a loss has occurred.

Litigation contingencies

Audit Committee Investigation

Several securities class action and derivative lawsuits were filed against us following our announcement on May 10, 2018 of the Audit Committee of our Board of Directors' (the "Audit Committee") internal investigation (the "Audit Committee Investigation"), including an action brought derivatively on behalf of Symantec's 2008 Employee Stock Purchase Plan. In addition, we have received certain demands from purported stockholders to inspect corporate books and records under Delaware law. No specific amounts of damages have been alleged in these lawsuits. We will continue to incur legal fees in connection with these pending cases, including expenses for the reimbursement of legal fees of present and former officers and directors under indemnification obligations. The expense of continuing to defend such litigation may be significant. We intend to defend these lawsuits vigorously, but there can be no assurance that we will be successful in any defense. If any of the lawsuits related to our Audit Committee Investigation are decided adversely, we may be liable for significant damages directly or under our indemnification obligations, which could adversely affect our business, results of operations and cash flows. At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible as a result of these lawsuits or estimate the range of any potential loss.

GSA

During the first quarter of fiscal 2013, we were advised by the Commercial Litigation Branch of the Department of Justice's ("DOJ") Civil Division and the Civil Division of the U.S. Attorney's Office for the District of Columbia that the government is investigating our compliance with certain provisions of our U.S. General Services Administration ("GSA") Multiple Award Schedule Contract No. GS-35F-0240T effective January 24, 2007, including provisions relating to pricing, country of origin, accessibility, and the disclosure of commercial sales practices.

As reported on the GSA's publicly-available database, our total sales under the GSA Schedule contract were approximately $222 million from the period beginning January 2007 and ending September 2012. We have fully cooperated with the government throughout its investigation and in January 2014, representatives of the government indicated that their initial analysis of our actual damages exposure from direct government sales under the GSA schedule was approximately $145 million; since the initial meeting, the government's analysis of our potential damages exposure relating to direct sales has increased. The government has also indicated they are going to pursue claims for certain sales to California, Florida, and New York as well as sales to the federal government through reseller GSA Schedule contracts, which could significantly increase our potential damages exposure.

In 2012, a sealed civil lawsuit was filed against Symantec related to compliance with the GSA Schedule contract and contracts with California, Florida, and New York. On July 18, 2014, the Court-imposed seal expired, and the government intervened in the lawsuit. On September 16, 2014, the states of California and Florida intervened in the lawsuit, and the state of New York notified the Court that it would not intervene. On October 3, 2014, the DOJ filed an amended complaint, which did not state a specific damages amount. On October 17, 2014, California and Florida combined their claims with those of the DOJ and the relator on behalf of New York in an Omnibus Complaint, and a First Amended Omnibus Complaint was filed on October 8, 2015; the state claims also do not state specific damages amounts.

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It is possible that the litigation could lead to claims or findings of violations of the False Claims Act, and could be material to our results of operations and cash flows for any period. Resolution of False Claims Act investigations can ultimately result in the payment of somewhere between one and three times the actual damages proven by the government, plus civil penalties in some cases, depending upon a number of factors. Our current estimate of the low end of the range of the probable estimated loss from this matter is $25 million, which we have accrued. This amount contemplates estimated losses from both the investigation of compliance with the terms of the GSA Schedule contract as well as possible violations of the False Claims Act. There is at least a reasonable possibility that a loss may have been incurred in excess of our accrual for this matter, however, we are currently unable to determine the high end of the range of estimated losses resulting from this matter.

Other

We are involved in a number of other judicial and administrative proceedings that are incidental to our business. Although adverse decisions (or settlements) may occur in one or more of the cases, it is not possible to estimate the possible loss or losses from each of these cases. The final resolution of these lawsuits, individually or in the aggregate, is not expected to have a material adverse effect on our business, results of operations, financial condition or cash flows.

Note 16. Subsequent Events

Restructuring plan

On August 2, 2018, we announced a restructuring plan under which we will initiate targeted reductions of our global workforce of up to approximately 8%. We estimate that we will incur total costs in connection with the restructuring plan of approximately $50 million, primarily for severance and termination benefits. These actions are expected to be completed in fiscal 2019.

Purchase obligations

In September 2018, we entered into a five-year purchase agreement with a service provider for a total contract value of $500 million.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking statements and factors that may affect future results

The discussion below contains forward-looking statements, which are subject to safe harbors under the Securities Act of 1933, as amended (the “Securities Act”) and the Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements include references to our ability to utilize our deferred tax assets, as well as statements including words such as “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “goal,” “intent,” “momentum,” “ and similar expressions. In addition, projections of our future financial performance; anticipated growth and trends in our businesses and in our industries; the anticipated impacts of acquisitions, restructurings, stock repurchases and investment activities; the outcome or impact of pending litigation, claims or disputes; our intent to pay quarterly cash dividends in the future; plans for and anticipated benefits of our solutions; matters arising out of our completed Audit Committee Investigation and the ongoing U.S. Securities and Exchange Commission (the “SEC”) investigation; and other characterizations of future events or circumstances are forward-looking statements. These statements are only predictions, based on our current expectations about future events and may not prove to be accurate. We do not undertake any obligation to update these forward-looking statements to reflect events occurring or circumstances arising after the date of this report. These forward-looking statements involve risks and uncertainties, and our actual results, performance, or achievements could differ materially from those expressed or implied by the forward-looking statements on the basis of several factors, including those that we discuss in Part II Item 1A, of this quarterly report on Form 10-Q. We encourage you to read that section carefully.

OVERVIEW

We are a global leader in cyber security and provide cyber security products, services and solutions to organizations and individuals worldwide. Our Enterprise Security portfolio includes a deep and broad mix of products, services and solutions, delivered as part of an Integrated Cyber Defense Platform, which unifies cloud and on-premises security to provide advanced threat protection and information protection across all endpoints, networks, email, and cloud applications. Our Cyber Safety Solutions (delivered through our Norton and LifeLock offerings) help consumers protect their information, identities, devices and networks at home and online.

Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The first quarter of fiscal 2019 and fiscal 2018 both consisted of 13 weeks. Our 2019 fiscal year consists of 52 weeks and ends on March 29, 2019.

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Key financial metrics

The following tables provides our key financial metrics for the periods presented:

(In millions, except for per share amounts)	Three Months Ended June 29, 2018	June 30, 2017
Net revenues	$1,156	$1,175
Operating income (loss)	$2	$(44)
Net loss	$(60)	$(133)
Net loss per share - diluted	$(0.10)	$(0.22)
Cash provided by operating activities	$331	$213

(In millions)	As Of June 29, 2018	March 30, 2018
Cash, cash equivalents and short-term investments	$2,325	$2,162
Contract liabilities	$2,767	$3,103

- Net revenues decreased 2% in the first quarter of fiscal 2019 compared to the corresponding period in the prior year, primarily as a result of the divestiture of our website security (“WSS”) and public key infrastructure (“PKI”) solutions in the third quarter of fiscal 2018, partially offset by an increase in revenue from our consumer identity and information protection solutions.
- Operating income increased primarily due to decreases in stock-based compensation expense and outside services compared to the corresponding period in the prior year, partially offset by the absence of operating income from our divested WSS and PKI solutions in the first quarter of fiscal 2019.
- Net loss and diluted net loss per share decreased primarily due to increased operating income and lower interest expense.
- Cash flow from operating activities was $331 million in the first quarter of fiscal 2019 compared to $213 million in corresponding period in the prior year. Changes in operating assets and liabilities in the first quarter of fiscal 2019 included a decrease of $321 million in Accounts receivable primarily due to the combination of higher collections and lower billings in the first quarter of fiscal 2019 compared to the fourth quarter of fiscal 2018.
- Cash, cash equivalents and short-term investments increased compared to the balance as of March 30, 2018, primarily due to cash provided by operations during the first quarter of fiscal 2019, partially offset by dividend and dividend equivalents payments of $60 million, purchases of property and equipment of $44 million and tax withholding payments of $42 million related to restricted stock units (“RSUs”).
- Contract liabilities decreased $336 million compared to the balance as of March 30, 2018, primarily due to a decrease of $169 million as a result of the adoption of the new revenue recognition standard and lower billings in the first quarter of fiscal 2019 compared to the fourth quarter of fiscal 2018.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our Condensed Consolidated Financial Statements and related notes in accordance with generally accepted accounting principles in the U.S. requires us to make estimates, including judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates on a regular basis and make changes accordingly. Management believes that the accounting estimates employed and the resulting amounts are reasonable; however, actual results may differ from these estimates. Making estimates and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and cash flows.

The critical accounting policies and estimates were disclosed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended March 30, 2018. There have been no material changes in the matters for which we make critical accounting estimates in the preparation of our Condensed Consolidated Financial Statements during the first quarter of fiscal 2019, except for changes as a result of the adoption of the new revenue recognition accounting standard.

Revenue recognition

We recognize revenue primarily pursuant to the requirements under the authoritative guidance on contracts with customers. Revenue recognition requirements are very complex and require us to make estimates and assumptions. We enter into arrangements with multiple performance obligations, which may include hardware, software licenses, cloud services, support and maintenance, and professional services. We allocate revenue to each performance obligation on a relative fair value basis based on management's estimate of stand-alone selling price ("SSP"). Judgments are required to determine the SSP for each performance obligation. The determination of SSP is made by taking into consideration observable prices in historical transactions. When observable prices in historical transactions are not available or are inconsistent, we estimate SSP based on observable prices in historical transactions of similar products, pricing discount practices, product margins, and other factors that may vary over time depending upon the unique facts and circumstances related to each performance obligation. Changes to the performance obligations in an arrangement, the judgments required to estimate the SSP for the respective performance obligations, and increasing variability in contractual arrangements could materially impact the amount and timing of revenue recognition.

RESULTS OF OPERATIONS

The following table sets forth our Condensed Consolidated Statements of Operations data as a percentage of net revenues for the periods indicated:

	Three Months Ended [1]	
	June 29, 2018	June 30, 2017
Net revenues	100 %	100 %
Cost of revenues	22	22
Gross profit	78	78
Operating expenses:		
Sales and marketing	33	37
Research and development	21	20
General and administrative	12	13
Amortization of intangible assets	5	5
Restructuring, transition and other costs	8	7
Total operating expenses	78	82
Operating income (loss)	—	(4)
Interest expense	(4)	(7)
Other expense, net	(2)	(1)

Loss from continuing operations before income taxes	(6)	(11)
Income tax benefit	—	(2)
Loss from continuing operations	(6)	(9)
Income (loss) from discontinued operations, net of income taxes	—	(2)
Net loss	(5)%	(11)%

(1) Percentages may not add due to rounding.

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Net revenues

(In millions, except for percentages)	Three Months Ended June 29, 2018	June 30, 2017	Change in %
Net revenues	$1,156	$1,175	(2)%

Net revenues decreased $19 million primarily due to a $90 million decrease in revenue from our Enterprise Security segment as a result of the divestiture of our WSS and PKI solutions, offset by an increase of $71 million in revenue from our Consumer Digital Safety segment due to increased revenue from identity and information protection solutions.

Net revenues by geographical region

	Three Months Ended June 29, 2018	June 30, 2017
Americas	64%	63 %
EMEA	21%	21 %
APJ	15%	16 %

The Americas include U.S., Canada and Latin America; EMEA includes Europe, Middle East and Africa; and APJ includes Asia Pacific and Japan.

Cost of revenues

(In millions, except for percentages)	Three Months Ended June 29, 2018	June 30, 2017	Change in %
Cost of revenues	$249	$ 257	(3)%

Our cost of revenues decreased $8 million primarily due to an $18 million decrease in technical support costs partially due to the impact of our divested WSS and PKI solutions, mostly offset by a $17 million increase in royalty fees associated with our consumer identity and information protection solutions.

Operating expenses

(In millions, except for percentages)	Three Months Ended June 29, 2018	June 30, 2017	Change in %
Sales and marketing	$386	$ 433	(11)%
Research and development	237	233	2 %
General and administrative	133	149	(11)%
Amortization of intangible assets	53	59	(10)%
Restructuring, transition and other costs	96	88	9 %
Total	$905	$ 962	(6)%

Sales and marketing expense decreased $47 million primarily due to decreases of approximately $20 million related to our divested WSS and PKI solutions and $12 million in stock-based compensation expense.

Research and development expense was relatively flat compared to the corresponding period in fiscal 2018.

General and administrative expense decreased $16 million primarily due to a $19 million decrease in stock-based compensation expense.

Amortization of intangible assets did not change significantly compared to the corresponding period in fiscal 2018.

Restructuring, transition and other costs increased $8 million primarily due to an increase of $45 million in transition costs primarily consisting of projects costs related to our enterprise resource planning and supporting systems, partially offset by a decrease of $38 million in restructuring costs as our restructuring plan announced in fiscal 2017 was substantially completed during the first quarter of fiscal 2019. See Note 9 to the Condensed Consolidated

Financial Statements for more information about charges related to our restructuring plan.

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Non-operating expense, net

(In millions)	Three Months Ended June 29, 2018	June 30, 2017
Interest expense	$(52)	$ (84)
Interest income	7	6
Loss from equity interest	(26)	—
Foreign exchange loss	(9)	(14)
Other expense, net	9	2
Total non-operating expense, net	$(71)	$ (90)

Non-operating expense, net, decreased by $19 million primarily due to a $32 million decrease in interest expense during the first quarter of fiscal 2019 compared to the corresponding period in fiscal 2018 as a result of lower outstanding borrowings due to repayments during fiscal 2018, partially offset by a $26 million loss during the first quarter of fiscal 2019 from our equity method investment received in connection with the divestiture of our WSS and PKI solutions.

Provision for income taxes

(In millions, except for percentages)	Three Months Ended June 29, 2018	June 30, 2017
Loss from continuing operations before income taxes	$(69)	$(134)
Income tax benefit	$(4)	$(24)
Effective tax rate on loss from continuing operations	6 %	18 %

For the first quarter of fiscal 2019 and fiscal 2018, we recorded an income tax expense of $0 million and $41 million, respectively, on discontinued operations.

Our effective tax rate for continuing operations for the first quarter of fiscal 2019 was based on the statutory tax rate of 21%. Our effective tax rate for continuing operations for the first quarter of fiscal 2019 differs from the federal statutory income tax rate of primarily due to the benefits of lower-taxed international earnings, the research and development tax credit and foreign derived intangible income deduction, partially offset by tax expense from certain intercompany transactions and various permanent differences.

Our effective tax rate for continuing operations for the first quarter of fiscal 2018 was based on the historic statutory tax rate of 35%. Our effective tax rate for continuing operations for the first quarter of fiscal 2018 differs from the federal statutory income tax rate primarily due to the benefits of lower-taxed international earnings, the research and development tax credit, and excess tax benefits related to stock-based compensation, partially offset by various permanent differences.

See Note 10 to the Consolidated Financial Statements for further information on the provisional impact from the Tax Cuts and Jobs Act.

We are a U.S.-based multinational company subject to tax in multiple U.S. and international tax jurisdictions. A substantial portion of our international earnings were generated from subsidiaries organized in Ireland and Singapore. Our results of operations would be adversely affected to the extent that our geographical mix of income becomes more weighted toward jurisdictions with higher tax rates and would be favorably affected to the extent the relative geographic mix shifts to lower tax jurisdictions. Any change in our mix of earnings is dependent upon many factors and is therefore difficult to predict.

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involve multiple tax periods and jurisdictions, it is reasonably possible that the gross unrecognized tax benefits related to these audits could decrease, whether by payment, release, or a combination of both, in the next 12 months by $13 million, which could reduce our income tax

provision and therefore benefit the resulting effective tax rate.
We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions.
Segment operating results
We do not allocate to our operating segments certain operating expenses that we manage separately at the corporate level and are not used in evaluating the results of, or in allocating resources to, our segments. These unallocated expenses primarily consist of stock-based compensation expense, amortization of intangible assets, restructuring, transition and other costs, and acquisition-related costs in all periods presented. See Note 14 to the Condensed Consolidated Financial Statements for more information.

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Enterprise Security Segment

	Three Months Ended		
(In millions, except for percentages)	June 29, 2018	June 30, 2017	Change in %
Net revenues	$556	$646	(14)%
Percentage of net revenues	48 %	55 %	
Operating income	$56	$94	(40)%
Operating margin	10 %	15 %	

Revenue decreased $90 million, primarily due to a $103 million decrease in revenue as a result of our fiscal 2018 divestiture of the WSS and PKI solutions. Operating income decreased $38 million primarily due to our October 2017 divestiture of our WSS and PKI solutions which contributed $59 million to operating income in the first quarter of fiscal 2018.

Consumer Digital Safety Segment

	Three Months Ended		
(In millions, except for percentages)	June 29, 2018	June 30, 2017	Change in %
Net revenues	$600	$529	13 %
Percentage of net revenues	52 %	45 %	
Operating income	$263	$230	14 %
Operating margin	44 %	43 %	

Revenue increased $71 million due to a $73 million increase in revenue from sales of our identity and information protection solutions attributable to increased customer count and increased revenue per customer. Operating income increased $33 million, primarily due to increased revenue, partially offset by increased allocated corporate costs of $27 million and increased cost of revenue of $18 million.

LIQUIDITY, CAPITAL RESOURCES AND CASH REQUIREMENTS

We have historically relied on cash generated from operations, borrowings under credit facilities, issuances of debt, and proceeds from divestitures for our liquidity needs.

As of June 29, 2018, we had cash, cash equivalents and short-term investments of $2.3 billion, of which $698 million was held by our foreign subsidiaries. Our cash, cash equivalents and short-term investments are managed with the objective to preserve principal, maintain liquidity, and generate investment returns. Under the transition tax of the Act, we have treated all previously untaxed foreign earnings as taxable in the U.S. and as a result we recorded a provisional liability for the one-time transition tax, payable in annual installments over eight years, of $892 million in fiscal 2019. The move to a participation exemption system under the Act allows us to make distributions of non-U.S. earnings to the U.S. without incurring additional U.S. federal tax, however these distributions may be subject to applicable State or non-U.S. taxes. We have not recognized deferred income taxes for local country income and withholding taxes that could be incurred on distributions of certain non-U.S. earnings or for outside basis differences in our subsidiaries, because we plan to indefinitely reinvest such earnings and basis differences.

We also have an undrawn credit facility of $1.0 billion which expires in May 2021.

Our principal cash requirements are primarily to meet our working capital needs, support on-going business activities, including the payment of taxes, fund capital expenditures, service existing debt, and invest in business acquisitions. As a part of our plan to deleverage our balance sheet, we may from time to time make optional repayments of our debt obligations, which may include repurchases of our outstanding debt, depending on various factors such as market conditions.

Our capital allocation strategy is to balance driving stockholder returns, managing financial risk, and preserving our flexibility to pursue strategic options, including acquisitions. Historically this has included a quarterly cash dividend, the repayment of debt and the repurchase of our common stock.

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Cash flows

The following summarizes our cash flow activities:

(In millions)	Three Months Ended June 29, 2018	June 30, 2017
Net cash provided by (used in):		
Operating activities	$331	$213
Investing activities	$10	$(54)
Financing activities	$(98)	$(2,126)

Cash from operating activities

Our cash flows from operations in the first quarter of fiscal 2019 were $331 million, compared to $213 million in the corresponding period in the prior year. Our cash flows for the first quarter of fiscal 2019 reflected a net loss of $60 million adjusted by non-cash amortization and depreciation of $152 million, stock-based compensation of $113 million and a deferred tax benefit of $42 million. Our cash flows in the first quarter of fiscal 2018 reflected a net loss of $133 million, adjusted by non-cash amortization and depreciation of $165 million, stock-based compensation of $147 million and a deferred tax benefit of $62 million.

Changes in operating assets and liabilities consisted primarily of:

Accounts receivable decreased $321 million in the first quarter of fiscal 2019 due to the combination of higher collections and lower billings in the first quarter of fiscal 2019 compared to the fourth quarter of fiscal 2018.

Contract liabilities decreased $106 million in the first quarter of fiscal 2019 due to lower billings in the first quarter of fiscal 2019 compared to the fourth quarter of fiscal 2018.

Cash from investing activities

Our investing activities in the first quarter of fiscal 2019 included cash proceeds from maturities and sales of short-term investments of $64 million, partially offset by capital expenditures of $44 million, while our investing activities in the first quarter of fiscal 2018 primarily consisted of capital expenditures of $47 million.

Cash from financing activities

Our financing activities in the first quarter of fiscal 2019 primarily consisted of payment of dividends and dividend equivalents of $60 million and tax withholding payments related to RSUs of $42 million, compared to $66 million and $61 million, respectively, in the first quarter of fiscal 2018. In addition, we repaid debt of $2.0 billion in the first quarter of fiscal 2018.

Cash requirements

Debt. As of June 29, 2018, our total outstanding principal amount of indebtedness was $5.1 billion, summarized as follows. See Note 7 to the Condensed Consolidated Financial Statements for further information on our debt.

(In millions)	June 29, 2018
Senior Term Loans	$ 1,100
Senior Notes	2,250
Convertible Senior Notes	1,750
Total debt	$ 5,100

Debt covenant compliance. The Senior Term Loan agreements A-2, A-5 and our revolving credit facility contain customary representations and warranties, affirmative and negative covenants, including compliance with specified financial ratios, non-financial covenants for financial reporting, and restrictions on subsidiary indebtedness, liens, stock repurchases and dividends (with exceptions permitting our regular quarterly dividend). Our Convertible Senior Notes agreements and the agreement for our 5.0% Senior Note due April 15, 2025 also require us to file periodic reports with the SEC by specified deadlines.

As of June 29, 2018, we had not met the requirements in the Senior Term Loan agreements A-2, A-5, the revolving credit facility agreement, the Convertible Senior Notes agreements and the agreement for our 5.0% Senior Note due April 15, 2025 to deliver audited financial statements for our fiscal year ended March 30, 2018 and file our Annual

Report on Form 10-K for such period with the SEC. In addition, we subsequently did not meet the requirements under the Convertible Senior Notes agreements and the agreement for our 5.0% Senior Note due April 15, 2025 to file our quarterly report on Form 10-Q for our fiscal quarter ended June 29, 2018 with the SEC by the specified deadline.

On June 22, 2018, we reached an agreement with lenders to waive the financial reporting requirements under the Senior Term Loan agreements A-2, A-5 and the revolving credit facility agreement through October 27, 2018. On October 26, 2018 we satisfied these requirements for our fiscal year ended March 30, 2018 by filing our Form 10-K for such period with the SEC.

The filing of our Form 10-K and this Form 10-Q for the first quarter ended June 29, 2018 also satisfied our SEC reporting requirements for our year ended March 30, 2018 and our quarter ended June 29, 2018, respectively, under the Convertible

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Senior Notes agreements and the agreement for our 5.0% Senior Note due April 15, 2025. However, we have not yet met our SEC reporting requirements under these notes for our quarterly period ended September 28, 2018.

The failure to meet these reporting requirements under the 5% Notes and the Convertible Senior Notes does not mature into the right for noteholders to take action until notice is received from noteholders and a grace period, as defined in the associated indentures, has passed. Furthermore, according to the Convertible Senior Note agreements, we have the option to remedy an event of default by paying additional interest for up to 360 days after the passage of the grace period. As of the date of this filing, no notice has been received from noteholders.

Because we expected as of June 29, 2018 that we will comply with all of our debt covenants before the applicable grace periods have passed and waivers have expired, we have classified all of the associated outstanding debt as long-term debt in our Condensed Consolidated Balance Sheets.

Dividends. On August 2, 2018, we announced a cash dividend of $0.075 per share of common stock to be paid in September 2018. On November 1, 2018, we announced a cash dividend of $0.075 per share of common stock to be paid in December 2018. Any future dividends will be subject to the approval of our Board of Directors.

Stock repurchases. Under our stock repurchase program, we may purchase shares of our outstanding common stock through open market and through accelerated stock repurchase transactions. As of June 29, 2018, the remaining balance of our stock repurchase authorization was $800 million and does not have an expiration date.

Contractual obligations

Operating lease commitments

As of June 29, 2018, the minimum future rentals on our non-cancelable operating leases totaled $252 million.

Purchase obligations

As of June 29, 2018, we had purchase obligations of $619 million associated with agreements for purchases of goods or services, including agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The amounts also include agreements to purchase goods or services that have cancellation provisions requiring little or no payment because management believes that cancellation of these contracts is unlikely and we expect to make future cash payments according to the contract terms or in similar amounts for similar materials.

The above purchase obligations do not include future minimum contractual obligations related to a five-year purchase agreement with a service provider for a total contract value of $500 million that we entered into in September 2018.

Deemed repatriation taxes

As of June 29, 2018, we are required to pay a one-time transition tax of $892 million on untaxed foreign earnings of our foreign subsidiaries in annual installments over the next 8 years as a result of the Act.

Fiscal 2019 restructuring plan

On August 2, 2018, we announced a restructuring plan under which we will initiate targeted reductions of our global workforce of up to approximately 8%. We estimate that we will incur total costs in connection with the restructuring plan of approximately $50 million, primarily for severance and termination benefits. These actions are expected to be completed in fiscal 2019.

Indemnifications

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, subsidiaries and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements or representations and warranties made by us. See Note 15 to the Condensed Consolidated Financial Statements for further information on our indemnifications.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to our market risk exposures during the first quarter of fiscal 2019, as compared to those discussed in Quantitative and Qualitative Disclosures About Market Risk, set forth in Part II, Item 7A, of our Annual Report on Form 10-K for the fiscal year ended March 30, 2018.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The SEC defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. "Disclosure controls and procedures" include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as

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appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our management (with the participation of our Chief Executive Officer and Chief Financial Officer) has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act). Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the first quarter of fiscal 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During the first quarter of fiscal 2019, we implemented certain internal controls related to the evaluation of our contracts and the assessment of the impact of the new revenue recognition standard on our financial statements to facilitate our adoption effective March 31, 2018. In addition, we have made changes to certain internal controls to reflect new systems and processes that were implemented as a result of the adoption of the new revenue standard. Except for the implementation of certain internal controls related to the adoption of the new revenue standard, there were no other changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

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PART II. OTHER INFORMATION
Item 1. Legal Proceedings
Information with respect to this Item may be found under the heading “Litigation contingencies” in Note 15 to the Condensed Consolidated Financial Statements in this Form 10-Q, which information is incorporated into this Item 1 by reference.
Item 1A. Risk Factors
A description of the risk factors associated with our business is set forth below. The list is not exhaustive and you should carefully consider these risks and uncertainties before investing in our common stock.
A decrease in demand for our solutions could adversely affect our financial results.
We are subject to fluctuations in demand for our solutions due to a variety of factors, including market transitions, general economic conditions, competition, product obsolescence, technological change, shifts in buying patterns, the timing and duration of hardware refresh cycles, financial difficulties and budget constraints of our current and potential customers, public awareness of security threats to IT systems and other factors. While such factors may, in some periods, increase product sales, fluctuations in demand can also negatively impact our sales. If demand for our solutions declines, whether due to general economic conditions, a shift in buying patterns or otherwise, our revenues and margins would likely be adversely affected.
Fluctuations in our quarterly financial results have affected the trading price of our outstanding securities in the past and could affect the trading price of outstanding securities in the future.
Our quarterly financial results have fluctuated in the past and are likely to vary in the future due to a number of factors, many of which are outside of our control. If our quarterly financial results or our predictions of future financial results fail to meet our expectations or the expectations of securities analysts and investors, the trading price of our outstanding securities could be negatively affected. Volatility in our quarterly financial results may make it more difficult for us to raise capital in the future or pursue acquisitions. Our operating results for prior periods may not be effective predictors of our future performance.
Factors associated with our industry, the operation of our business, and the markets for our solutions may cause our quarterly financial results to fluctuate, including:

- Fluctuations in our revenue due to the transition of our sales contracts to a higher mix of products subject to ratable versus point-in-time revenue recognition;
- The timing of satisfying revenue recognition criteria, particularly with regard to our enterprise sales transactions, as a result of our adoption of the new revenue recognition from contracts with customers accounting standard under ASC 606 on March 31, 2018;
- Fluctuations in demand for our solutions;
- Entry of new competition into our markets;
- Competitive pricing pressure for one or more of our classes of our solutions;
- Our ability to timely complete the release of new or enhanced versions of our solutions;
- The timing and extent of significant restructuring charges;
- The impact of acquisitions and our ability to achieve expected synergies;
- Fluctuations in foreign currency exchange rates;
- The number, severity, and timing of threat outbreaks (e.g. worms, viruses, malware, ransomware and other malicious threats) and cyber security incidents (e.g., large scale data breaches);
- Our resellers making a substantial portion of their purchases near the end of each quarter;
- Customers’ tendency to negotiate licenses and other agreements near the end of each quarter;
- Cancellation, deferral, or limitation of orders by customers;
- Changes in the mix or type of products and subscriptions sold;
- Our ability to achieve targeted operating income and margins;
- Movements in interest rates;
- The rate of adoption of new technologies and new releases of operating systems;
- Changes in tax laws, rules, and regulations;
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Weakness or uncertainty in general economic or industry conditions in any of the multiple markets in which we operate that could reduce customer demand and ability to pay for our solutions;

- Political and military instability caused by war or other events, which could slow spending within our target markets, delay sales cycles, and otherwise adversely affect our ability to generate revenues and operate effectively;

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- The timing of and rate and discounts at which customers replace older versions of our hardware products that reach end of life; and
- Disruptions in our business operations or target markets caused by, among other things, terrorism or other intentional acts, outbreaks of disease, or earthquakes, floods, or other natural disasters.

Any of the foregoing factors could cause the trading price of our outstanding securities to fluctuate significantly.

Our business depends on customers renewing their arrangements for maintenance, subscriptions, managed security services and cloud-based ("cloud") offerings.

A large portion of our revenue is derived from arrangements for maintenance, subscriptions, managed security services and cloud offerings, yet customers have no contractual obligation to purchase additional solutions after the initial subscription or contract period. Our customers' renewal rates, and our customer retention, may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our solutions or our customer support, customer budgets and the pricing of our solutions compared with the solutions offered by our competitors, any of which may cause our revenue to grow more slowly than expected, or to decline. Accordingly, we must invest significant time and resources in providing ongoing value to our customers. If these efforts fail, or if our customers do not renew for other reasons, or if they renew on terms less favorable to us, our revenue may decline and our business will suffer.

Matters relating to or arising from our Audit Committee Investigation, including regulatory investigations and proceedings, litigation matters and potential additional expenses, may adversely affect our business and results of operations.

As previously disclosed in our public filings, the Audit Committee has recently completed its internal investigation. In connection with the Audit Committee Investigation, we voluntarily contacted the SEC in May 2018. The SEC commenced a formal investigation and we continue to cooperate with that investigation.

Furthermore, if the SEC commences legal action, we could be required to pay significant penalties and become subject to injunctions, a cease and desist order and other equitable remedies. The completion of the Audit Committee Investigation and filing of delinquent periodic reports will not automatically resolve the SEC investigation. We can provide no assurances as to the outcome of any governmental investigation.

We have incurred, and may continue to incur, significant expenses related to legal, accounting, and other professional services in connection with the internal investigation and related legal matters. These expenses, the delay in timely filing our periodic reports, and the diversion of the attention of the management team that has occurred, and is expected to continue, has adversely affected, and could continue to adversely affect, our business and financial condition.

As a result of the matters reported above, we are exposed to greater risks associated with litigation, regulatory proceedings and government enforcement actions. In addition, securities class actions and other lawsuits have been filed against us, our directors and officers (see also, "We are subject to pending securities class action and stockholder derivative legal proceedings" below). Any future investigations or additional lawsuits may adversely affect our business, financial condition, results of operations and cash flows.

We are subject to pending securities class action and stockholder derivative legal proceedings that may adversely affect our business.

Several securities class action and derivative lawsuits were filed against us following our announcement on May 10, 2018 of the Audit Committee Investigation, including an action brought derivatively on behalf of Symantec's 2008 Employee Stock Purchase Plan. In addition, we have received certain demands from purported stockholders to inspect corporate books and records under Delaware law. No specific amounts of damages have been alleged in these lawsuits. We will continue to incur legal fees in connection with these pending cases, including expenses for the reimbursement of legal fees of present and former officers and directors under indemnification obligations. The expense of continuing to defend such litigation may be significant. We intend to defend these lawsuits vigorously, but there can be no assurance that we will be successful in any defense. If any of the lawsuits related to our Audit Committee Investigation are decided adversely, we may be liable for significant damages directly or under our indemnification obligations, which could adversely affect our business, results of operations and cash flows. Further, the amount of time that will be required to resolve these lawsuits is unpredictable and these actions may divert

management's attention from the day-to-day operations of our business, which could further adversely affect our business, results of operations and cash flows.
The delayed filing of some of our periodic SEC reports has made us currently ineligible to use a registration statement on Form S-3 to register the offer and sale of securities, which could adversely affect our ability to raise future capital or complete acquisitions.
As a result of the delayed filing of some of our periodic reports with the SEC, we will not be eligible to register the offer and sale of our securities using a registration statement on Form S-3 until November 2019, at the earliest. Should we wish to register the offer and sale of our securities to the public prior to the time we are eligible to use Form S-3, both our transaction costs and the amount of time required to complete the transaction could increase, making it more difficult to execute any such transaction successfully and potentially harming our financial condition.
If we are unable to develop new and enhanced solutions that achieve widespread market acceptance, or if we are unable to continually improve the performance, features, and reliability of our existing solutions or adapt our business

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model to keep pace with industry trends, our competitive position may weaken and our business and operating results could be adversely affected.

Our future success depends on our ability to effectively respond to the rapidly changing needs of our customers, as well as competitive technological developments and industry changes by developing or introducing new and enhanced solutions on a timely basis.

We have in the past incurred, and will continue to incur, significant research and development expenses as we strive to remain competitive. If we are unable to anticipate or react to competitive challenges or if existing or new competitors gain market share in any of our markets, our competitive position could weaken, and we could experience a decline in our sales that could adversely affect our business and operating results. Additionally, we must continually address the challenges of dynamic and accelerating market trends and competitive developments, such as the emergence of advanced persistent threats in the security space, the continued decline in the PC market and the market shift towards mobility and the increasing transition towards cloud-based solutions, all of which continue to make it more difficult for us to compete effectively. For example, although we have been investing heavily in solutions that address the cloud security market, we cannot be certain that it will develop at a rate or in the manner we expect or that we will be able to compete successfully with new entrants or more established competitors. Customers may require features and capabilities that our current solutions do not have. Our failure to develop new solutions and improve our existing solutions that satisfy customer preferences and effectively compete with other market offerings in a timely and cost-effective manner may harm our ability to renew our subscriptions with existing customers and to create or increase demand for our solutions, which may adversely impact our operating results. The development and introduction of new solutions involves a significant commitment of time and resources and are subject to a number of risks and challenges including:

- Lengthy development cycles;
- Evolving industry standards and technological developments by our competitors and customers;
- Evolving platforms, operating systems and hardware products, such as mobile devices, and related product and service interoperability challenges;
- Entering into new or unproven markets;
- Executing new product and service strategies;
- Trade compliance difficulties;
- Developing or expanding efficient sales channels; and
- Obtaining sufficient licenses to technology and technical access to operating system software.

If we are not successful in managing these risks and challenges, or if our new or improved solutions are not technologically competitive or do not achieve market acceptance, our business and operating results could be adversely affected.

If we are unable to attract and retain qualified employees, lose key personnel, fail to integrate replacement personnel successfully, or fail to manage our employee base effectively, we may be unable to develop new and enhanced solutions, effectively manage or expand our business, or increase our revenues.

Our future success depends upon our ability to recruit and retain key management, technical, sales, marketing, finance and other personnel. Our officers and other key personnel are employees-at-will, and we cannot assure you that we will be able to retain them. Competition for people with the specific skills that we require is significant, especially in and around our headquarters in Silicon Valley, and we face difficulties in attracting, retaining and motivating employees as a result. In order to attract and retain personnel in a competitive marketplace, we believe that we must provide a competitive compensation package, including cash and equity-based compensation. Additionally, changes in immigration laws could impair our ability to attract and retain highly qualified employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could suffer. The volatility in our stock price may from time to time adversely affect our ability to recruit or retain employees. In addition, we may be unable to obtain required stockholder approvals of future increases in the number of shares required for issuance under our equity compensation plans. As a result, we may issue fewer equity-based incentives and may be impaired in our efforts to attract and retain necessary personnel. If we are unable to hire and retain qualified employees, or conversely, if we fail to manage employee performance or reduce staffing levels when

required by market conditions, our business and operating results could be adversely affected.
Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. From time to time, key personnel leave our company. Although we strive to reduce the negative impact of changes in our leadership, the loss of any key employee could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of company initiatives, the effectiveness of our disclosure controls and procedures, our internal control over financial reporting, and our results of operations. In addition, hiring, training, and successfully integrating replacement sales and other personnel could be time consuming and expensive, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact future financial results. These risks may be exacerbated by the uncertainty associated with the acquisitions, divestitures and transitions we have experienced over the last few years.
We operate in a highly competitive environment, and our competitors may gain market share in the markets for our solutions that could adversely affect our business and cause our revenues to decline.

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We operate in intensely competitive markets that experience rapid technological developments, changes in industry standards, changes in customer requirements and frequent new product introductions and improvements. If we are unable to anticipate or react to these competitive challenges or if existing or new competitors gain market share in any of our markets, our competitive position could weaken and we could experience a decline in our sales that could adversely affect our business and operating results. To compete successfully, we must maintain an innovative research and development effort to develop new solutions and enhance our existing solutions, effectively adapt to changes in the technology or product rights held by our competitors, appropriately respond to competitive strategies and effectively adapt to technological changes and changes in the ways that our information is accessed, used and stored within our enterprise and consumer markets. If we are unsuccessful in responding to our competitors or to changing technological and customer demands, our competitive position and our financial results could be adversely affected.
Our competitors include software and cloud-based vendors that offer solutions that directly compete with our offerings. In addition to competing with these vendors directly for sales to end-users of our solutions, we compete with them for the opportunity to have our solutions bundled with the offerings of our strategic partners such as computer hardware original equipment manufacturers ("OEMs") and internet service providers ("ISPs"). Our competitors could gain market share from us if any of these strategic partners replace our solutions with those of our competitors or if these partners more actively promote our competitors' solutions than our own. In addition, software and cloud-based vendors who have bundled our solutions with theirs may choose to bundle their solutions with their own or other vendors' solutions or may limit our access to standard interfaces and inhibit our ability to develop solutions for their platform. In the future, further product development by these vendors could cause our solutions to become redundant, which could significantly impact our sales and financial results.
We face growing competition from network equipment, computer hardware manufacturers, large operating system providers and other technology companies, as well as from companies in the identity threat protection space such as credit bureaus. Many of these competitors are increasingly developing and incorporating into their products data protection software that competes at some levels with our offerings. Our competitive position could be adversely affected to the extent that our customers perceive the functionality incorporated into these products as replacing the need for our solutions.
Security protection is also offered by some of our competitors at prices lower than our prices or, in some cases is offered free of charge. Some companies offer lower-priced or free security products within their computer hardware or software products. Our competitive position could be adversely affected to the extent that our customers perceive these lower cost or free security products as replacing the need for more effective, full featured solutions, such as those that we provide. The expansion of these competitive trends could have a significant negative impact on our sales and operating results by causing, among other things, price reductions of our solutions, reduced profitability and loss of market share.
Many of our competitors have greater financial, technical, sales, marketing or other resources than we do and consequently, may have the ability to influence customers to purchase their products instead of ours. Further consolidation within our industry or other changes in the competitive environment could result in larger competitors that compete with us on several levels. We also face competition from many smaller companies that specialize in particular segments of the markets in which we compete.
Our cloud offerings present execution and competitive risks.
Our cloud offerings are critical to our business. Our competitors are rapidly developing and deploying cloud offerings for consumers and business customers. Pricing and delivery models are evolving. Devices and form factors influence how users access services in the cloud. We have made and are continuing to make significant investments in, and devoting significant resources to develop and deploy, our own cloud strategies. We cannot assure you that our ongoing investments in and development of cloud offerings will achieve the expected returns for us or that we will be able to compete successfully in the marketplace. In addition to software development costs, we are incurring significant costs to build and maintain infrastructure to support cloud offerings. These costs may reduce the operating margins we have previously achieved. Whether we are successful in this business model depends on our execution in a number of areas, including:
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- Continuing to innovate and bring to market compelling cloud-based solutions that generate increasing traffic and market share; and
- Ensuring that our cloud offerings meet the reliability expectations of our customers and maintain the security of their data.

Over the long term we intend to invest in research and development activities, and these investments may achieve delayed, or lower than expected, benefits which could harm our operating results.

While we continue to focus on managing our costs and expenses, over the long term, we also intend to invest significantly in research and development activities as we focus on organic growth through internal innovation in each of our business segments. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position, and that the level of these investments will increase in future periods. We recognize the costs associated with these research and development investments earlier than the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results may be adversely affected.

Changes in industry structure and market conditions could lead to charges related to discontinuance of certain of our products or businesses and asset impairments.

In response to changes in industry structure and market conditions, we may be required to strategically reallocate our resources and consider restructuring, disposing of or otherwise exiting certain businesses. Any decision to limit investment in or

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dispose of or otherwise exit businesses may result in the recording of special charges, such as inventory and technology-related write-offs, workforce reduction costs, charges relating to consolidation of excess facilities or claims from third parties who were resellers or users of discontinued products. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Although in certain instances our supply agreements allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to firm orders being placed, our loss contingencies may include liabilities for contracts that we cannot cancel, reschedule or adjust with contract manufacturers and suppliers.

Further, our estimates relating to the liabilities for excess facilities are affected by changes in real estate market conditions. Additionally, we are required to evaluate goodwill impairment on an annual basis and between annual evaluations in certain circumstances, and future goodwill impairment evaluations may result in a charge to earnings.

We may need to change our pricing models to compete successfully.

The intense competition we face, in addition to general and economic business conditions, can put pressure on us to change our prices. If our competitors offer deep discounts on certain solutions or develop products or support offerings that the marketplace considers more valuable, we may need to lower prices or offer other favorable terms in order to compete successfully. Any such changes may reduce margins and could adversely affect our operating results. Any broad-based change to our prices and pricing policies could cause our revenues to decline or be delayed as our sales force implements and our customers adjust to the new pricing policies. We or our competitors may bundle solutions for promotional purposes or as a long-term go-to-market or pricing strategy or provide guarantees of prices. These practices could, over time, significantly constrain the prices that we can charge for certain of our offerings.

Defects, disruptions or risks related to our cloud offerings could impair our ability to deliver our services and could expose us to liability, damage our brand and reputation or otherwise negatively impact our business.

Our cloud offerings may contain errors or defects that users identify after they begin using them that could result in unanticipated service interruptions, which could harm our reputation and our business. Since our customers use our cloud offerings for mission-critical protection from threats to electronic information, endpoint devices, and computer networks, any errors, defects, disruptions in service or other performance problems with our cloud offerings could significantly harm our reputation and may damage our customers' businesses. If any such performance problems occur, customers could elect not to renew, or delay or withhold payment to us, we could lose future sales or customers may make warranty or other claims against us, which could result in an increase in our provision for doubtful accounts or warranty, an increase in collection cycles for accounts receivable or the expense and risk of litigation.

We currently serve our cloud-based customers from hosting facilities, including third-party hosting facilities, located across the globe. Damage to, or failure of, any significant element of these hosting facilities could result in interruptions in our service, which could harm our customers and expose us to liability. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the delivery of our solutions. Interruptions or failures in our service delivery could cause customers to terminate their subscriptions with us, could adversely affect our renewal rates, and could harm our ability to attract new customers. Our business would also be harmed if our customers believe that our cloud offerings are unreliable.

Our solutions are complex and operate in a wide variety of environments, systems, applications and configurations, which could result in failures of our solutions to function as designed.

Because we offer very complex solutions, undetected errors, failures or bugs may occur, especially when solutions are first introduced or when new versions are released. Our products are often installed and used in large-scale computing environments with different operating systems, system management software, and equipment and networking configurations, which may cause errors or failures in our solutions or may expose undetected errors, failures, or bugs in our solutions. Our customers' computing environments are often characterized by a wide variety of standard and non-standard configurations that make pre-release testing for programming or compatibility errors very difficult and time-consuming. In addition, despite testing by us and others, errors, failures, or bugs may not be found in new solutions or releases until after they are delivered to customers. In the past, we have discovered software errors, failures, and bugs in certain of our solutions after their introduction and, in some cases, have experienced delayed or lost revenues as a result of these errors.

Errors, failures, or bugs in solutions released by us could result in negative publicity, damage to our brand and reputation, returns, loss of or delay in market acceptance of our products, loss of competitive position, or claims by customers or others. Many of our end-user customers use our solutions in applications that are critical to their businesses and may have a greater sensitivity to defects in our solutions than to defects in other, less critical, software products. In addition, if an actual or perceived breach of information integrity, security or availability occurs in one of our end-user customer's systems, regardless of whether the breach is attributable to our products, the market perception of the effectiveness of our solutions could be harmed. Alleviating any of these problems could require significant expenditures, our capital and other resources and could cause interruptions, delays, or cessation of our licensing, which could cause us to lose existing or potential customers and could adversely affect our operating results.

Our products, solutions, cloud offerings, systems and website may be subject to intentional disruption that could adversely impact our reputation and future sales.

Despite our precautions and significant ongoing investments to protect against security risks, data protection breaches, cyber-attacks and other intentional disruptions of our solutions, we expect to be an ongoing target of attacks specifically

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designed to impede the performance and availability of our offerings and harm our reputation as a company. Similarly, experienced computer programmers or other sophisticated individuals or entities may attempt to penetrate our network security or the security of our systems and website and misappropriate proprietary information or cause interruptions of our services, including the operation of our global civilian cyber intelligence threat network. While we invest and devote significant resources to maintain and continually enhance and update our methods to detect and alert us to such breaches, attacks and disruptions, these efforts may not be sufficient, even with rapid detection, to prevent the damage such a breach of our products, solutions, cloud offerings, systems, and website may cause.

Our inability to successfully recover from a disaster or other business continuity event could impair our ability to deliver our products and services and harm our business.

We are heavily reliant on our technology and infrastructure to provide our products and services to our customers. For example, we host many of our products using third-party data center facilities and we do not control the operation of these facilities. These facilities are vulnerable to damage, interruption or performance problems from earthquakes, hurricanes, floods, fires, power loss, telecommunications failures and similar events. They are also subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the delivery of our products and services.

Furthermore, our business administration, human resources and finance services depend on the proper functioning of our computer, telecommunication and other related systems and operations. A disruption or failure of these systems or operations because of a disaster or other business continuity event could cause data to be lost or otherwise delay our ability to complete sales and provide the highest level of service to our customers. In addition, we could have difficulty producing accurate financial statements on a timely basis, which could adversely affect the trading value of our stock. Although we endeavor to ensure there is redundancy in these systems and that they are regularly backed-up, there are no assurances that data recovery in the event of a disaster would be effective or occur in an efficient manner, including the operation of our global civilian cyber intelligence threat network.

Any errors, defects, disruptions or other performance problems with our products and services could harm our reputation and may damage our customers' businesses. For example, we may experience disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our website simultaneously, fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Interruptions in our products and services, including the operation of our global civilian cyber intelligence threat network, could impact our revenues or cause customers to cease doing business with us. In addition, our business would be harmed if any of events of this nature caused our customers and potential customers to believe our services are unreliable. Our operations are dependent upon our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose customer data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario.

We collect, use, disclose, store or otherwise process personal information, which subjects us to privacy and data security laws and contractual commitments, and our actual or perceived failure to comply with such laws and commitments could harm our business.

We collect, use, store or disclose (collectively, "process") an increasingly large amount of personal information, including from employees and customers, in connection with the operation of our business, particularly in relation to our identity and information protection offerings. We process an increasingly high volume, variety and velocity of personal information as a result of our identity and information protection offerings that rely on large data repositories of personal information and consumer transactions. The personal information we process is subject to an increasing number of federal, state, local and foreign laws regarding privacy and data security, as well as contractual commitments. Any failure or perceived failure by us to comply with such obligations may result in governmental enforcement actions, fines, litigation, or public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. Additionally, changes to applicable privacy or data security laws could impact how we process personal information, and therefore limit the effectiveness of our solutions or our ability to develop new solutions. For example, the European Union General Data Protection Regulation, which becomes fully effective on May 25, 2018, imposes more stringent data protection requirements, and provides for greater penalties for noncompliance of up to the greater of €20 million or four percent of worldwide annual revenues. Our customers may also accidentally disclose their passwords or store them on a device that is lost or stolen, creating the perception that our systems are not secure against third-party access.

Additionally, third parties with whom we work, such as vendors or developers, may violate applicable laws or our policies and such violations can place personal information of our customers at risk. This could have an adverse effect on our reputation and business. In addition, such third parties could be the target of cyberattack and other data breaches which could impact our systems or our customers' records.

Our acquisitions and divestitures create special risks and challenges that could adversely affect our financial results.

As part of our business strategy, we may acquire or divest businesses or assets. These activities can involve a number of risks and challenges, including:

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- Complexity, time and costs associated with managing these transactions, including the integration of acquired business operations, workforce, products, IT systems and technologies;
- Diversion of management time and attention;
- Loss or termination of employees, including costs associated with the termination or replacement of those employees;
- Assumption of liabilities of the acquired business or assets, including litigation related to the acquired business or assets;
- The addition of acquisition-related debt;
- Increased or unexpected costs and working capital requirements;
- Dilution of stock ownership of existing stockholders;
- Unanticipated delays or failure to meet contractual obligations; and
- Substantial accounting charges for acquisition-related costs, amortization of intangible assets, and higher levels of stock-based compensation expense.

We have invested and continue to invest and devote significant resources in the integration of businesses we acquire, including our August 2016 acquisition of Blue Coat, Inc. (“Blue Coat”) and February 2017 acquisition of LifeLock, Inc. (“Life Lock”). The success of each acquisition depends in part on our ability to realize the anticipated business opportunities, including certain cost savings and operational efficiencies or synergies and growth prospects from integrating these businesses in an efficient and effective manner. If integration of our acquired businesses is not successful, we may not realize the potential benefits of an acquisition or suffer other adverse effects. To integrate acquired businesses, we must integrate and manage the personnel and business systems of the acquired operations. We also must effectively integrate the different cultures of acquired business organizations into our own in a way that aligns various interests, and may need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions. Moreover, to be successful, large complex acquisitions depend on large-scale product, technology and sales force integrations that are difficult to complete on a timely basis or at all, and may be more susceptible to the special risks and challenges described above.

In addition, we have in the past, and may in the future, divest businesses, product lines or assets. For example, in January 2016 we completed the sale of Veritas, and in October 2017 we divested our WSS and PKI solutions. These and similar initiatives may require significant separation activities that could result in the diversion of management’s time and attention, loss of employees, substantial separation costs and accounting charges for asset impairments.

Any of the foregoing, and other factors, could harm our ability to achieve anticipated levels of profitability or other financial benefits from our acquired or divested businesses, product lines or assets or to realize other anticipated benefits of divestitures or acquisitions.

If we fail to manage our sales and distribution channels effectively, or if our partners choose not to market and sell our solutions to their customers, our operating results could be adversely affected.

We sell our solutions to customers around the world through multi-tiered sales and distribution networks.

Sales through these different channels involve distinct risks, including the following:

Direct Sales. A significant portion of our revenues from enterprise products is derived from sales by our direct sales force to end-users. Risks associated with direct sales include:

- Longer sales cycles associated with direct sales efforts;
- Difficulty in hiring, retaining, and motivating our direct sales force, particularly through periods of transition in our organization;
- Substantial amounts of training for sales representatives to become productive in selling our solutions, including regular updates to our products, and associated delays and difficulties in recognizing the expected benefits of investments in new products and updates;
- Increased administrative costs in processing orders and increased credit risk in pursuing payment from each end user; and
- Increased responsibility for custom and export activities that may result in added costs.

Indirect Sales Channels. A significant portion of our revenues is derived from sales through indirect channels, including distributors that sell our products to end-users and other resellers. This channel involves a number of risks, including:

- Our resellers and distributors are generally not subject to minimum sales requirements or any obligation to market our solutions to their customers;
- Our reseller and distributor agreements are generally nonexclusive and may be terminated at any time without cause;
- Our lack of control over the timing of delivery of our solutions to end-users;
- Our resellers and distributors may violate applicable law or regulatory requirements or otherwise cause damage to our reputation through their actions;

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- Our resellers and distributors frequently market and distribute competing solutions and may, from time to time, place greater emphasis on the sale of these solutions due to pricing, promotions, and other terms offered by our competitors; and
- Any consolidation of electronics retailers can continue to increase their negotiating power with respect to hardware and software providers such as us.

OEM Sales Channels. A portion of our revenues is derived from sales through our OEM partners that incorporate our products into, or bundle our products with, their products. Our reliance on this sales channel involves many risks, including:

- Our lack of control over the volume of products delivered and the timing of such delivery;
- Most of our OEM partners are not subject to minimum sales requirements. Generally our OEM partners do not have any obligation to market our products to their customers;
- Our OEM partners may terminate or renegotiate their arrangements with us and new terms may be less favorable due to competitive conditions in our markets and other factors;
- Sales through our OEM partners are subject to changes in general economic conditions, strategic direction, competitive risks, and other issues that could result in a reduction of OEM sales;
- The development work that we must generally undertake under our agreements with our OEM partners may require us to invest significant resources and incur significant costs with little or no assurance of ever receiving associated revenues;
- The time and expense required for the sales and marketing organizations of our OEM partners to become familiar with our solutions may make it more difficult to introduce those solutions to the market; and
- Our OEM partners may develop, market, and distribute their own solutions and market and distribute products of our competitors, which could reduce our sales.

If we fail to manage our sales and distribution channels successfully, these channels may conflict with one another or otherwise fail to perform as we anticipate, which could reduce our sales and increase our expenses as well as weaken our competitive position. Some of our distribution partners have experienced financial difficulties in the past, and if our partners suffer financial difficulties in the future because of general economic conditions or for other reasons, these partners may delay paying their obligations to us and we may have reduced revenues or collections that could adversely affect our operating results. In addition, reliance on multiple channels subjects us to events that could cause unpredictability in demand, which could increase the risk that we may be unable to plan effectively for the future, and could adversely affect our operating results.

We face heightened regulation in our Consumer Digital Safety segment, which could impede our ability to market and provide our solutions or adversely affect our business, financial position and results of operations.

We are subject to heightened regulation in our Consumer Digital Safety segment as a result of the sale of our identity and information protection products, which we began selling at the end of fiscal 2017 as a result of our acquisition of LifeLock , including a wide variety of federal, state, and local laws and regulations, including the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Federal Trade Commission Act (“FTC Act”), and comparable state laws that are patterned after the FTC Act. Moreover, LifeLock entered into consent decrees and similar arrangements with the Federal Trade Commission (the “FTC”) and 35 states’ attorneys general in 2010, and a settlement with the FTC in 2015 relating to allegations that certain of LifeLock’s advertising and marketing practices constituted deceptive acts or practices in violation of the FTC Act, which impose additional restrictions on the LifeLock business, including prohibitions against making any misrepresentation of “the means, methods, procedures, effects, effectiveness, coverage, or scope of” LifeLock’s identity theft protection services. Any of the laws and regulations that apply to our business are subject to revision or new or changed interpretations, and we cannot predict the impact of such changes on our business.

Additionally, the nature of our identity and information protection products subjects us to the broad regulatory, supervisory, and enforcement powers of the Consumer Financial Protection Bureau (CFPB) which may exercise authority with respect to our services, or the marketing and servicing of those services, by overseeing our financial institution or credit reporting agency customers and suppliers, or by otherwise exercising its supervisory, regulatory, or enforcement authority over consumer financial products and services.

Our international operations involve risks that could increase our expenses, adversely affect our operating results, and require increased time and attention of our management.

We derive a substantial portion of our revenues from customers located outside of the U.S. and we have significant operations outside of the U.S., including engineering, sales, customer support, and production. Our international operations are subject to risks in addition to those faced by our domestic operations, including:

- Potential loss of proprietary information due to misappropriation or laws that may be less protective of our intellectual property rights than U.S. laws or that may not be adequately enforced;
- Requirements of foreign laws and other governmental controls, including tariffs, trade barriers and labor restrictions and related laws that reduce the flexibility of our business operations;
- Potential changes in trade relations arising from policy initiatives or other political factors;

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- Regulations or restrictions on the use, import, or export of encryption technologies that could delay or prevent the acceptance and use of encryption products and public networks for secure communications;
- Local business and cultural factors that differ from our normal standards and practices, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anti-corruption laws and regulations;
- Central bank and other restrictions on our ability to repatriate cash from our international subsidiaries or to exchange cash in international subsidiaries into cash available for use in the U.S.;
- Fluctuations in currency exchange rates, economic instability and inflationary conditions could reduce our customers' ability to obtain financing for software products or could make our products more expensive or could increase our costs of doing business in certain countries;
- Limitations on future growth or inability to maintain current levels of revenues from international sales if we do not invest sufficiently in our international operations;
- Longer payment cycles for sales in foreign countries and difficulties in collecting accounts receivable;
- Difficulties in staffing, managing, and operating our international operations;
- Difficulties in coordinating the activities of our geographically dispersed and culturally diverse operations;
- Seasonal reductions in business activity in the summer months in Europe and in other periods in other countries;
- Costs and delays associated with developing software and providing support in multiple languages; and
- Political unrest, war, or terrorism, or regional natural disasters, particularly in areas in which we have facilities.

A significant portion of our transactions outside of the U.S. is denominated in foreign currencies. Accordingly, our revenues and expenses will continue to be subject to fluctuations in foreign currency rates. We have in the past and expect in the future to be affected by fluctuations in foreign currency rates, especially if international sales continue to grow as a percentage of our total sales or our operations outside the U.S. continue to increase.

If we fail to accurately predict our manufacturing requirements and manage our supply chain we could incur additional costs or experience manufacturing delays that could harm our business.

We generally provide forecasts of our requirements to our supply chain partners on a rolling basis. If our forecast exceeds our actual requirements, a supply chain partner may assess additional charges or we may have liability for excess inventory, each of which could negatively affect our gross margin. If our forecast is less than our actual requirements, the applicable supply chain partner may have insufficient time or components to produce or fulfill our product requirements, which could delay or interrupt manufacturing of our products or fulfillment of orders for our products, and result in delays in shipments, customer dissatisfaction, and deferral or loss of revenue. Further, we may be required to purchase sufficient inventory to satisfy our future needs in situations where a component or product is being discontinued. If we fail to accurately predict our requirements, we may be unable to fulfill those orders or we may be required to record charges for excess inventory. Any of the foregoing could adversely affect our business, financial condition or results of operations.

We are dependent on original design manufacturers, contract manufacturers and third-party logistics providers to design and manufacture our hardware-based products and to fulfill orders for our hardware-based products.

We depend primarily on original design manufacturers (each of which is a third-party original design manufacturer for numerous companies) to co-design and co-develop the hardware platforms for our products. We also depend on independent contract manufacturers (each of which is a third-party contract manufacturer for numerous companies) to manufacture and fulfill our hardware-based products. These supply chain partners are not committed to design or manufacture our products, or to fulfill orders for our products, on a long-term basis in any specific quantity or at any specific price. In addition, certain of our products or key components of our products are currently manufactured by a single third-party supplier. There are alternative suppliers that could provide components, as our agreements do not provide for exclusivity or minimum purchase quantities, but the transition and qualification from one supplier to another could be lengthy, costly and difficult. Also, from time to time, we may be required to add new supply chain partner relationships or new manufacturing or fulfillment sites to accommodate growth in orders or the addition of new products. It is time consuming and costly to qualify and implement new supply chain partner relationships and new manufacturing or fulfillment sites, and such additions increase the complexity of our supply chain management. Our ability to ship products to our customers could be delayed, and our business and results of operations could be adversely affected if we fail to effectively manage our supply chain partner relationships; if one or more of our original design manufacturers does not meet our development schedules; if one or more of our independent contract manufacturers experiences delays, disruptions or quality control problems in manufacturing our products; if one or more of our third-party logistics providers experiences delays or disruptions or otherwise fails to meet our fulfillment schedules; or if we are required to add or replace original design manufacturers, independent contract manufacturers, third-party logistics providers or fulfillment sites.

In addition, these supply chain partners have access to certain of our critical confidential information and could wrongly disclose or misuse such information or be subject to a breach or other compromise that introduces a vulnerability or other defect in the products manufactured by our supply chain partners. While we take precautions to ensure that hardware manufactured by our independent contractors is reviewed, any espionage acts, malware attacks, theft of confidential information or other malicious cyber incidents perpetrated either directly or indirectly through our independent contractors, may compromise our

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system infrastructure, expose us to litigation and associated expenses and lead to reputational harm that could result in a material adverse effect on our financial condition and operating results. In addition, we are subject to risks resulting from the perception that certain jurisdictions, including China, do not comply with internationally recognized rights of freedom of expression and privacy and may permit labor practices that are deemed unacceptable under evolving standards of social responsibility. If manufacturing or logistics in these foreign countries is disrupted for any reason, including natural disasters, IT system failures, military or government actions or economic, business, labor, environmental, public health, or political issues, or if the purchase or sale of products from such foreign countries is prohibited or disfavored, our business, financial condition and results of operations could be adversely affected.

If we do not protect our proprietary information and prevent third parties from making unauthorized use of our products and technology, our financial results could be harmed.

Most of our software and underlying technology is proprietary. We seek to protect our proprietary rights through a combination of confidentiality agreements and procedures and through copyright, patent, trademark and trade secret laws. However, these measures afford only limited protection and may be challenged, invalidated or circumvented by third parties. Third parties may copy all or portions of our products or otherwise obtain, use, distribute, and sell our proprietary information without authorization.

Third parties may also develop similar or superior technology independently by designing around our patents. Our shrink-wrap license agreements are not signed by licensees and therefore may be unenforceable under the laws of some jurisdictions. Furthermore, the laws of some foreign countries do not offer the same level of protection of our proprietary rights as the laws of the U.S., and we may be subject to unauthorized use of our products in those countries. The unauthorized copying or use of our products or proprietary information could result in reduced sales of our products. Any legal action to protect proprietary information that we may bring or be engaged in with a strategic partner or vendor could adversely affect our ability to access software, operating system, and hardware platforms of such partner or vendor, or cause such partner or vendor to choose not to offer our products to their customers. In addition, any legal action to protect proprietary information that we may bring or be engaged in, could be costly, may distract management from day-to-day operations, and may lead to additional claims against us, which could adversely affect our operating results.

From time to time we are a party to lawsuits and investigations, which typically require significant management time and attention and result in significant legal expenses, and which could negatively impact our business, financial condition, results of operations, and cash flows.

We have initiated and been named as a party to lawsuits, including patent litigation, class actions and governmental claims and we may be named in additional litigation. The expense of initiating and defending, and in some cases settling, such litigation may be costly and divert management's attention from the day-to-day operations of our business, which could adversely affect our business, results of operations, and cash flows. In addition, an unfavorable outcome in such litigation could result in significant fines, settlements, monetary damages or injunctive relief that could negatively impact our ability to conduct our business, results of operations, and cash flows.

Third parties claiming that we infringe their proprietary rights could cause us to incur significant legal expenses and prevent us from selling our products.

From time to time, third parties may claim that we have infringed their intellectual property rights, including claims regarding patents, copyrights, and trademarks. Because of constant technological change in the segments in which we compete, the extensive patent coverage of existing technologies, and the rapid rate of issuance of new patents, it is possible that the number of these claims may grow. In addition, former employers of our former, current, or future employees may assert claims that such employees have improperly disclosed to us confidential or proprietary information of these former employers. Any such claim, with or without merit, could result in costly litigation and distract management from day-to-day operations. If we are not successful in defending such claims, we could be required to stop selling, delay shipments of, or redesign our products, pay monetary amounts as damages, enter into royalty or licensing arrangements, or satisfy indemnification obligations that we have with some of our customers. We cannot assure you that any royalty or licensing arrangements that we may seek in such circumstances will be available to us on commercially reasonable terms or at all. We have made and expect to continue making significant expenditures to investigate, defend and settle claims related to the use of technology and intellectual property rights as part of our strategy to manage this risk.

In addition, we license and use software from third parties in our business. These third-party software licenses may not continue to be available to us on acceptable terms or at all, and may expose us to additional liability. This liability, or our inability to use any of this third-party software, could result in delivery delays or other disruptions in our business that could materially and adversely affect our operating results.

Changes to our effective tax rate could increase our income tax expense and reduce (increase) our net income (loss).

Our effective tax rate could be adversely affected by several factors, many of which are outside of our control, including:

- Changes to the U.S. federal income tax laws, including impacts of the recently enacted Tax Cuts and Jobs Act (H.R.1) (the "Act") and future interpretations of the Act, the consequences of which have not yet been fully determined;
- Changes to other tax laws, regulations, and interpretations in multiple jurisdictions in which we operate, including actions resulting from the Organisation for Economic Co-operation and Development's base erosion and profit shifting project, proposed actions by international bodies, as well as the requirements of certain tax rulings;

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- Changes in the relative proportions of revenues and income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- The tax effects of purchase accounting for acquisitions and restructuring charges that may cause fluctuations between reporting periods; and
- Tax assessments, or any related tax interest or penalties that could significantly affect our income tax expense for the period in which the settlements take place.

We report our results of operations based on our determination of the aggregate amount of taxes owed in the tax jurisdictions in which we operate. From time to time, we receive notices that a tax authority in a particular jurisdiction believes that we owe a greater amount of tax than we have reported to such authority. We are regularly engaged in discussions and sometimes disputes with these tax authorities. If the ultimate determination of our taxes owed in any of these jurisdictions is for an amount in excess of the tax provision we have recorded or reserved for, our operating results, cash flows, and financial condition could be adversely affected.

We cannot predict our future capital needs and we may be unable to obtain financing, which could have a material adverse effect on our business, results of operations and financial condition.

Adverse economic conditions or a change in our business performance may make it more difficult to obtain financing for our operations, investing activities (including potential acquisitions or divestitures) or financing activities. Any required financing may not be available on terms acceptable to us, or at all. If we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our financial or operational flexibility, and would also require us to fund additional interest expense. If additional financing is not available when required or is not available on acceptable terms, we may be unable to successfully develop or enhance our software and services through acquisitions in order to take advantage of business opportunities or respond to competitive pressures, which could have a material adverse effect on our software and services offerings, revenues, results of operations and financial condition.

Failure to maintain our credit ratings could adversely affect our liquidity, capital position, ability to hedge certain financial risks, borrowing costs and access to capital markets.

Our credit risk is evaluated by the major independent rating agencies, and such agencies have in the past and could in the future downgrade our ratings. We cannot assure you that we will be able to maintain our current credit ratings, and any additional actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may have a negative impact on our liquidity, capital position, ability to hedge certain financial risks and access to capital markets. In addition, changes by any rating agency to our outlook or credit rating could increase the interest we pay on outstanding or future debt.

There are risks associated with our outstanding and future indebtedness that could adversely affect our financial condition.

As of June 29, 2018, we had an aggregate of $5.1 billion of outstanding indebtedness that will mature in calendar years 2018 through 2025, including approximately $4.0 billion in aggregate principal amount of existing senior notes and $1.1 billion of outstanding term loans under our senior credit facilities, and we may incur additional indebtedness in the future and/or enter into new financing arrangements. In addition, as of June 29, 2018, we had $1.0 billion available for borrowing under our revolving credit facility. Our ability to meet expenses, to remain in compliance with the covenants under our debt instruments and to pay interest and repay principal for our substantial level of indebtedness depends on, among other things, our operating performance, competitive developments and financial market conditions, all of which are significantly affected by financial, business, economic and other factors. We are not able to control many of these factors. Accordingly, our cash flow may not be sufficient to allow us to pay principal and interest on our debt, including the notes, and meet our other obligations.

Our substantial level of indebtedness could have important consequences, including the following:

- We must use a substantial portion of our cash flow from operations to pay interest and principal on the term loans and revolving credit facility and our existing senior notes and other indebtedness, which reduces funds available to us for other purposes such as working capital, capital expenditures, other general corporate purposes and potential acquisitions;
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- We may be unable to refinance our indebtedness or to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes;
- We are exposed to fluctuations in interest rates because borrowings under our senior credit facilities bear interest at variable rates;
- Our leverage may be greater than that of some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in responding to current and changing industry and financial market conditions;
- We may be more vulnerable to an economic downturn and adverse developments in our business;
- We may be unable to comply with financial and other covenants in our debt agreements, which could result in an event of default that, if not cured or waived, may result in acceleration of certain of our debt and would have an adverse effect on our business and prospects and could force us into bankruptcy or liquidation; and

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- Changes by any rating agency to our outlook or credit rating could negatively affect the value of our debt and and/or our common stock, adversely affect our access to debt markets, and increase the interest we pay on outstanding or future debt.

There can be no assurance that we will be able to manage any of these risks successfully.

In addition, we conduct a significant portion of our operations through our subsidiaries, which are generally not guarantors of our debt. Accordingly, repayment of our indebtedness will be dependent in part on the generation of cash flow by our subsidiaries and their ability to make such cash available to us by dividend, debt repayment or otherwise. In general, our subsidiaries will not have any obligation to pay amounts due on our debt or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and under certain circumstances legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions from our subsidiaries, we may be unable to make the required principal and interest payments on our indebtedness.

Our existing credit agreements impose operating and financial restrictions on us.

The existing credit agreements contain covenants that limit our ability and the ability of our restricted subsidiaries to:

- Incur additional debt;
- Create liens on certain assets to secure debt;
- Enter into certain sale and leaseback transactions;
- Pay dividends on or make other distributions in respect of our capital stock or make other restricted payments; and
- Consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

All of these covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities, react to market conditions or otherwise restrict activities or business plans. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and, to the extent such indebtedness is secured in the future, proceed against any collateral securing that indebtedness.

Some of our products contain “open source” software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Certain of our products are distributed with software licensed by its authors or other third parties under so-called “open source” licenses, which may include, by way of example, the GNU General Public License, GNU Lesser General Public License, the Mozilla Public License, the BSD License, and the Apache License.

Some of these licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software if we combine our proprietary software with open source software in a certain manner. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source, but we cannot be sure that all open source is submitted for approval prior to use in our products. In addition, many of the risks associated with usage of open source cannot be eliminated, and could, if not properly addressed, negatively affect our business.

Our contracts with the U.S. government include compliance, audit and review obligations. Any failure to meet these obligations could result in civil damages and/or penalties being assessed against us by the government.

We sell products and services through government contracting programs directly and via partners, though we no longer hold a GSA contract. In the ordinary course of business, sales under these government contracting programs may be subject to audit or investigation by the U.S. government. Noncompliance identified as a result of such reviews (as well as noncompliance identified on our own) could subject us to damages and other penalties, which could adversely affect our operating results and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) None.

(c) None.

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Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit	File Date	Filed with this 10-Q
10.01	Second Amendment and Limited Waiver to Amended and Restated Credit Agreement dated as of June 22, 2018.					X
10.02	Second Amendment and Limited Waiver to Term Loan dated as of June 22, 2018.					X
10.03*	Symantec Corporation 2008 Employee Stock Purchase Plan, as amended.	10-K	000-17781	10.08	10/26/2018	
10.04*	Forms of award agreements under 2013 Equity Incentive Plan, as amended.	10-K	000-17781	10.10	10/26/2018	
10.05*	Symantec Corporation Executive Retention Plan, as amended and restated.	10-K	000-17781	10.18	10/26/2018	
10.06*	Symantec Corporation Executive Severance Plan.	10-K	000-17781	10.19	10/26/2018	
10.07*	FY19 Executive Annual Incentive Plan - Chief Executive Officer.	10-K	000-17781	10.25	10/26/2018	
10.08*	FY19 Executive Annual Incentive Plan - Senior Vice President and Executive Vice President.	10-K	000-17781	10.26	10/26/2018	
10.09	Agreement between Symantec Corporation and Starboard Value LP.	8-K	000-17781	10.01	9/17/2018	
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.01†	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.02†	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Schema Linkbase Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Labels Linkbase Document					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document					X

* Indicates a management contract, compensatory plan or arrangement

† This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYMANTEC CORPORATION
(Registrant)

By: /s/ Gregory S. Clark
Gregory S. Clark
Chief Executive Officer and Director

By: /s/ Nicholas R. Noviello
Nicholas R. Noviello
Executive Vice President and Chief Financial Officer

November 16, 2018

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