

SYMANTEC CORP  
Form 10-Q  
February 02, 2018  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 29, 2017

or

☐ 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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 ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a smaller reporting  
company)

Emerging growth company ☐

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. ☐

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

The number of shares of Symantec common stock, \$0.01 par value per share, outstanding as of January 26, 2018 was 621,538,648 shares.



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SYMANTEC CORPORATION

FORM 10-Q

Quarterly Period Ended December 29, 2017

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## SYMANTEC CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in millions, except share amounts which are reflected in thousands, and par value per share amounts)

	December 29, 2017	March 31, 2017 <sup>(1)</sup>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,142	\$4,247
Short-term investments	390	9
Accounts receivable, net	666	649
Other current assets	369	419
Total current assets	3,567	5,324
Property and equipment, net	838	937
Intangible assets, net	2,754	3,004
Goodwill	8,318	8,627
Equity investments	332	158
Other long-term assets	171	124
Total assets	\$ 15,980	\$18,174
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 181	\$180
Accrued compensation and benefits	215	272
Current portion of long-term debt	—	1,310
Deferred revenue	2,151	2,353
Income taxes payable	186	30
Other current liabilities	368	477
Total current liabilities	3,101	4,622
Long-term debt	5,587	6,876
Long-term deferred revenue	579	434
Deferred income tax liabilities	618	2,401
Long-term income taxes payable	1,051	251
Other long-term obligations	86	103
Total liabilities	11,022	14,687
Contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value: 1,000 shares authorized; 21 shares issued; 0 outstanding	—	—
Common stock and additional paid-in capital, \$0.01 par value: 3,000,000 shares authorized; 621,351 and 608,019 shares issued and outstanding as of December 29, 2017 and March 31, 2017, respectively	4,507	4,236
Accumulated other comprehensive income	15	12
Retained earnings (accumulated deficit)	436	(761 )
Total stockholders' equity	4,958	3,487
Total liabilities and stockholders' equity	\$ 15,980	\$18,174

(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 December 31, 2017		Nine Months Ended December 31, 2017	
	2017	2016	2017	2016
Net revenues	\$1,209	\$ 1,041	\$3,624	\$ 2,904
Cost of revenues	249	235	768	594
Gross profit	960	806	2,856	2,310
Operating expenses:				
Sales and marketing	372	377	1,239	1,006
Research and development	225	204	699	574
General and administrative	122	131	431	360
Amortization of intangible assets	52	43	166	91
Restructuring, transition and other costs	93	67	278	201
Total operating expenses	864	822	2,813	2,232
Operating income (loss)	96	(16)	43	78
Interest income	5	5	16	14
Interest expense	(58)	(55)	(199)	(134)
Gain on divestiture	658	—	658	—
Other income (expense), net	4	5	(16)	28
Income (loss) from continuing operations before income taxes	705	(61)	502	(14)
Income tax expense (benefit)	(606)	(5)	(683)	45
Income (loss) from continuing operations	1,311	(56)	1,185	(59)
Income from discontinued operations, net of income taxes	31	102	12	96
Net income	\$1,342	\$ 46	\$1,197	\$ 37
Income (loss) per share - basic:				
Continuing operations	\$2.12	\$ (0.09)	\$1.93	\$ (0.10)
Discontinued operations	\$0.05	\$ 0.16	\$0.02	\$ 0.16
Net income per share - basic	\$2.17	\$ 0.07	\$1.95	\$ 0.06
Income (loss) per share - diluted:				
Continuing operations	\$1.97	\$ (0.09)	\$1.78	\$ (0.10)
Discontinued operations	\$0.05	\$ 0.16	\$0.02	\$ 0.16
Net income per share - diluted <sup>(1)</sup>	\$2.01	\$ 0.07	\$1.80	\$ 0.06
Weighted-average shares outstanding:				
Basic	619	620	614	618
Diluted	667	620	665	618
Cash dividends declared per common share	\$0.075	\$ 0.075	\$0.225	\$ 0.225

(1) Net income 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 INCOME  
 (Unaudited, in millions)

	Three Months Ended		Nine Months Ended	
	December 31, 2017		December 31, 2016	
	2017	2016	2017	2016
Net income	\$1,342	\$ 46	\$1,197	\$ 37
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments:				
Translation adjustments	6	6	4	(16 )
Reclassification adjustments for net loss included in net income	8	—	5	—
Net foreign currency translation adjustments	14	6	9	(16 )
Unrealized loss on available-for-sale securities:				
Unrealized loss	(2 )	(2 )	(2 )	(3 )
Reclassification adjustment for gain included in net income	(4 )	—	(4 )	—
Net unrealized loss on available-for-sale securities	(6 )	(2 )	(6 )	(3 )
Other comprehensive income (loss), net of taxes	8	4	3	(19 )
Comprehensive income	\$1,350	\$ 50	\$1,200	\$ 18

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)

	Nine Months Ended December 31, 2017		December 31, 2016	
<b>OPERATING ACTIVITIES:</b>				
Net income	\$ 1,197		\$ 37	
Income from discontinued operations, net of income taxes	(12	) (96		)
Adjustments to continuing operating activities:				
Depreciation and amortization, including debt issuance costs and discounts	526		356	
Stock-based compensation expense	448		231	
Deferred income taxes	(1,821	) 33		
Gain on divestiture	(658	) —		
Other	43		43	
Changes in operating assets and liabilities, net of acquisitions and divestitures:				
Accounts receivable, net	(38	) 114		
Accounts payable	5		(72	)
Accrued compensation and benefits	(53	) (10		)
Deferred revenue	187		(71	)
Income taxes	945		(981	)
Other assets	(3	) 16		
Other liabilities	(85	) (60		)
Net cash provided by (used in) continuing operating activities	681		(460	)
Net cash provided by (used in) discontinued operating activities	3		(104	)
Net cash provided by (used in) operating activities	684		(564	)
<b>INVESTING ACTIVITIES:</b>				
Additions to property and equipment	(105	) (57		)
Payments for acquisitions, net of cash acquired	(402	) (4,533		)
Purchases of short-term investments	(408	) —		
Proceeds from maturities and sales of short-term investments	25		31	
Proceeds from divestitures, net of cash contributed	946		7	
Other	(20	) 2		
Net cash provided by (used in) investing activities	36		(4,550	)
<b>FINANCING ACTIVITIES:</b>				
Repayments of debt and other obligations	(2,640	) (62		)
Proceeds from issuance of debt, net of issuance costs	—		4,993	
Net proceeds from sales of common stock under employee stock benefit plans	83		53	
Tax payments related to restricted stock units	(97	) (50		)
Dividends and dividend equivalents paid	(163	) (173		)
Payment for dissenting LifeLock shareholder settlement	(68	) —		
Other	—		10	
Net cash provided by (used in) financing activities	(2,885	) 4,771		
Effect of exchange rate fluctuations on cash and cash equivalents	60		(65	)
Change in cash and cash equivalents	(2,105	) (408		)
Beginning cash and cash equivalents	4,247		5,983	
Ending cash and cash equivalents	\$ 2,142		\$ 5,575	
<b>Supplemental disclosure of cash flow information</b>				
Income taxes paid, net of refunds	\$ 200		\$ 1,044	



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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Description of Business and Significant Accounting Policies

Business

Symantec Corporation (“Symantec,” “we,” “us,” “our,” and the “Company” refer to Symantec Corporation and all of its subsidiaries) is a global leader in cybersecurity.

On October 31, 2017, we completed the sale of our website security (“WSS”) and public key infrastructure (“PKI”) solutions to Thoma Bravo, LLC’s portfolio company DigiCert Parent Inc. (“DigiCert”). The results of operations of our WSS and PKI solutions prior to the divestiture are reported in our consolidated results of operations through October 31, 2017. See Note 6 for more information on the divestiture.

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 31, 2017. The results of operations for the three and nine months ended December 29, 2017, 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 and nine month periods in this report relate to fiscal periods ended December 29, 2017 and December 30, 2016. The nine months ended December 29, 2017 and December 30, 2016 each consisted of 39 weeks. Our 2018 fiscal year consists of 52 weeks and ends on March 30, 2018.

Recently adopted authoritative guidance

Employee Stock-Based Compensation. In the first quarter of fiscal 2018, we adopted new guidance to simplify accounting for share-based payment transactions. Prior to adoption, excess tax benefits resulting from the difference between the deduction for tax purposes and the compensation costs recognized for financial reporting were not recognized until the deduction reduced taxes payable. As a result of the new guidance, we now recognize excess tax benefits or deficiencies in the period in which the award vests. We elected to continue to estimate forfeitures rather than record the forfeitures as they occur. We adopted the change in recognizing excess tax benefits using the modified retrospective method. We also elected to retrospectively apply the change in presentation of excess tax benefits recognized related to stock-based compensation expense in our Condensed Consolidated Statements of Cash Flows from financing activities to operating activities. The cumulative effect of adopting the new accounting guidance was not material.

There have been no other material changes in our significant accounting policies as of and for the nine months ended December 29, 2017, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

Note 2. Segment Information

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

Enterprise Security. Our Enterprise Security segment solutions protect organizations so they can securely conduct business while leveraging new platforms and data. Our Enterprise Security segment includes our endpoint protection products, endpoint management products, messaging protection products, information protection products, cyber security services, website security (through October 31, 2017) and advanced web and cloud security offerings. See Note 6 for more information on our divestiture of our WSS and PKI solutions on October 31, 2017. Our enterprise endpoint, network security and management offerings support evolving endpoints and networks, providing advanced threat protection while helping reduce cost and complexity. These products and solutions are delivered through various methods, such as software, appliance, virtual appliance, Software-as-a-Service (“SaaS”) and managed services.



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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 services, which provide multi-layer security across major desktop and mobile operating systems, public Wi-Fi connections, and home networks, to defend against increasingly complex online threats to individuals, families and small businesses, and our LifeLock-branded identity protection services. Our LifeLock-branded identity protection services primarily consist of identifying and notifying users of identity-related and other events and assisting users in remediating their impact. With the addition of LifeLock-branded identity protection services, we are providing a comprehensive digital safety solution designed to protect information across devices, customer identities and the connected home and family and accelerating our leadership in Consumer Digital Safety to protect all aspects of consumers' digital lives.

Operating segments are based upon the nature of our business and how our business is managed. Our Chief Operating Decision Makers ("CODM"), comprised 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 reporting segments:

(In millions)	Three Months Ended		Nine Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Total Segments:				
Net revenues	\$1,209	\$ 1,041	\$3,624	\$ 2,904
Operating income	\$438	\$ 271	\$1,161	\$ 773
Enterprise Security:				
Net revenues	\$625	\$ 644	\$1,957	\$ 1,699
Operating income	\$136	\$ 58	\$377	\$ 111
Consumer Digital Safety:				
Net revenues	\$584	\$ 397	\$1,667	\$ 1,205
Operating income	\$302	\$ 213	\$784	\$ 662

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 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		Nine Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Total segment operating income	\$438	\$ 271	\$1,161	\$ 773
Reconciling items:				
Stock-based compensation expense	125	97	448	231
Amortization of intangible assets	111	94	341	183
Restructuring, transition and other costs	93	67	278	201
Acquisition-related costs	13	29	51	80
Total consolidated operating income (loss) from continuing operations	\$96	\$ (16 )	\$43	\$ 78

#### Note 3. 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 the three and nine months ended December 31, 2016, as

there was a loss from continuing operations in the periods and inclusion of potentially issuable shares was anti-dilutive.

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

(In millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Income (loss) from continuing operations	\$1,311	\$ (56 )	\$1,185	\$ (59 )
Income from discontinued operations, net of income taxes	31	102	12	96
Net income	\$1,342	\$ 46	\$1,197	\$ 37
Income (loss) per share - basic:				
Continuing operations	\$2.12	\$ (0.09 )	\$1.93	\$ (0.10 )
Discontinued operations	\$0.05	\$ 0.16	\$0.02	\$ 0.16
Net income per share - basic	\$2.17	\$ 0.07	\$1.95	\$ 0.06
Income (loss) per share - diluted:				
Continuing operations	\$1.97	\$ (0.09 )	\$1.78	\$ (0.10 )
Discontinued operations	\$0.05	\$ 0.16	\$0.02	\$ 0.16
Net income per share - diluted <sup>(1)</sup>	\$2.01	\$ 0.07	\$1.80	\$ 0.06
Weighted-average shares outstanding - basic	619	620	614	618
Dilutive potentially issuable shares:				
Convertible debt	33	—	33	—
Employee equity awards	15	—	18	—
Weighted-average shares outstanding - diluted	667	620	665	618
Anti-dilutive shares excluded from diluted net income per share calculation:				
Convertible debt	—	91	—	91
Employee equity awards	1	46	1	46
Total	1	137	1	137

(1) Net income 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. During the three and nine months ended December 31, 2016, the conversion feature of both notes was anti-dilutive due to a loss from continuing operations.

#### Note 4. Restructuring, Transition and Other Costs

Our restructuring, transition and other costs and liabilities 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. Restructuring, transition and other costs are managed at the corporate level and are not allocated to our reportable segments. See Note 2 for information regarding the reconciliation of total segment operating income to total consolidated operating income (loss).

#### 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”). We have reduced headcount and closed certain facilities in connection with the Fiscal 2017 Plan and expect additional headcount reductions and facilities closures. We expect to incur

additional costs of between \$70 million and \$90 million in connection with the Fiscal 2017 Plan primarily consisting of severance and termination benefits and facilities exit costs. These actions are expected to be completed in the first half of fiscal 2019. As of December 29, 2017, 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 2022.

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## Restructuring, transition and other costs summary

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

	Three Months Ended December 29, 2017	Nine Months Ended December 29, 2017
(In millions)		
Severance and termination benefit costs	\$ 11	\$ 50
Other exit and disposal costs (benefit)	(2 )	15
Asset write-offs	9	18
Transition costs	75	195
Total	\$ 93	\$ 278

## Restructuring summary

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

	Balance as of March 31, 2017	Costs, Net of Adjustments	Cash Payments	Non-Cash Charges	Balance as of December 29, 2017	Cumulative Incurred to Date
(In millions)						
Severance and termination benefit costs	\$ 20	\$ 50	\$ (58 )	\$ —	\$ 12	\$ 126
Other exit and disposal costs	26	15	(22 )	(7 )	12	94
Total	\$ 46	\$ 65	\$ (80 )	\$ (7 )	\$ 24	\$ 220

The restructuring liabilities are included in accounts payable, other current liabilities and other long-term obligations in our Condensed Consolidated Balance Sheets.

## Note 5. Income Taxes

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

	Three Months Ended December 29, 2017		Nine Months Ended December 30, 2017	
(In millions, except percentages)	2017	2016	2017	2016
Income (loss) from continuing operations before income taxes	\$705	\$ (61 )	\$502	\$ (14 )
Income tax expense (benefit)	\$(606)	\$ (5 )	\$(683)	\$ 45
Effective tax rate	(86 )%	8 %	(136 )%	(321 )%

Our effective tax rate for income from continuing operations for the three and nine months ended December 29, 2017 differs from the federal statutory income tax rate primarily due to accounting for the effects of enactment of the Tax Cuts and Jobs Act (H.R.1) or the “Act” on December 22, 2017, 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.

In the third quarter of fiscal 2018, we revised our estimated annual effective rate to reflect a change in the federal statutory rate from 35% to 21%, as a result of the enactment of the Act, which included broad tax reforms that are applicable to us. The rate change is effective January 1, 2018 and therefore will require us to use a blended U.S. statutory rate of 31.58% for our fiscal year 2018. As a result, we recognized a tax benefit in our tax provision for the three and nine months ended December 29, 2017 related to applying the new blended tax rate to our taxable income, as well as adjusting our deferred tax balance to reflect the application of the Act.

Our effective tax rate for loss from continuing operations for the three and nine months ended December 30, 2016 was based on the historic statutory tax rate of 35%. Our effective tax rate for loss from continuing operations for the three months ended December 30, 2016 differs from the federal statutory income tax rate primarily due to the benefits of lower-taxed international earnings and the research and development credit, partially offset by various permanent differences. Our effective tax rate for loss from continuing operations for the nine months ended December 30, 2016



differs from the federal statutory income tax rate primarily due to the benefits of lower-taxed international earnings and the research and development credit, partially offset by various permanent differences and tax expense related to the loss of tax attributes due to restructuring activities. Additionally, as pre-tax income (loss) approaches break even, small changes can produce significant variability in the effective tax rate.

For the three and nine months ended December 29, 2017, we recorded an income tax benefit of \$30 million and an income tax expense of \$7 million on discontinued operations, respectively. For the three and nine months ended December 30, 2016,

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we recorded an income tax benefit of \$85 million and an income tax expense of \$49 million on discontinued operations, respectively. See Note 13 for further details regarding discontinued operations.

Income tax expense from continuing operations for the three and nine months ended December 29, 2017 was adjusted to reflect the discrete effects of the Act and resulted in an increase in income tax benefit of \$810 million. This includes an income tax benefit of \$1.6 billion resulting from the application of the Act to existing deferred tax balances, including a reduction of the previously accrued deferred tax liability for foreign earnings by \$1.4 billion. This was partially offset by \$821 million of tax expense that was recorded for the one-time transition tax liability under the Act. As of December 29, 2017, we have not completed our accounting for the tax effects of 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. In other cases, we have not been able to make a reasonable estimate and we continue to account for those items based on our existing accounting policies and the provisions of the tax laws that were in effect immediately prior to enactment. For the items for which we were able to determine a reasonable estimate, we recognized a provisional tax benefit of \$810 million, which is included as a component of income tax expense from continuing operations.

We remeasured certain deferred tax assets and liabilities based on an estimate of the rates at which they are expected to reverse in the future. However, we are still analyzing certain aspects of the Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. Additionally, our estimates for when timing differences will reverse could differ from actual results at year end, impacting our provisional tax benefit.

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. 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. The liability ultimately determined will be dependent on our final fiscal year results. 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.

We have not completed our analysis of the deferred tax accounting for the new taxes on global intangible low taxed income 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. Following the Securities and Exchange Commission guidance on changes in the tax law for which we are unable to make a provisional estimate, we have continued to compute this aspect of the tax provision based on the tax laws that were in effect immediately prior to the Act being enacted.

### Note 6. Acquisitions and Divestiture

#### Fiscal 2018 acquisitions

##### Fireglass and Skycure acquisitions

In July 2017, we completed our acquisitions of Israel-based Fireglass, Ltd. (“Fireglass”) and Skycure, Ltd. (“Skycure”). Fireglass provides agentless isolation solutions that prevent ransomware, malware and phishing threats in real-time from reaching user endpoints or the corporate network. With this acquisition, we further strengthened our enterprise security strategy to deliver an Integrated Cyber Defense Platform and extended our participation in the Secure Web Gateway and Email protection markets delivered both on premises and in the cloud. Skycure provides mobile threat defense for devices running modern operating systems, including iOS and Android. This acquisition extends our endpoint security capabilities. With the addition of Skycure our Integrated Cyber Defense Platform now has visibility into and control over all endpoint devices, including mobile devices, whether corporate owned or bring your own device. The total aggregate consideration for these acquisitions, primarily consisting of cash, was \$345 million, net of \$15 million cash acquired.



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Our preliminary allocation of the aggregate purchase price for these two acquisitions, based on the estimated fair values of the assets acquired and liabilities assumed in July 2017, and the related weighted-average estimated useful lives, is as follows:

	July	Weighted-Average Estimated Useful Life
(In millions, except useful lives)	24, 2017	
Developed technology	\$123	5.5 years
Customer relationships	11	7 years
Goodwill	247	
Deferred income tax liabilities	(35 )	
Other liabilities	(1 )	
Total purchase price	\$345	

The preliminary allocation of the aggregate purchase price for the two acquisitions described above was based upon preliminary valuations, and our estimates and assumptions are subject to refinement within the measurement period (up to one year from the close date). Adjustments to the purchase price allocations may require adjustments to goodwill prospectively. The primary areas of the preliminary purchase price allocations that are not yet finalized are certain tax matters, intangible assets, and identification of contingencies.

The preliminary goodwill arising from the acquisitions is attributed to the expected synergies, including revenue benefits that are expected to be generated by combining Fireglass and Skycure with Symantec. A portion of the goodwill recognized is expected to be deductible for tax purposes. See Note 7 for more information on goodwill. Pro forma results of operations for these acquisitions have not been presented because they were not material to our consolidated results of operations, either individually or in the aggregate.

#### Other fiscal 2018 acquisitions

During the nine months ended December 29, 2017, in addition to the acquisitions mentioned above, we completed acquisitions of other companies for an aggregate purchase price of \$66 million, net of \$1 million cash acquired. Of the aggregate purchase price, \$48 million was preliminarily recorded to goodwill. The primary areas of the preliminary purchase price allocations that are not yet finalized are certain tax matters, intangible assets, and identification of contingencies. These acquisitions were not material to our consolidated results of operations, either individually or in the aggregate.

#### Fiscal 2017 Blue Coat acquisition

During our second quarter of fiscal 2017, we acquired all of the outstanding common stock of Blue Coat, Inc. ("Blue Coat"). The total consideration for the acquisition was approximately \$4.67 billion, net of cash acquired. The Blue Coat results are included in our Enterprise Security segment. See Note 2 for more information related to our segments.

#### Unaudited pro forma information

The unaudited pro forma financial results combine the historical results of Symantec and Blue Coat for the three and nine months ended December 30, 2016 and include the effects of pro forma adjustments as if Blue Coat were acquired in the beginning of our 2016 fiscal year. The pro forma results for the three and nine months ended December 30, 2016 include nonrecurring adjustments to amortization of acquired intangible assets, stock-based compensation, commissions, interest on debt used to finance the acquisition, and acquisition-related transaction costs, as well as the income tax effect of the pro forma adjustments.

The unaudited pro forma financial results presented below do not include any anticipated synergies or other expected benefits of the acquisition. These pro forma results are presented for informational purposes only and are not indicative of future operations or results that would have been achieved had the acquisition been completed as of the beginning of our 2016 fiscal year. The following table summarizes the pro forma financial information:

	December 30,	
	2016	
	Three	Nine
(In millions)	Months	Months
	Ended	Ended

Net revenues \$1,041 \$3,127

Net income (loss) \$55 \$(64 )

LifeLock acquisition-related shareholder settlement

On February 9, 2017, we completed the acquisition of LifeLock, Inc. (“LifeLock”). In connection with this acquisition, we recognized a liability of \$68 million for a claim related to appraisal rights by a LifeLock stockholder, which we settled in the second quarter of fiscal 2018 for \$74 million in cash. The \$6 million paid in addition to the recognized liability was recorded to general and administrative expense in our Condensed Consolidated Statements of Operations.

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## Divestiture

## Website Security and Public Key Infrastructure solutions

On October 31, 2017, we completed the sale of our WSS and PKI solutions in our Enterprise Security segment to DigiCert. In accordance with the terms of the agreement, we received aggregate consideration of \$1.1 billion, consisting of approximately \$960 million in cash and shares of common stock representing an approximate 28% interest in the outstanding common stock of DigiCert valued at \$160 million as of October 31, 2017. The cash consideration is subject to adjustment for WSS and PKI closing date cash and working capital as specified in the purchase agreement.

We determined the estimated fair value of our equity investment with the assistance of valuations performed by third party specialists and estimates made by management. We utilized a combination of the income approach based on a discounted cash flow method and market approach based on the guideline public company method that focuses on comparing DigiCert to reasonably similar publicly traded companies. The equity interest received is being accounted for under the equity method. We record our interest in the net earnings (loss) of DigiCert based on the most recently available financial statements of DigiCert, which are provided to us on a three month lag, along with adjustments for unrealized profits or losses on intra-entity transactions and amortization of basis differences, in Income (loss) from equity interests in our Condensed Consolidated Statement of Operations. Profits or losses related to intra-entity sales with DigiCert are eliminated until realized by us or DigiCert. Basis differences represent differences between the original fair value of the investment and the underlying equity in net assets of the investment and are generally amortized over the lives of the related assets that gave rise to them. The carrying amount of the investment in equity interest will be adjusted to reflect our interest in net earnings, dividends received and other-than-temporary impairments.

As of the transaction close date, the carrying amounts of the major classes of assets and liabilities associated with the divestiture of our WSS and PKI solutions were as follows:

(In millions)	October 31, 2017
Assets:	
Cash and cash equivalents	\$ 2
Accounts receivable, net	34
Goodwill and intangible assets, net	670
Other assets	40
Total assets	746
Liabilities:	
Deferred revenue	285
Other liabilities	11
Total liabilities	\$ 296

As of the transaction close date, we also had \$8 million in cumulative currency translation losses related to subsidiaries that were sold, which was reclassified from Accumulated other comprehensive income (“AOCI”) to the gain on divestiture. In addition, we incurred direct costs of \$8 million, which was netted against the gain on divestiture, and tax expense of \$137 million.

The following table presents the gain before income taxes associated with the divestiture:

(In millions)	
Gain on divestiture:	
Gain on sale of short-term investment	\$7
Gain on sale of other assets and liabilities	651
Total gain on divestiture	\$658

The gain on sale of short-term investment represents the gain on the sale of a short-term investment that was included in the transaction and resulted in the reclassification on the transaction close date of \$7 million of unrealized gains from AOCI to the gain on divestiture.

The following table presents the income before income taxes for our WSS and PKI solutions for the periods indicated:

	Three Months Ended		Nine Months Ended	
(In millions)	December 31, 2017		December 31, 2016	
Income before income taxes	\$ 8	\$ 49	\$ 66	\$ 157

In connection with the divestiture, we entered into a Transition Services Agreement ("TSA") with DigiCert pursuant to which we provide certain services including human resource services, financial support services and information technology services to

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DigiCert. The services under the TSA commenced with the close of the transaction and expire at various dates through fiscal 2019, with extension options. During the three and nine months ended December 29, 2017, we recorded income of \$10 million and associated direct costs of \$2 million for all services provided to DigiCert in Other income (expense) in our Condensed Consolidated Statement of Operations.

## Note 7. 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
Net balance as of March 31, 2017	\$ 6,078	\$ 2,549	\$8,627
Acquisitions	256	39	295
Divestiture	(606 )	—	(606 )
Translation and other adjustments	5	(3 )	2
Net balance as of December 29, 2017	\$ 5,733	\$ 2,585	\$8,318

## Intangible assets, net

(In millions)	December 29, 2017			March 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$1,462	\$ (305 )	\$ 1,157	\$1,646	\$ (322 )	\$ 1,324
Developed technology	1,043	(323 )	720	1,006	(229 )	777
Finite-lived trade names and other	13	(7 )	6	46	(26 )	20
Total finite-lived intangible assets	2,518	(635 )	1,883	2,698	(577 )	2,121
Indefinite-lived trade names	852	—	852	864	—	864
In-process research and development	19	—	19	19	—	19
Total intangible assets	\$3,389	\$ (635 )	\$ 2,754	\$3,581	\$ (577 )	\$ 3,004

Amortization expense for purchased intangible assets is summarized below:

(In millions)	Three Months Ended December 29, 2017		Nine Months Ended December 29, 2017		Statements of Operations Classification
	December 29, 2017	December 30, 2016	December 29, 2017	December 30, 2016	
Customer relationships and other	\$ 52	\$ 43	\$ 166	\$ 91	Operating expenses
Developed technology	59	51	175	92	Cost of revenues
Total	\$ 111	\$ 94	\$ 341	\$ 183	

As of December 29, 2017, future amortization expense related to intangible assets that have finite lives is as follows by fiscal year:

(In millions)	December 29, 2017
Remainder of 2018	\$ 110
2019	436
2020	431
2021	321
2022	259
Thereafter	326
Total	\$ 1,883

See Note 6 for more information on our acquisitions and divestiture.



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## Note 8. Debt

The following table summarizes components of our debt:

(In millions, except percentages)	December 29, 2017	March 31, 2017	Effective Interest Rate	
2.75% Senior Notes due June 15, 2017	\$ —	\$ 600	2.79	%
Senior Term Loan A-1 due May 10, 2019	300	1,000	LIBOR plus <sup>(1)</sup>	
Senior Term Loan A-2 due August 1, 2019	800	800	LIBOR plus <sup>(1)</sup>	
Senior Term Loan A-3 due August 1, 2019	70	200	LIBOR plus <sup>(1)</sup>	
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	1,710	LIBOR plus <sup>(1)</sup>	
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	5,670	8,310		
Less: Unamortized discount and issuance costs	(83)	(124)		
Total debt	5,587	8,186		
Less: Current portion	—	(1,310)		
Total long-term portion	\$ 5,587	\$ 6,876		

The senior term facilities bear interest at a rate equal to the London Interbank Offered Rate (“LIBOR”) plus a margin (1) of 1.50% to 2.00% based on the current debt rating of our non-credit-enhanced, senior unsecured long-term debt and our underlying loan agreements.

Based on the closing price of our common stock of \$28.06 on December 29, 2017, the if-converted values of our 2.5% and 2.0% Convertible Senior Notes exceed the principal amount by approximately \$337 million and \$469 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 December 31, 2017		Nine Months Ended December 31, 2017	
	2017	2016	2017	2016
Contractual interest expense	\$ 9	\$ 10	\$ 28	\$ 20
Amortization of debt discount and issuance costs	\$ 4	\$ 3	\$ 12	\$ 9

As of December 29, 2017, the future maturities of debt by fiscal year are as follows:

(In millions)	December 29, 2017
Remainder of 2018	\$ —
2019	—
2020	1,170
2021	1,250
2022	1,750
Thereafter	1,500
Total future maturities of debt	\$ 5,670

## Debt repayments

During the third quarter of fiscal 2018, we prepaid principal amounts of \$130 million of our Senior Term Loan A-3 and \$500 million of our Senior Term Loan A-1.

During the first quarter of fiscal 2018, we prepaid principal amounts of \$1.2 billion of our Senior Term Loan A-5 and \$200 million of our Senior Term Loan A-1. We also repaid in cash at maturity the \$600 million remaining principal

balance of our 2.75% Senior Notes due June 15, 2017.

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## Note 9. Fair Value Measurements

Assets measured and recorded at fair value on a recurring basis

Our cash equivalents consist primarily of money market funds whose carrying amount is a reasonable estimate of fair value. Our short-term investments consist of investment securities with original maturities greater than three months whose fair value approximates their amortized cost and marketable equity securities.

The following table summarizes our assets measured at fair value on a recurring basis, by level, within the fair value hierarchy:

(In millions)	December 29, 2017			March 31, 2017		
	Fair Value	Cash and Cash Equivalents	Short-Term Investments	Fair Value	Cash and Cash Equivalents	Short-Term Investments
Cash	\$712	\$ 712	\$ —	\$1,183	\$ 1,183	\$ —
Non-negotiable certificates of deposit	381	381	—	15	15	—
Level 1 (Quoted prices in active markets for identical assets):						
Money market funds	814	814	—	2,532	2,532	—
U.S. government securities	64	64	—	94	94	—
Marketable equity securities	—	—	—	9	—	9
Total level 1	878	878	—	2,635	2,626	9
Level 2 (Significant other observable inputs):						
Corporate bonds	367	—	367	—	—	—
U.S. agency securities	63	63	—	75	75	—
Commercial paper	119	108	11	348	348	—
Negotiable certificates of deposit	12	—	12	—	—	—
Total level 2	561	171	390	423	423	—
Total	\$2,532	\$ 2,142	\$ 390	\$4,256	\$ 4,247	\$ 9

There were no transfers between fair value measurement levels during the nine months ended December 29, 2017.

The following table presents the contractual maturities of our debt investments as of December 29, 2017:

(In millions)	Fair Value
Due in one year or less	\$ 66
Due after one year through five years	324
Total	\$ 390

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

Fair value of debt

As of December 29, 2017 and March 31, 2017, the total fair value of our debt was \$5.7 billion and \$8.3 billion, respectively, based on Level 2 inputs.

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## Note 10. Stockholders' Equity

## Dividends

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

(In millions, except per share data)	Three Months Ended		Nine Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Dividends declared and paid	\$47	\$ 46	\$139	\$ 139
Dividend equivalents paid	2	7	24	34
Total dividends and dividend equivalents paid	\$49	\$ 53	\$163	\$ 173
Cash dividends declared per common share	\$0.075	\$ 0.075	\$0.225	\$ 0.225

Our restricted stock units and performance based restricted stock units are entitled to dividend equivalents to be paid in the form of cash upon vesting for each share of the underlying unit.

On January 31, 2018, we declared a cash dividend of \$0.075 per share of common stock to be paid on March 14, 2018 to all stockholders of record as of the close of business on February 20, 2018. All shares of common stock issued and outstanding and all shares of unvested restricted stock and performance-based stock 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

As of December 29, 2017, the remaining balance of our share repurchase authorization is \$800 million and does not have an expiration date.

## Accelerated stock repurchase agreement

During the fourth quarter of fiscal 2017, we entered into an accelerated stock repurchase ("ASR") agreement with financial institutions to repurchase an aggregate of \$500 million of our common stock. Pursuant to the ASR agreement, we made an upfront payment of \$500 million to the financial institutions and received and retired an initial delivery of 14.2 million shares of our common stock. In the first quarter of fiscal 2018, we completed the ASR and received and retired an additional delivery of 2.2 million shares of our common stock. The total shares received and retired under the terms of the ASR agreement were 16.4 million, with an average price paid per share of \$30.51.

## Changes in AOCI by component

Components of AOCI net of taxes were as follows:

(In millions)	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Available-For-Sale Securities	Total
Balance as of March 31, 2017	\$ 7	\$ 5	\$ 12
Reclassification to net income	5	(4 )	1
Other comprehensive income (loss)	4	(2 )	2
Balance as of December 29, 2017	\$ 16	\$ (1 )	\$ 15

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Net gain (loss) reclassified from AOCI to the Condensed Consolidated Statement of Operations was as follows:

(In millions)	Amount Reclassified from AOCI				Line Items in Condensed Consolidated Statements of Operations
	Three Months Ended		Nine Months Ended		
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	
AOCI Components:					
Foreign currency translation adjustments:					
Gain on liquidations	\$—	\$—	\$ 3	\$—	Other income (expense), net
Sale of foreign entities	(8 )	—	(8 )	—	Gain on divestiture
Total adjustments	(8 )	—	(5 )	—	Income (loss) from continuing operations
Available-for-sale securities:					
Gain realized	7	—	7	—	Gain on divestiture
Income tax expense	3	—	3	—	Income tax expense (benefit)
Gain, net of tax	4	—	4	—	Income (loss) from continuing operations
Total	\$(4)	\$—	—\$ (1 )	\$—	

## Note 11. Stock-Based Compensation

## Stock-based compensation expense

The following table presents the stock-based compensation expense recognized in our Condensed Consolidated Statements of Operations:

(In millions)	Three Months Ended December 31, 2017		Nine Months Ended December 31, 2016	
	2017	2016	2017	2016
Cost of revenues	\$ 7	\$ 6	\$ 22	\$ 14
Sales and marketing	30	25	123	63
Research and development	49	25	143	64
General and administrative	39	41	160	90
Total stock-based compensation expense	125	97	448	231
Tax expense (benefit) associated with stock-based compensation expense	2	(34 )	(107 )	(74 )
Net stock-based compensation expense	\$ 127	\$ 63	\$ 341	\$ 157

The tax expense (benefit) associated with stock-based compensation expense for the three and nine months ended December 29, 2017 reflects the impact of the enactment of the Act. The tax benefit associated with stock-based compensation expense for the three and nine months ended December 30, 2016 reflects the historic tax rates.

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

(In millions, except per grant data)	Nine Months Ended	
	December 31, 2017	December 31, 2016
Restricted stock units:		
Weighted-average fair value per award granted and assumed	\$30.20	\$ 18.80
Awards granted and assumed	11.9	14.2
Total fair value of awards released	\$265	\$ 138
Total unrecognized compensation expense, net of estimated forfeitures	\$369	\$ 257
Weighted-average remaining recognition period	1.7 years	2.0 years
Performance-based restricted stock units:		
Weighted-average fair value per award granted and assumed	\$32.94	\$ 19.99
Awards granted and assumed	3.7	5.0
Total fair value of awards released	\$24	\$ 13
Total unrecognized compensation expense, net of estimated forfeitures	\$92	\$ 63
Weighted-average remaining recognition period	0.9 years	1.2 years
Stock options:		
Total intrinsic value of stock options exercised	\$123	\$ 57
Total unrecognized compensation expense, net of estimated forfeitures	\$79	\$ 116
Weighted-average remaining recognition period	1.0 year	1.6 years

## Note 12. Contingencies

## 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 our Condensed Consolidated Financial Statements.

In connection with the sale of our former information management business (“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 in our Condensed Consolidated Financial Statements.

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

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

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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.

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.

### Finjan

On August 28, 2013, Finjan, Inc. ("Finjan") filed a complaint against Blue Coat Systems, Inc. in the U.S. District Court for the Northern District of California alleging that certain Blue Coat products infringe six of Finjan's U.S. patents. On August 4, 2015, a jury returned a verdict that certain Blue Coat products infringe five of the Finjan patents-in-suit and awarded Finjan lump-sum damages of \$40 million. On November 20, 2015, the trial court entered a judgment in favor of Finjan on the jury verdict and certain non-jury legal issues. On July 28, 2016, in its ruling on post-trial motions the trial court denied Blue Coat's motions seeking a new trial or judgment as a matter of law and denied Finjan's request for enhanced damages and attorneys' fees. In August 2016, we completed our acquisition of Blue Coat. We subsequently filed an appeal with the Federal Circuit Court of Appeals. On January 10, 2018, the Federal Circuit Court of Appeals issued an opinion favorable to us. The decision reversed or vacated all but \$8 million of the judgment against Blue Coat and remanded to the District Court to determine whether Finjan is entitled to a new trial on damages related to one of the patents. Blue Coat previously accrued \$40 million in connection with Finjan, which was assumed by us as a part of the acquisition of Blue Coat.

### 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 13. Discontinued Operations

On January 29, 2016, we completed the sale of Veritas. The results of Veritas are presented as discontinued operations in our Condensed Consolidated Statements of Operations and have been excluded from continuing operations and



segment results for all reported periods.

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The following table presents information regarding certain components of income from discontinued operations, net of income taxes:

(In millions)	Three Months Ended		Nine Months Ended	
	December 29, 2017	December 30, 2016	December 29, 2017	December 30, 2016
Net revenues	\$ 14	\$ 22	\$ 51	\$ 145
Cost of revenues	(5 )	(3 )	(21 )	(12 )
Operating expenses	(8 )	(2 )	(11 )	(26 )
Gain on sale of Veritas	—	—	—	38
Income from discontinued operations before income taxes	1	17	19	145
Income tax expense (benefit)	(30 )	(85 )	7	49
Income from discontinued operations, net of income taxes	\$ 31	\$ 102	\$ 12	\$ 96

## 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,” “projects,” 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, divestitures and of our restructurings, our intent to pay quarterly cash dividends in the future, 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 Risk Factors, set forth in Part I, Item 1A, of our annual report on Form 10-K for the fiscal year ended March 31, 2017 and in Part II Item 1A, of this quarterly report on Form 10-Q. We encourage you to read those sections carefully.

### OVERVIEW

#### Our business

Symantec Corporation is a global leader in cybersecurity. We operate our business on a global civilian cyber intelligence threat network and track a vast number of threats across the Internet from hundreds of millions of mobile devices, endpoints, and servers across the globe. We believe one of our competitive advantages is our database of threat indicators. This database allows us to reduce the number of false positives and provide faster and better protection for customers through our products. We are leveraging our capabilities to deliver integrated solutions for customers. We are also pioneering solutions in markets such as cloud security, digital safety, advanced threat protection, identity protection, information protection and cyber security services.

#### Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The three months ended December 29, 2017 (“Q3 FY18”) and December 30, 2016 (“Q3 FY17”) both consisted of 13 weeks. The nine months ended December 29, 2017 (“YTD FY18”) and December 30, 2016 (“YTD FY17”) both consisted of 39 weeks. Our 2018 fiscal year consists of 52 weeks and ends on March 30, 2018.

#### Strategy

Our strategy is to deliver comprehensive cyber security solutions for both enterprises and consumers.

Our enterprise security strategy is to deliver an Integrated Cyber Defense platform that allows Symantec products to share threat intelligence and improve security outcomes for customers across all control points. Symantec is the leading vendor in protecting users, information, web and messaging across an integrated platform.

Our consumer digital safety strategy is to deliver the most comprehensive consumer digital safety solutions to help people protect their information, identities, devices and families.



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### Our financial highlights and results of operations

Our financial highlights and results of operations discuss our business and overall analysis of financial and other highlights affecting the company and analyze our financial results comparing the three and nine months ended December 29, 2017 to the prior year periods. This interim Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the MD&A in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

On October 31, 2017, we completed the sale of our website security ("WSS") and public key infrastructure ("PKI") solutions to DigiCert Parent Inc. ("DigiCert") for an aggregate consideration of \$1.1 billion, consisting of approximately \$960 million in cash and shares of common stock representing an approximate 28% interest in the outstanding common stock of DigiCert valued at \$160 million as of the transaction date. The results of operations of our WSS and PKI solutions prior to the divestiture are reported in our consolidated results of operations through October 31, 2017. The cash consideration is subject to adjustment for WSS and PKI closing date cash and working capital as specified in the purchase agreement. See Note 6 to the Condensed Consolidated Financial Statements for more information on our divestiture.

The following discussion relates to the results of our continuing operations and our total Company cash flows unless stated otherwise.

### Our operating segments

Our operating segments are significant strategic business units that offer different products and services distinguished by customer needs. Our operating segments are: Enterprise Security and Consumer Digital Safety.

**Enterprise Security.** Our Enterprise Security segment solutions protect organizations so they can securely conduct business while leveraging new platforms and data. Our Enterprise Security segment includes our endpoint protection products, endpoint management products, messaging protection products, information protection products, cyber security services, website security (through October 31, 2017) and advanced web and cloud security offerings. See Note 6 to the Condensed Consolidated Financial Statements for more information on our divestiture of our WSS and PKI solutions on October 31, 2017. Our enterprise endpoint, network security and management offerings support evolving endpoints and networks, providing advanced threat protection while helping reduce cost and complexity. These products and solutions are delivered through various methods, such as software, appliance, virtual appliance, Software-as-a-Service ("SaaS") and managed services.

**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 services, which provide multi-layer security across major desktop and mobile operating systems, public Wi-Fi connections, and home networks, to defend against increasingly complex online threats to individuals, families and small businesses, and our LifeLock-branded identity protection services. Our LifeLock-branded identity protection services primarily consist of identifying and notifying users of identity-related and other events and assisting users in remediating their impact. With the addition of LifeLock-branded identity protection services, we are providing a comprehensive digital safety solution designed to protect information across devices, customer identities and the connected home and family and accelerating our leadership in Consumer Digital Safety to protect all aspects of consumers' digital lives.

For more information on our operating segments see Note 2 to the Condensed Consolidated Financial Statements.

### Financial highlights and business trends

The following is an overview of key financial metrics in millions and the respective metrics as a percentage of revenues.

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Below are our financial highlights for the three months ended December 29, 2017, compared to the corresponding period in the prior year:

Revenue increased by 16% compared to the corresponding period in the prior year, driven by a 47% increase in our Consumer Digital Safety segment, primarily due to the contribution from the February 2017 acquisition of LifeLock, Inc. (“LifeLock”). Revenue in our Enterprise Security segment decreased 3%, primarily due to the divestiture of our WSS and PKI solutions, partially offset by increased revenue from Blue Coat products.

Gross margin increased 2 percentage points compared to the corresponding period in the prior year due to the mix of customer and products, as our higher margin Consumer Digital Safety segment contributed to a larger proportion of the total gross profit.

Operating margin increased 10 percentage points compared to the corresponding period in the prior year primarily driven by increased revenue and decreased sales and marketing and general administrative expense relative to our revenue partially due to savings from our ongoing cost reduction initiatives.

Income tax expense from continuing operations for the three and nine months ended December 29, 2017 reflects the discrete effects of the Tax Cuts and Jobs Act (H.R.1), or the “Act”, enacted on December 22, 2017, and includes an income tax benefit of \$1.6 billion resulting from the application of the Act to existing deferred tax balances, partially offset by \$821 million of tax expense that was recorded for the one-time transition tax liability under the Act. In addition, we recorded the benefit of a reduction in our estimated annual effective rate to reflect a change in the federal statutory rate from 35% to 21%, effective January 1, 2018, as a result of the enactment of the Act.

On October 31, 2017, we completed the sale of our WSS and PKI solutions to DigiCert for an aggregate consideration of \$1.1 billion, resulting in a gain of \$658 million.

Below are our additional financial highlights for the nine months ended December 29, 2017, compared to the corresponding period in the prior year:

Revenue increased by 25% compared to the corresponding period in the prior year, driven by a 15% and 38% increase in revenue from our Enterprise Security and Consumer Digital Safety segments, respectively, primarily due to the contributions from the acquisitions of Blue Coat and LifeLock.

Gross margin decreased 1 percentage point compared to the corresponding period in the prior year, primarily due to increased amortization of intangible assets of \$83 million as a result of our acquisitions of Blue Coat and LifeLock, partially offset by our higher margin Consumer Digital Safety segment contributing to a larger proportion of the total gross profit.

Operating margin decreased 2 percentage points compared to the corresponding period in the prior year, primarily due to the decreased gross margin, increased stock-based compensation expense and advertising and promotion expense, partly offset by savings from our ongoing cost reduction initiatives.

We repaid debt totaling \$2.6 billion as part of our plan to deleverage our balance sheet.

We paid aggregate cash consideration of \$402 million for our acquisitions.

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RESULTS OF OPERATIONS

Net revenues by geographic region

Percentage of revenue by geographic region presented below is based on the billing location of the customer.

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

Our percentage of revenues from the Americas for the three and nine months ended December 29, 2017 increased compared to prior year periods primarily as a result of LifeLock sales which are entirely U.S.-based.

Our international sales are expected to continue to be a significant portion of our revenue. As a result, we expect revenue to continue to be affected by foreign currency exchange rates as compared to the U.S. dollar. We are unable to predict the extent to which revenue in future periods will be impacted by changes in foreign currency exchange rates. If international sales become a greater portion of our total sales in the future, changes in foreign currency exchange rates may have a potentially greater impact on our revenue and operating results.

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Cost of revenues

Cost of revenues consists primarily of technical support costs, costs of billable services, fees to original equipment manufacturers under revenue-sharing agreements, hardware costs, and fulfillment costs, as well as intangible asset amortization expense. The amounts below are presented in millions and the percentages are a percentage of revenues.

Three Months Ended December 29, 2017 Compared with Three Months Ended December 30, 2016

Our cost of revenues increased \$14 million, or 6%, primarily due to cost of revenues related to our acquired LifeLock products, partially offset by lower cost of revenues from our divested WSS and PKI solutions.

Nine Months Ended December 29, 2017 Compared with Nine Months Ended December 30, 2016

Our cost of revenues increased \$174 million, or 29%, primarily due to cost of revenues related to our acquired Blue Coat and LifeLock products, including \$83 million of increased amortization of acquired intangible assets and \$52 million of increased technical support costs primarily driven by the LifeLock acquisition.

Operating expenses

The following amounts are in millions and the percentages are a percentage of revenues.

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Three Months Ended December 29, 2017 Compared with Three Months Ended December 30, 2016

Sales and marketing expense were relatively flat compared to the corresponding period in fiscal 2017.

Research and development expense increased \$21 million, or 10%, primarily due to an increase of \$24 million in stock-based compensation expense primarily related to the equity awards assumed or granted in connection with our acquisitions.

General and administrative expense was relatively flat compared to the corresponding period in fiscal 2017.

Amortization of intangible assets increased \$9 million primarily due to the intangible assets acquired in the LifeLock acquisition.

Nine Months Ended December 29, 2017 Compared with Nine Months Ended December 30, 2016

Sales and marketing expense increased \$233 million, or 23%, primarily as a result of increased expenses from the Blue Coat and LifeLock acquisitions, including increases of \$143 million in advertising and promotional expense, largely related to LifeLock, \$60 million in stock-based compensation expense, primarily from awards assumed in acquisitions, and \$36 million in other compensation and benefits expense. These increases were partially offset by the decreased expenses from our divested WSS and PKI solutions.

Research and development expense increased \$125 million, or 22%, primarily as a result of increased expenses from the Blue Coat and LifeLock acquisitions, including increases of \$79 million in stock-based compensation expense and \$23 million in other compensation and benefits expense.

General and administrative expense increased \$71 million primarily as a result of increases of \$70 million in stock-based compensation expense and \$28 million in other compensation and benefits expense, primarily due to the Blue Coat and LifeLock acquisitions, partially offset by a decrease of \$34 million in acquisition-related costs due to a lower level of acquisition activities in fiscal 2018.

Our stock-based compensation expense included in operating expenses increased \$209 million, or 96%, primarily due to the equity awards assumed in our acquisitions, and the expected level of achievement for performance-based equity awards.

Amortization of intangible assets increased \$75 million primarily due to the intangible assets acquired in the Blue Coat and LifeLock acquisitions.

Restructuring, transition and other costs

We initiated a restructuring plan in the first quarter of fiscal 2017 to reduce complexity by means of long-term structural improvements. We have reduced headcount and closed certain facilities under the restructuring plan. During the three and nine months ended December 29, 2017, we also incurred divestiture costs as a result of the sale of our WSS and PKI solutions, as well as costs associated with our other transition and transformation programs including the implementation of a new enterprise resource planning system and costs to automate business processes.

Restructuring, transition and other costs primarily consisted of \$11 million and \$75 million of severance costs and transition costs, respectively, during the third quarter in fiscal 2018, compared to \$19 million and \$26 million, respectively, during the same period in fiscal 2017. Restructuring, transition and other costs primarily consisted of \$50 million and \$195 million of severance costs and transition costs, respectively, during the first nine months of fiscal 2018, compared to \$57 million and \$71 million, respectively, during the same period in fiscal 2017. See Note 4 to the Condensed Consolidated Financial Statements for further information on our restructuring, transition and other costs.



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Non-operating income (expense), net

The following charts are in millions.

Non-operating income (expense), net, increased during the third quarter and the first nine months of fiscal 2018, compared to the same periods in fiscal 2017, primarily due to a \$658 million gain as a result of our divestiture of our WSS and PKI solutions. See Note 6 to the Condensed Consolidated Financial Statements for more information on our divestiture.

The increase in non-operating income (expense), net, for the first nine months of fiscal 2018 from our divestiture was partially offset by increased interest expense of \$65 million mainly related to the timing of the issuance of the borrowings in fiscal 2017 as well as a foreign currency net loss of \$26 million in the first nine months of fiscal 2018, compared to a net gain of \$3 million in the same period in fiscal 2017.

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## Provision for income taxes

The following charts are in millions except for percentages.

Our effective tax rate for income from continuing operations for the three and nine months ended December 29, 2017 differs from the federal statutory income tax rate primarily due to accounting for the effects of enactment of the Tax Cuts and Jobs Act (H.R.1) or the “Act” on December 22, 2017, 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.

In the third quarter of fiscal 2018, we revised our estimated annual effective rate to reflect a change in the federal statutory rate from 35% to 21%, as a result of the enactment of the Act, which included broad tax reforms that are applicable to us. The rate change is effective January 1, 2018 and therefore will require us to use a blended U.S. statutory rate of 31.58% for our fiscal year 2018. As a result, we recognized a tax benefit in our tax provision for the three and nine months ended December 29, 2017 related to applying the new blended tax rate to our taxable income, as well as adjusting our deferred tax balance to reflect the application of the Act.

Our effective tax rate for loss from continuing operations for the three and nine months ended December 30, 2016 was based on the historic statutory tax rate of 35%. Our effective tax rate for loss from continuing operations for the three months ended December 30, 2016 differs from the federal statutory income tax rate primarily due to the benefits of lower-taxed international earnings and the research and development credit, partially offset by various permanent differences. Our effective tax rate for loss from continuing operations for the nine months ended December 30, 2016 differs from the federal statutory income tax rate primarily due to the benefits of lower-taxed international earnings and the research and development credit, partially offset by various permanent differences and tax expense related to the loss of tax attributes due to restructuring activities. Additionally, as pre-tax income (loss) approaches break even, small changes can produce significant variability in the effective tax rate.

For the three and nine months ended December 29, 2017, we recorded an income tax benefit of \$30 million and an income tax expense of \$7 million on discontinued operations, respectively. For the three and nine months ended December 30, 2016, we recorded an income tax benefit of \$85 million and an income tax expense of \$49 million on discontinued operations, respectively. See Note 13 for further details regarding discontinued operations.

Income tax expense from continuing operations for the three and nine months ended December 29, 2017 was adjusted to reflect the discrete effects of the Act and resulted in an increase in income tax benefit of \$810 million. This includes an income tax benefit of \$1.6 billion resulting from the application of the Act to existing deferred tax balances, including a reduction of the previously accrued deferred tax liability for foreign earnings by \$1.4 billion. This was partially offset by \$821 million of tax expense that was recorded for the one-time transition tax liability under the Act. As of December 29, 2017, we have not completed our accounting for the tax effects of enactment of the Act; however, in certain cases, 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. In other cases, we have not been able to make a reasonable estimate and we continue to account for those items based on our existing accounting policies and the provisions of the tax laws that were in effect immediately prior to enactment. For the items for which we were able to determine a reasonable estimate, we recognized a provisional tax benefit of \$810 million, which is included as a component of income tax expense from continuing operations. See Note 5 to the Condensed Consolidated Financial Statements for more information for additional information regarding our estimates.

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.



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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

Enterprise Security Segment

The following amounts are in millions and the percentages are a percentage of Enterprise Security segment revenues.

Note: 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 of stock-based compensation expense; amortization of intangible assets; restructuring, transition and other costs; and acquisition-related costs.

Three Months Ended December 29, 2017 Compared with Three Months Ended December 30, 2016

Revenue decreased \$19 million, or 3%, primarily due to a \$69 million decrease in revenue from our WSS and PKI solutions as a result of the divestiture on October 31, 2017, partially offset by an increase in revenue from our network protection solutions. Revenue during the third quarter of fiscal 2018 was also unfavorably affected by a shift in sales to products with ratable revenue recognition, and away from product and license sales, as customers are increasingly adopting our cloud, subscription and virtual appliance products in line with our business strategy. This resulted in less in-quarter recognized revenue and more revenue deferred to the balance sheet. We expect this trend to continue at least through the fourth quarter of fiscal 2018 as our business model continues to evolve to more arrangements subject to ratable revenue recognition. Operating income increased \$78 million, or 134%, primarily due to improved gross margin and decreased sales and marketing expense.

Nine Months Ended December 29, 2017 Compared with Nine Months Ended December 30, 2016

Revenue increased \$258 million, or 15%, primarily due to the full period impact of the Blue Coat acquisition, partially offset by a decrease of \$80 million in revenue as a result of the divestiture of our WSS and PKI solutions on October 31, 2017. Revenue during the first nine months of fiscal 2018 was also unfavorably affected by our shift to products with ratable revenue recognition as described above. Operating income increased \$266 million, or 240%, primarily due to the contribution from the Blue Coat acquisition.

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### Consumer Digital Safety Segment

The following amounts are in millions and the percentages are a percentage of Consumer Digital Safety Segment revenues.

Note: 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 of stock-based compensation expense; amortization of intangible assets; restructuring, transition and other costs; and acquisition-related costs.

#### Three Months Ended December 29, 2017 Compared with Three Months Ended December 30, 2016

Revenue increased \$187 million, or 47%, primarily due to revenue from sales of LifeLock products in the third quarter of fiscal 2018, which were absent in the third quarter of fiscal 2017. Our revenue growth reflects the benefit of the shift to subscription-based contracts and combined packaging of our consumer products, which is helping to mitigate the trend of declining revenues from sales of stand-alone Norton-branded products. Operating income increased \$89 million, or 42%, primarily due to the contribution from the LifeLock acquisition.

#### Nine Months Ended December 29, 2017 Compared with Nine Months Ended December 30, 2016

Revenue increased \$462 million, or 38%, primarily due to revenue from sales of LifeLock products in the first nine months of fiscal 2018, which were absent in the same period in fiscal 2017. We were also impacted by the trends related to our Norton products discussed above. Operating income increased \$122 million, or 18%, primarily due to the contribution from the LifeLock acquisition.

### LIQUIDITY AND CAPITAL RESOURCES

We have historically relied on cash flow from operations, borrowings under credit facilities, issuances of debt, and the sale of a business, for our liquidity needs. As of December 29, 2017, we had cash, cash equivalents and short-term investments of \$2.5 billion.

We manage our investment portfolio with the objective to achieve greater investment diversification and higher yields while preserving capital and liquidity.

Another potential source of liquidity is our unused credit facility of \$1.0 billion, which expires in May 2021.

Our principal cash requirements primarily consist of acquisitions, operating expenses, payment of taxes, capital expenditures, and contractual payments of principal and interest on debt. As a part of our plan to deleverage our balance sheet, we may from time to time in the future make additional optional repayments of our debt obligations, which may include repurchases of our outstanding debt, depending on various factors such as market conditions.

As of December 29, 2017, \$1.6 billion in cash, cash equivalents, and short-term investments were held by our foreign subsidiaries. We have provided U.S. deferred taxes on a portion of our undistributed foreign earnings sufficient to address the incremental U.S. tax that would be due if we needed those funds to support our operations in the U.S. As a result of the Act enacted on December 22, 2017, we have recorded a provisional liability for the one-time transition tax, payable over eight years, of \$821 million. Approximately \$92 million is reflected as a current tax payable and the remainder as a long-term liability.

Furthermore, our capital allocation strategy contemplates a quarterly cash dividend and an on-going evaluation of our ability to repurchase shares of our common stock.

We initiated a restructuring plan in the first quarter of fiscal 2017 to reduce complexity by means of long-term structural improvements. We have reduced headcount and closed certain facilities under the restructuring plan. We expect the plan to be substantially completed in the first half of fiscal 2019 and expect additional cash charges of approximately \$70 million to \$90 million, primarily related to severance benefits and facilities exit costs. See Note 4 to the Condensed Consolidated Financial Statements for more information on our restructuring plan.

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### Sources and uses of cash

The following summarizes selected items in our Condensed Consolidated Statements of Cash Flows for the nine months ended December 29, 2017 and December 30, 2016, in millions.

### Operating activities

Our primary source of cash has been cash collections from our customers. Due to seasonality, our orders are generally higher in our third and fourth fiscal quarters and lower in our first and second fiscal quarters. Cash inflows are affected by these fluctuations in our billings and timing of the related collections.

Our primary uses of cash include payments for compensation and related costs, payments to our resellers and distribution partners, payments for income taxes, and other general corporate expenditures.

Our cash flows from operations for the first nine months of fiscal 2018 were \$684 million, compared to net cash used of \$564 million for the same period in fiscal 2017. Our cash flows in the first nine months of fiscal 2018 reflected \$1.6 billion of discrete deferred income tax benefit related to adjustments of deferred taxes as a result of the enactment of the Act in December 2017 and \$821 million in taxes payable as a result of transition taxes. Our cash flows in the first nine months of fiscal 2017 reflected a one-time tax payment of \$887 million related to the gain on sale from the divestiture of Veritas. In addition, our cash flows from operations in the first nine months of fiscal 2018, compared to the corresponding period in the prior year, were favorably impacted by an increase in deferred revenue of \$258 million, reflecting increased billings and collections for ratable contracts, as well as longer contract duration.

### Investing activities

Our investing cash flows consist primarily of proceeds from divestitures, payments for acquisitions and net purchases of short-term investments. Our investing activities during the first nine months of fiscal 2018 included \$946 million in net cash proceeds from the divestiture of our WSS and PKI solutions in the third quarter of fiscal 2018, partially offset by \$402 million paid for acquisitions during the first nine months of fiscal 2018, compared to \$4.5 billion paid during the same period for fiscal 2017 for the Blue Coat acquisition. See Note 6 to the Condensed Consolidated Financial Statements for more information on our divestiture and acquisitions. In addition, during the first nine months of fiscal 2018, we had net purchases of \$383 million of short-term investments.

### Financing activities

Our financing cash flows consist primarily of issuances and repayments of debt, payment of dividends and dividend equivalents to stockholders, and tax payments related to shares withheld in the settlement of restricted stock units ("RSUs"). Our primary financing activities during the first nine months of fiscal 2018 consisted of debt repayments of \$2.6 billion, while our primary financing activities in the first nine months of fiscal 2017 consisted of borrowings of \$5.0 billion, net of issuance costs.

Debt. As of December 29, 2017, our total outstanding principal amount of our debt was \$5.7 billion. See Note 8 to the Condensed Consolidated Financial Statements for further information on our debt.

Dividends. On January 31, 2018, we declared a cash dividend of \$0.075 per share of common stock to be paid on March 14, 2018, to all stockholders of record as of the close of business on February 20, 2018. All shares of common stock issued and outstanding and all shares of unvested restricted stock and performance-based stock 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. See Note 10 to the Condensed Consolidated Financial Statements for more information on our dividends and dividend equivalents.

Share repurchases. Under our stock repurchase programs, we may purchase shares of our outstanding common stock through open market and through accelerated stock repurchase ("ASR") transactions. As of December 29, 2017, the remaining balance of our share repurchase authorization is \$800 million and does not have an expiration date.

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## Contractual obligations

Our contractual obligations primarily consist of future payments due under our debt, purchase orders, lease arrangements and certain tax regulations. The table below summarizes contractual obligations as of December 29, 2017 that have materially changed from our disclosure in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7, of our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

(In millions)	Payments Due by Fiscal Period				
	Total	Remainder of 2018	2019 - 2020	2021 - 2022	Thereafter
Debt <sup>(1)</sup>	\$5,670	\$ —	\$1,170	\$3,000	\$ 1,500
Interest payments on debt <sup>(2)</sup>	845	43	369	233	200
Purchase obligations <sup>(3)</sup>	340	242	45	51	2
Deemed repatriation taxes <sup>(4)</sup>	856	92	133	133	498

(1) See Note 8 to the Condensed Consolidated Financial Statements for further information on our debt.

Interest payments were calculated based on the contractual terms of the related Senior Notes, Convertible Senior Notes and Senior Term Facilities. Interest on variable rate debt was calculated using the interest rate in effect as of December 29, 2017. See Note 8 to the Condensed Consolidated Financial Statements for further information on the Senior Notes, Convertible Senior Notes and Senior Term Facilities.

These amounts are associated with agreements for purchases of goods or services generally 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 table above also includes agreements to purchase goods or services that have cancellation provisions requiring little or no payment. The amounts under such contracts are included in the table above 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.

These amounts represent the transition tax on untaxed foreign earnings of foreign subsidiaries under the Act which may be paid in installments over an eight-year period. See Note 5 to the Condensed Consolidated Financial

Statements for further information on our income taxes and the impact from the recently enacted legislation.

## 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 our Condensed Consolidated Financial Statements.

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 in our Condensed Consolidated Financial Statements.

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.



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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 nine months ended December 29, 2017, as compared to those disclosed in 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 31, 2017.

Recently issued authoritative guidance not yet adopted

**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 will recognize 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 doing so, companies will need to use more judgment and make more estimates than under current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. In March 2016, the FASB clarified implementation guidance on principal versus agent considerations. In April 2016, the FASB issued guidance related to identifying performance obligations and licensing which reduces the cost and complexity of applying certain aspects of the guidance both at implementation and on an ongoing basis.

The new guidance may be applied retrospectively to each prior period presented ("retrospective") or retrospectively with cumulative effect recognized in retained earnings as of the date of adoption ("modified retrospective"). We expect to adopt the new standard on a modified retrospective basis in our first quarter of fiscal 2019.

We are continuing to assess the impact of this standard on our financial position, results of operations and related disclosures and have not yet determined whether the effect will be material. We do not expect that the adoption of this standard will have a material impact on our operating cash flows. We believe that the new guidance will impact our following policies and disclosures:

- the pattern and timing of the recognition of revenue for certain license fees;
- the allocation of revenue across performance obligations in multiple element arrangements; and
- required disclosures, including information about the transaction price allocated to remaining performance obligations and expected timing of revenue recognition.

We will continue to assess the impact of new guidance including any changes to systems, processes and the control environment as we work through the adoption, and there remain areas still to be fully concluded upon.

**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. The new guidance will be effective for us in our first quarter of fiscal 2019. Early adoption is permitted under limited circumstances but we do not intend to adopt the provisions of the new guidance early. We are currently evaluating the impact of the adoption of this guidance on our Consolidated Financial Statements.

**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 evaluating the impact of the adoption of this guidance on our Consolidated Financial Statements. 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.

**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 current U.S. GAAP. The standard will be effective for us in our first quarter of fiscal 2019, and requires a modified retrospective transition method. We are currently evaluating the impact of the adoption of this guidance and anticipate 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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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk

There have been no significant changes in our interest rate risk during the nine months ended December 29, 2017, as compared to the interest rate risk exposures discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7A, of our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

Foreign currency exchange rate risk

There have been no significant changes to the estimated fair value change to our foreign currency hedging derivatives for a given change in foreign currency exchange rates during the nine months ended December 29, 2017, as compared to that discussed in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Securities and Exchange Commission ("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 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 ("CEO") and Chief Financial Officer ("CFO")) 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 CEO and our CFO 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 three months ended December 29, 2017, 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 CEO and CFO, 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. Accordingly, our disclosure controls and procedures provide reasonable assurance of achieving their objectives.

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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 12 to the Condensed Consolidated Financial Statements in this Form 10-Q, which information is incorporated herein by reference.

Item 1A. Risk Factors

A description of the risks associated with our business, financial condition, and results of operations is set forth in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended March 31, 2017. There have been no material changes from the risk factors previously disclosed in our Annual Report, except for the following risk factor. The risk factor below should be read in conjunction with the risk factors and other information disclosed in our Form 10-K.

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, 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;

- 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. We are engaged in disputes of this nature at this time. 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.

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			Filed with this 10-Q
		Form	File Number	Exhibit File Date	
10.01*	<u>Symantec Corporation 2013 Equity Incentive Plan, as amended.</u>	10-Q	000-17781	10.01 11/3/2017	
31.01	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				X
31.02	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				X
32.01†	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				X
32.02†	<u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				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 or 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

February 2, 2018