

SYMANTEC CORP
Form 10-Q
August 12, 2015
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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 July 3, 2015

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

(I.R.S. employer

incorporation or organization)

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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)

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

Shares of Symantec common stock, \$0.01 par value per share, outstanding as of July 31, 2015: 684,172,994 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SYMANTEC CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

| | July 3, 2015 (Unaudited) | April 3, 2015 * |
|--|---------------------------------|-----------------|
| | (In millions, except par value) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$2,981 | \$2,874 |
| Short-term investments | 903 | 1,017 |
| Trade accounts receivable, net | 604 | 993 |
| Deferred income taxes | 152 | 152 |
| Deferred commissions | 115 | 131 |
| Other current assets | 267 | 255 |
| Total current assets | 5,022 | 5,422 |
| Property and equipment, net | 1,201 | 1,205 |
| Intangible assets, net | 596 | 628 |
| Goodwill | 5,849 | 5,847 |
| Long-term deferred commissions | 20 | 26 |
| Other long-term assets | 96 | 105 |
| Total assets | \$12,784 | \$13,233 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$184 | \$213 |
| Accrued compensation and benefits | 283 | 398 |
| Deferred revenue | 2,901 | 3,109 |
| Current portion of long-term debt | 348 | 350 |
| Other current liabilities | 348 | 383 |
| Total current liabilities | 4,064 | 4,453 |
| Long-term debt | 1,741 | 1,746 |
| Long-term deferred revenue | 518 | 555 |
| Long-term deferred tax liabilities | 335 | 308 |
| Long-term income taxes payable | 136 | 134 |
| Other long-term obligations | 94 | 102 |
| Total liabilities | 6,888 | 7,298 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, 3,000 shares authorized; 684 and 898 shares issued; 684 and 684 shares outstanding, respectively | 7 | 7 |
| Additional paid-in capital | 5,926 | 6,094 |
| Accumulated other comprehensive income | 116 | 104 |
| Accumulated deficit | (153 |) (270) |
| Total stockholders' equity | 5,896 | 5,935 |
| Total liabilities and stockholders' equity | \$12,784 | \$13,233 |

*Derived from audited financial statements.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended | | |
|---|--------------------------------------|--------------|---|
| | July 3, 2015 | July 4, 2014 | |
| | (Unaudited) | | |
| | (In millions, except per share data) | | |
| Net revenue: | | | |
| Content, subscription, and maintenance | \$1,352 | \$1,574 | |
| License | 147 | 161 | |
| Total net revenue | 1,499 | 1,735 | |
| Cost of revenue: | | | |
| Content, subscription, and maintenance | 219 | 269 | |
| License | 22 | 27 | |
| Amortization of intangible assets | 13 | 13 | |
| Total cost of revenue | 254 | 309 | |
| Gross profit | 1,245 | 1,426 | |
| Operating expenses: | | | |
| Sales and marketing | 521 | 644 | |
| Research and development | 284 | 308 | |
| General and administrative | 96 | 103 | |
| Amortization of intangible assets | 19 | 29 | |
| Restructuring, separation, and transition | 124 | 20 | |
| Total operating expenses | 1,044 | 1,104 | |
| Operating income | 201 | 322 | |
| Interest income | 3 | 3 | |
| Interest expense | (20 |) (21 |) |
| Other (expense) income, net | (11 |) 1 |) |
| Income before income taxes | 173 | 305 | |
| Provision for income taxes | 56 | 69 | |
| Net income | \$117 | \$236 | |
| Net income per share: | | | |
| Basic | \$0.17 | \$0.34 | |
| Diluted | \$0.17 | \$0.34 | |
| Weighted-average shares outstanding: | | | |
| Basic | 682 | 692 | |
| Diluted | 691 | 697 | |
| Cash dividends declared per common share | \$0.15 | \$0.15 | |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Three Months Ended | |
|--|-----------------------|--------------|
| | July 3, 2015 | July 4, 2014 |
| | (Unaudited) | |
| | (Dollars in millions) | |
| Net income | \$117 | \$236 |
| Foreign currency translation adjustments, net of tax | 12 | 2 |
| Comprehensive income | \$129 | \$238 |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended | |
|---|-----------------------|--------------|
| | July 3, 2015 | July 4, 2014 |
| | (Unaudited) | |
| | (Dollars in millions) | |
| OPERATING ACTIVITIES: | | |
| Net income | \$117 | \$236 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 70 | 74 |
| Amortization of intangible assets | 32 | 42 |
| Amortization of debt issuance costs and discounts | 1 | 1 |
| Stock-based compensation expense | 53 | 43 |
| Deferred income taxes | 31 | 20 |
| Excess income tax benefit from the exercise of stock options | (5 |) (3 |
| Other | 4 | 1 |
| Net change in assets and liabilities, excluding effects of acquisitions: | | |
| Trade accounts receivable, net | 391 | 308 |
| Deferred commissions | 22 | — |
| Accounts payable | (18 |) (57 |
| Accrued compensation and benefits | (115 |) (34 |
| Deferred revenue | (249 |) (185 |
| Income taxes payable | (26 |) (148 |
| Other assets | — | 17 |
| Other liabilities | (8 |) (22 |
| Net cash provided by operating activities | 300 | 293 |
| INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (78 |) (92 |
| Payments for acquisitions, net of cash acquired | — | (19 |
| Purchases of short-term investments | (183 |) (712 |
| Proceeds from maturities of short-term investments | 222 | 77 |
| Proceeds from sales of short-term investments | 76 | 22 |
| Net cash provided by (used in) investing activities | 37 | (724 |
| FINANCING ACTIVITIES: | | |
| Repayments of debt and other obligations | (17 |) (18 |
| Net proceeds from sales of common stock under employee stock benefit plans | 4 | 23 |
| Excess income tax benefit from the exercise of stock options | 5 | 3 |
| Tax payments related to restricted stock units | (33 |) (29 |
| Dividends and dividend equivalents paid | (107 |) (104 |
| Repurchases of common stock | (90 |) (125 |
| Proceeds from other financing, net | — | 34 |
| Net cash used in financing activities | (238 |) (216 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 8 | 7 |
| Change in cash and cash equivalents | 107 | (640 |
| Beginning cash and cash equivalents | 2,874 | 3,707 |
| Ending cash and cash equivalents | \$2,981 | \$3,067 |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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SYMANTEC CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1. Description of Business and Significant Accounting Policies

Business

Symantec Corporation (“Symantec,” “we,” “us,” “our,” and “the Company” refer to Symantec Corporation and all of its subsidiaries) is an information protection expert that helps people, businesses and governments seeking the freedom to unlock the opportunities technology brings – anytime, anywhere.

On August 10, 2015, we entered into a definitive agreement to sell the assets of our information management business to The Carlyle Group and certain co-investors (“Carlyle”). The sale is expected to close by the end of the third quarter of fiscal 2016, subject to regulatory approvals and certain closing conditions, including the operational separation, in all material respects, of the information management business. For additional information about the planned divestiture of our information management business see Note 11.

Basis of presentation

The accompanying unaudited Condensed Consolidated Financial Statements as of July 3, 2015 and April 3, 2015 and for the three months ended July 3, 2015 and July 4, 2014 have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S.”) for interim financial information and with the instructions on Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In accordance with those rules and regulations, we have omitted certain information and notes normally provided in our annual Consolidated Financial Statements. 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 Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended April 3, 2015. The results of operations for the three months ended July 3, 2015 are not necessarily indicative of the results expected for the entire fiscal year.

We have a 52/53-week fiscal accounting year. Unless otherwise stated, references to three month ended periods in this report relate to fiscal periods ended July 3, 2015 and July 4, 2014. The three months ended July 3, 2015 consisted of 13 weeks whereas the three months ended July 4, 2014 consisted of 14 weeks. Our 2016 fiscal year consists of 52 weeks and ends on April 1, 2016.

There have been no material changes in our significant accounting policies for the three months ended July 3, 2015, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended April 3, 2015.

Recently adopted accounting guidance

On April 10, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-08, Presentation of Financial Statements and Property, Plant and Equipment, that provides new guidance related to reporting discontinued operations. This standard raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The standard became effective for the Company in the first quarter of fiscal 2016, and will apply to the treatment of the planned divestiture of our information management business that is expected to close by the end of the third quarter of fiscal 2016. The accounting guidance will impact our financial statements by requiring additional disclosures related to the planned divestiture.

On April 7, 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest-Imputation of Interest, which requires debt issuance costs to be presented as a direct deduction from the carrying amount of the related liability. We adopted the standard in the first quarter of fiscal 2016, and it did not have a material impact upon adoption.

Recent accounting guidance not yet adopted

On May 28, 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers, and will replace most existing revenue recognition guidance in U.S.

GAAP. The standard permits the use of either the retrospective or cumulative effect transition method. On July 9, 2015, the FASB approved a one year deferral in the effective date of the standard. The standard will be effective for the Company on March 31, 2018. We are evaluating the effect that the standard will have on our Condensed Consolidated Financial Statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

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There is no other recently issued authoritative guidance that is expected to have a material impact to our Condensed Consolidated Financial Statements through the reporting date.

Note 2. Fair Value Measurements

For assets and liabilities measured at fair value, such amounts are based on an expected exit price representing the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Observable inputs that reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs reflecting our own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

Assets measured and recorded at fair value on a recurring basis

Cash equivalents. Cash equivalents consist primarily of money market funds with original maturities of three months or less at the time of purchase, and the carrying amount is a reasonable estimate of fair value.

Short-term investments. Short-term investments consist of investment securities with original maturities greater than three months and marketable equity securities. Investment securities are priced using inputs such as actual trade data, benchmark yields, broker/dealer quotes, and other similar data, which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the fair value of these assets. Marketable equity securities are recorded at fair value using quoted prices in active markets for identical assets.

There have been no transfers between fair value measurement levels during the three months ended July 3, 2015. The following table summarizes our assets measured at fair value on a recurring basis, by level, within the fair value hierarchy:

| | July 3, 2015 | | | April 3, 2015 | | |
|--|-----------------------|---------------------------------|---------------------------|---------------|---------------------------------|---------------------------|
| | Fair Value | Cash and Cash Equivalents | Short-term Investments | Fair Value | Cash and Cash Equivalents | Short-term Investments |
| | (Dollars in millions) | | | | | |
| Cash | \$942 | \$942 | \$— | \$807 | \$807 | \$— |
| Non-negotiable certificates of deposit | 271 | 271 | — | 296 | 260 | 36 |
| Level 1 | | | | | | |
| Money market | 1,689 | 1,689 | — | 1,725 | 1,725 | — |
| U.S. government securities | 252 | — | 252 | 284 | — | 284 |
| Marketable equity securities | 5 | — | 5 | 5 | — | 5 |
| | 1,946 | 1,689 | 257 | 2,014 | 1,725 | 289 |
| Level 2 | | | | | | |
| Corporate bonds | 148 | — | 148 | 166 | — | 166 |
| U.S. agency securities | 42 | — | 42 | 68 | — | 68 |
| Commercial paper | 377 | 79 | 298 | 333 | 82 | 251 |
| Negotiable certificates of deposit | 150 | — | 150 | 184 | — | 184 |
| International government securities | 8 | — | 8 | 23 | — | 23 |
| | 725 | 79 | 646 | 774 | 82 | 692 |
| Total | \$3,884 | \$2,981 | \$903 | \$3,891 | \$2,874 | \$1,017 |

Fair value of debt

As of July 3, 2015 and April 3, 2015, the fair value of our current and long-term debt was \$2.1 billion and \$2.2 billion, respectively, based on Level 2 inputs.

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Note 3. Goodwill and Intangible Assets

Goodwill

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

| | Consumer Security (Dollars in millions) | Enterprise Security | Information Management | Total |
|---------------------------------|---|------------------------|---------------------------|---------|
| Net balance as of April 3, 2015 | \$1,230 | \$1,916 | \$2,701 | \$5,847 |
| Translation adjustments | — | 1 | 1 | 2 |
| Net balance as of July 3, 2015 | \$1,230 | \$1,917 | \$2,702 | \$5,849 |

Intangible assets, net

| | July 3, 2015 | | | April 3, 2015 | | |
|--------------------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | (Dollars in millions) | | | | | |
| Customer relationships | \$529 | \$(351) |) \$178 | \$730 | \$(536) |) \$194 |
| Developed technology | 262 | (151) |) 111 | 296 | (172) |) 124 |
| Finite-lived trade names | 106 | (100) |) 6 | 125 | (117) |) 8 |
| Patents | 21 | (17) |) 4 | 21 | (16) |) 5 |
| Total finite-lived intangible assets | 918 | (619) |) 299 | 1,172 | (841) |) 331 |
| Indefinite-lived trade names | 297 | — |) 297 | 297 | — |) 297 |
| Total | \$1,215 | \$(619) |) \$596 | \$1,469 | \$(841) |) \$628 |

As of July 3, 2015, future amortization expense related to intangible assets that have finite lives is as follows by fiscal year:

| | July 3, 2015 (Dollars in millions) |
|-------------------|---------------------------------------|
| Remainder of 2016 | \$80 |
| 2017 | 93 |
| 2018 | 70 |
| 2019 | 37 |
| 2020 | 15 |
| Thereafter | 4 |
| Total | \$299 |

Note 4. Restructuring, Separation, and Transition

Our restructuring, separation, and transition costs and liabilities consist primarily of severance, facilities, separation, transition and other related costs. Severance costs generally include severance payments, outplacement services, health insurance coverage, and legal costs. Facilities costs generally include rent expense and lease termination costs, less estimated sublease income. Separation and other related costs include advisory, consulting and other costs incurred in connection with the separation of our information management business. Transition and other related costs consist of consulting charges associated with the implementation of new Enterprise Resource Planning systems. Restructuring, separation, and transition costs are managed at the corporate level and are not allocated to our reportable segments. See Note 6 of these Condensed Consolidated Financial Statements for information regarding the reconciliation of total segment operating income to total consolidated operating income.

Restructuring plans

Fiscal 2014 Plan

We initiated a restructuring plan in the fourth quarter of fiscal 2013 to reduce management and redundant personnel resulting in headcount reductions across the Company. As of July 3, 2015, the related costs for severance and benefits are substantially complete; however, we may experience immaterial adjustments to existing accruals in subsequent periods.

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Fiscal 2015 Plan

In fiscal 2015, we announced plans to separate our security and information management businesses into standalone companies. In order to separate the business, we initiated a restructuring plan to properly align personnel and expect to incur associated severance and facilities costs. We also expect to incur separation costs in the form of advisory, consulting and disentanglement expenses. These actions are expected to be substantially completed by the end of the third quarter of fiscal 2016. We expect to incur total severance and facilities costs between \$165 million and \$195 million. We expect to incur separation costs between \$170 million and \$190 million, excluding tax implications and potential advisor fees payable upon separation. Total restructuring and separation costs are expected to be between \$335 million and \$385 million. As of July 3, 2015, liabilities for excess facility obligations at several locations around the world are expected to be paid throughout the respective lease terms as we continue to occupy these facilities, the longest of which extends through fiscal 2019.

Restructuring, separation, and transition summary

| | April 3, 2015 | Costs, Net of Adjustments | Cash Payments | July 3, 2015 | Cumulative Incurred to Date |
|--|-----------------------|------------------------------|---------------|--------------|--------------------------------|
| | (Dollars in millions) | | | | |
| Fiscal 2014 Plan total | \$4 | \$— | \$(2 |) \$2 | \$ 238 |
| Fiscal 2015 Plan | | | | | |
| Severance costs | 59 | 21 | (36 |) 44 | 123 |
| Separation costs | 17 | 63 | (40 |) 40 | 144 |
| Other exit and disposal costs | 6 | 1 | (1 |) 6 | 8 |
| Fiscal 2015 Plan total | \$82 | \$85 | \$(77 |) \$90 | \$ 275 |
| Restructuring and separation plans total | \$86 | \$85 | \$(79 |) \$92 | |
| Transition and other related costs | | 39 | | | |
| Total restructuring, separation, and transition costs | | \$124 | | | |

As of July 3, 2015, the restructuring and separation liabilities are included in accounts payable, other current liabilities and other long-term obligations in our Condensed Consolidated Balance Sheets.

Note 5. Commitments and 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.

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 Civil Division and the Civil Division of the U.S. Attorney's Office for the District of Columbia that the government is investigating our compliance with certain provisions of our U.S. General Services Administration ("GSA") Multiple Award Schedule Contract No. GS-35F-0240T effective January 24, 2007, including provisions relating to pricing, country of origin, accessibility, and the disclosure of commercial sales practices.

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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 is 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 New York, California, and Florida 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 Department of Justice 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 Department of Justice and the relator on behalf of New York in an Omnibus Complaint; 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.

IV

On December 8, 2010, Intellectual Ventures ("IV") sued Symantec for patent infringement in the U.S. District Court in Delaware. The complaint alleged infringement by various Symantec internet security products. On February 6, 2015, the jury issued a verdict and subsequent Court decisions invalidated some of the patents-in-suit, therefore leaving an \$8 million damages verdict. Symantec is considering its options to seek to overturn all or part of that verdict. Symantec does not believe that it is probable that it has incurred a material loss and, as a result, has not made an accrual for this matter.

EDS & NDI

On January 24, 2011, a class action lawsuit was filed against the Company and its previous e-commerce vendor Digital River, Inc. Against the Company, the lawsuit alleged violations of California's Unfair Competition Law, the California Legal Remedies Act and unjust enrichment related to prior sales of Extended Download Service ("EDS") and Norton Download Insurance ("NDI"). On March 31, 2014, the U.S. District Court for the District of Minnesota certified a class of all people who purchased these products between January 24, 2005, and March 10, 2011. In April 2015, we reached agreement in principle with the plaintiffs under which the Company will pay the plaintiffs \$30 million, which we have accrued.

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 6. Segment Information

The three reporting segments, which are the same as our operating segments, are as follows:

• **Consumer Security:** Our Consumer Security segment focuses on making it simple for customers to be productive and protected at home and at work. Our Norton-branded services provide multi-layer security and identity protection on

major desktop and mobile operating systems, to defend against increasingly complex online threats to individuals, families, and small businesses.

Enterprise Security: Our Enterprise Security segment protects organizations so they can securely conduct business while leveraging new platforms and data. Our Enterprise Security segment includes our threat protection products, information protection products, trust services, and cyber security services.

Information Management: Our Information Management segment focuses on backup and recovery, archiving and eDiscovery, storage and high availability solutions, helping to ensure that our customers' IT infrastructure and

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mission-critical applications are protected, managed and available. For additional information about the planned divestiture of our information management business see Note 11.

There were no intersegment sales for the periods presented. The following table summarizes the operating results of our reporting segments:

| | Consumer Security (Dollars in millions) | Enterprise Security | Information Management | Total Segments |
|---------------------------------|---|------------------------|---------------------------|----------------|
| Three Months Ended July 3, 2015 | | | | |
| Net revenue | \$430 | \$482 | \$587 | \$1,499 |
| Operating income | 245 | 30 | 135 | 410 |
| Three Months Ended July 4, 2014 | | | | |
| Net revenue | \$533 | \$552 | \$650 | \$1,735 |
| Operating income | 268 | 70 | 89 | 427 |

Operating segments are based upon the nature of the business and how the business is managed. Our Chief Operating Decision Maker, which is comprised of our Chief Executive Officer and Chief Financial Officer, uses this financial information to evaluate the performance of, and to assign resources to, each of the operating segments. We do not allocate to the operating segments certain operating expenses which we manage separately at the corporate level. These unallocated costs consist of stock-based compensation expense, amortization of intangible assets and restructuring, separation, and transition charges.

The following table provides a reconciliation of the total of the reportable segments' operating income to the consolidated operating income:

| | Three Months Ended | |
|---|-----------------------|--------------|
| | July 3, 2015 | July 4, 2014 |
| | (Dollars in millions) | |
| Total segment operating income | \$410 | \$427 |
| Less reconciling items: | | |
| Stock-based compensation | 53 | 43 |
| Amortization of intangibles | 32 | 42 |
| Restructuring, separation, and transition | 124 | 20 |
| Total consolidated operating income | \$201 | \$322 |

Note 7. Stockholders' Equity

Dividends

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

| | Three Months Ended | |
|--|--|--------------|
| | July 3, 2015 | July 4, 2014 |
| | (Dollars in millions, except per share data) | |
| Dividends declared and paid | \$103 | \$104 |
| Cash dividends declared per common share | \$0.15 | \$0.15 |

Each quarterly dividend was recorded as a reduction to additional paid-in capital. Our restricted stock and performance-based stock units have dividend equivalent rights entitling holders to dividend equivalents to be paid in the form of cash upon vesting for each share of the underlying units.

On August 11, 2015, we declared a cash dividend of \$0.15 per share of common stock to be paid on September 16, 2015 to all stockholders of record as of the close of business on August 26, 2015. All shares of common stock issued and outstanding, and 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.

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Stock repurchases

Through our stock repurchase programs we have repurchased shares on a quarterly basis since the fourth quarter of fiscal 2004. The following table summarizes our stock repurchases for the period presented.

| | Three Months Ended July 3, 2015 (In millions, except per share data) |
|--|---|
| Total number of shares repurchased | 4 |
| Dollar amount of shares repurchased | \$90 |
| Average price paid per share | \$24.39 |
| Remaining authorization at end of period | \$1,068 |

Changes in accumulated other comprehensive income by component

Components of accumulated other comprehensive income, on a net of tax basis, were as follows:

| | Foreign Currency Translation Adjustments | Unrealized Gain On Available-For-Sale Securities | Total |
|--|--|---|-------|
| | (Dollars in millions) | | |
| Balance as of April 3, 2015 | \$101 | \$ 3 | \$104 |
| Other comprehensive income before reclassifications | 12 | — | 12 |
| Amounts reclassified from accumulated other comprehensive income | — | — | — |
| Balance as of July 3, 2015 | \$113 | \$ 3 | \$116 |

Note 8. Stock-Based Compensation

Stock-based compensation expense

The following table sets forth the total stock-based compensation expense recognized in our Condensed Consolidated Statements of Income.

| | Three Months Ended | |
|--|-----------------------|--------------|
| | July 3, 2015 | July 4, 2014 |
| | (Dollars in millions) | |
| Cost of revenue | \$5 | \$6 |
| Sales and marketing | 19 | 17 |
| Research and development | 19 | 13 |
| General and administrative | 10 | 7 |
| Total stock-based compensation expense | 53 | 43 |
| Tax benefit associated with stock-based compensation expense | (15 |) (12 |
| Net stock-based compensation expense | \$38 | \$31 |

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Restricted stock units

The following table summarizes additional information related to our stock-based compensation from restricted stock units, which are our primary equity awards:

| | Three Months Ended | |
|---|--|--------------|
| | July 3, 2015 | July 4, 2014 |
| | (Dollars in millions, except per grant data) | |
| Restricted stock units | | |
| Weighted-average fair value per grant | \$23.92 | \$21.22 |
| Fair value of awards granted | \$256 | \$236 |
| Total fair value of awards vested | \$116 | \$71 |
| Total unrecognized compensation expense | \$501 | \$389 |
| Weighted-average remaining vesting period | 2.5 years | 3.1 years |

Note 9. Income Taxes

Our effective tax rate was approximately 32% and 23% for the three months ended July 3, 2015 and July 4, 2014, respectively. Our effective tax rate differs from the federal statutory income tax rate primarily due to the benefits of lower-taxed international earnings and domestic manufacturing incentives, partially offset by state income taxes. The higher effective tax rate for the three months ended July 3, 2015 as compared to the three months ended July 4, 2014 is due primarily to a different geographic mix of earnings and the treatment of certain transaction costs in determining the effective tax rate. The tax benefit associated with certain of these transaction costs will change as a result of the sale of the information management business. For additional information about the planned divestiture of our information management business see Note 11.

For the three months ended July 3, 2015 and July 4, 2014, the effective tax rate was reduced by tax benefits primarily resulting from settlements with certain taxing authorities and lapses of statutes of limitations of \$3 million and \$14 million, respectively. For the three months ended July 3, 2015, these tax benefits were offset as a result of certain transaction costs not fully deductible for tax purposes.

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

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involve multiple tax periods and jurisdictions, it is reasonably possible that the gross unrecognized tax benefits related to these audits could decrease (whether by payment, release, or a combination of both) in the next 12 months by \$33 million, which could reduce our income tax provision and therefore benefit the resulting effective tax rate.

On July 27, 2015, the U.S. Tax Court invalidated a U.S. Treasury regulation requiring the inclusion of stock-based compensation in certain intercompany cost-sharing agreements. We are currently evaluating the impact of this decision on our current and historic tax filing positions. We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions.

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Note 10. Earnings Per Share

The components of earnings per share are as follows:

| | Three Months Ended | |
|---|--------------------------------------|--------------|
| | July 3, 2015 | July 4, 2014 |
| | (In millions, except per share data) | |
| Net income | \$117 | \$236 |
| Net income per share — basic | \$0.17 | \$0.34 |
| Net income per share — diluted | \$0.17 | \$0.34 |
| Weighted-average shares outstanding — basic | 682 | 692 |
| Dilutive potential shares from stock-based compensation | 9 | 5 |
| Weighted-average shares outstanding — diluted | 691 | 697 |
| Anti-dilutive effect of stock-based compensation | — | 2 |

Note 11. Subsequent Events

Planned divestiture of our information management business

On August 10, 2015, we entered into a definitive agreement to sell the assets of our information management business to Carlyle for cash consideration of approximately \$8.0 billion and the assumption of certain liabilities. The divestiture of our information management business will help us accelerate our unified security strategy, provide a stronger financial foundation for strategic investments, and return additional cash to our shareholders through a combination of share repurchases and dividends. The sale is expected to close by the end of the third quarter of fiscal 2016, subject to regulatory approvals and certain closing conditions, including the operational separation, in all material respects, of the information management business.

We are in the process of evaluating the transaction and its impact on our consolidated financial statements, including evaluating the resulting net gain and income tax expense that will be recognized, based on all the terms of the agreement. The Company's U.S. and foreign income taxes payable resulting from the transaction are estimated to range from \$1.3 billion to \$1.7 billion.

We expect that effective at the beginning of our third quarter of fiscal 2016, the financial results of our information management business will be presented as discontinued operations on the Condensed Consolidated Statements of Income when we meet the criteria for the information management business to be classified as held for sale.

Subsequently, we will have two remaining reporting segments, Consumer Security and Enterprise Security.

Stock repurchase program

On August 9, 2015, our Board of Directors authorized a new \$1.5 billion stock repurchase program which commenced immediately and does not have an expiration date. This is in addition to the previous program with \$1.1 billion remaining authorized for future repurchase.

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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, statements that refer to our plans to sell the assets of our information management business to Carlyle, timing of reporting discontinued operations, projections of our future financial performance, anticipated growth and trends in our businesses and in our industries, the anticipated impacts of acquisitions, our intent to pay quarterly cash dividends in the future, the actions we intend to take as part of our new strategy, the expected impact of our new strategy 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 April 3, 2015. We encourage you to read that section carefully.

OVERVIEW

Our business

Symantec Corporation is a global leader in security, backup and availability solutions. Our market leading products and services protect people and information in any environment – from the mobile device in your pocket, to the enterprise data center, to cloud-based systems. Founded in April 1982, Symantec operates one of the largest global threat-intelligence networks. The company has more than 19,000 employees in approximately 50 countries.

On August 10, 2015, we entered into a definitive agreement to sell the assets of our information management business to Carlyle. The sale is expected to close by the end of the third quarter of fiscal 2016, subject to regulatory approvals and certain closing conditions, including the operational separation, in all material respects, of the information management business. For additional information about the planned divestiture of our information management business see "Planned divestiture of our information management business" below and Note 11 of the Notes to Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q.

Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The three months ended July 3, 2015 and July 4, 2014 consisted of 13 and 14 weeks, respectively.

Strategy

In our security business, we operate 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 which 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 in threat protection and data loss prevention and extending them into our core security offerings. We are also pioneering new solutions in growing markets like cloud, advanced threat protection, information protection and cyber security services.

Our security strategy is to deliver a unified security analytics platform that provides big data analytics, utilizes our vast telemetry, provides visibility into real-time global threats, and powers Symantec and third-party security analytics applications; leverage this analytics platform to provide best-in-class consumer and enterprise security products; and offer cyber security services that provide a full-suite of services from monitoring to incident response to threat intelligence, all supported by over 500 cyber security experts and nine global security response centers.

In our information management business, with a global installed customer base, we have a comprehensive portfolio that spans backup and recovery, storage management and archiving. Our information availability offerings help customers keep their data and systems available where they need them, when they need them, and irrespective of their

location. Our information insight solutions help customers know what data they have and leverage that knowledge to help manage such data better and inform strategic decisions.

Our information management product strategy is to expand our best-in-class foundational portfolio across backup, storage management, business continuity, archiving and eDiscovery through software, integrated appliances and the cloud; deliver next-generation availability solutions through a coordinated orchestration architecture focused on managing and moving

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mission-critical data in a hybrid cloud world; and enable next-generation insight solutions that provide visibility, action, and automated control across an organization's information landscape through an intelligent information fabric that integrates our portfolio and third-party ecosystems.

In fiscal 2016, we remain focused on our five priorities: running our businesses with a portfolio approach by managing certain businesses for operating margin; prioritizing investments for growth; further reducing costs and improving efficiencies; attracting top talent to our executive team; and continuing to return significant cash to shareholders. We are optimizing some of our businesses by methodically evaluating every product line to balance our profitability targets against our objectives. In order to prioritize investments for growth, we are realigning our research and development budgets to apply the best resources to the most promising market opportunities. To further reduce costs and improve efficiencies, we are consolidating our global footprint, data centers and product support capabilities as well as streamlining the way we run our businesses with initiatives to increase research and development efficiencies and sales productivity. We are focused on continuing to attract talented business and technology leaders to the company. We remain committed to returning significant cash to shareholders in the form of dividends and share buybacks.

Planned divestiture of our information management business

On August 10, 2015, we entered into a definitive agreement to sell the assets of our information management business to Carlyle for cash consideration of approximately \$8.0 billion and the assumption of certain liabilities. The divestiture of our information management business will help us accelerate our unified security strategy, provide a stronger financial foundation for strategic investments, and return additional cash to our shareholders through a combination of share repurchases and dividends. The sale is expected to close by the end of the third quarter of fiscal 2016, subject to regulatory approvals and certain closing conditions, including the operational separation, in all material respects, of the information management business.

We expect that effective at the beginning of our third quarter of fiscal 2016, the financial results of our information management business will be presented as discontinued operations on the Condensed Consolidated Statements of Income when we meet the criteria for the information management business to be classified as held for sale.

Subsequently, we will have two remaining reporting segments, Consumer Security and Enterprise Security.

For additional information about the planned divestiture, see Note 11 of the Notes to Condensed Consolidated Financial Statements in this quarterly report.

Our operating segments

Our current operating segments are significant strategic business units that offer different products and services distinguished by customer needs. The three reporting segments, which are the same as our operating segments, are:

Consumer Security: Our Consumer Security segment focuses on making it simple for customers to be productive and protected at home and at work. Our Norton-branded services provide multi-layer security and identity protection on major desktop and mobile operating systems, to defend against increasingly complex online threats to individuals, families, and small businesses.

Enterprise Security: Our Enterprise Security segment protects organizations so they can securely conduct business while leveraging new platforms and data. Our Enterprise Security segment includes our threat protection products, information protection products, trust services, and cyber security services.

Information Management: Our Information Management segment focuses on backup and recovery, archiving and eDiscovery, storage and high availability solutions, helping to ensure that our customers' IT infrastructure and mission-critical applications are protected, managed and available. For additional information about the planned divestiture of our information management business see Note 11 of the Notes to Condensed Consolidated Financial Statements in this quarterly report.

For further description of our operating segments see Note 6 of the Notes to Condensed Consolidated Financial Statements in this quarterly report.

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Financial results and trends

The following table provides an overview of key financial metrics for the periods indicated below:

| | Three Months Ended | |
|--|--------------------|--------------|
| | July 3, 2015 | July 4, 2014 |
| (Dollars in millions) | | |
| Consolidated Income Statement Data: | | |
| Total net revenue | \$1,499 | \$1,735 |
| Gross profit | 1,245 | 1,426 |
| Operating income | 201 | 322 |
| Operating margin percentage | 13 | % 19 |
| Consolidated Cash Flow and Balance Sheet Data: | | |
| Cash flow from operations | \$300 | \$293 |
| Deferred revenue | 3,419 | 3,713 |

The three months ended July 4, 2014 consisted of 14 weeks, whereas the three months ended July 3, 2015 consisted of 13 weeks. The 14th week contributed incremental revenue, cost of revenue and operating expenses to the quarter ended July 4, 2014 when compared to the quarter ended July 3, 2015.

Total net revenue decreased \$236 million primarily due to the general strengthening of the U.S. dollar against foreign currencies, the additional week in the quarter ended July 4, 2014, and declines in our consumer security products driven by our channel strategy to exit certain high-cost original equipment manufacturer ("OEM") arrangements and changes to our renewal practices.

Gross margin was 83% for the three months ended July 3, 2015 compared to 82% for the three months ended July 4, 2014 primarily driven by lower fees under revenue-sharing agreements associated with our exit of certain high-cost OEM arrangements.

Operating income decreased \$121 million due to lower net revenue, partially offset by lower operating expenses. Our operating expenses decreased due to incremental operating expenses in the additional week of the quarter ended July 4, 2014, our cost savings initiatives and favorable foreign currency effects of approximately \$40 million. This was partially offset by a \$104 million increase in restructuring, separation, and transition costs in connection with our fiscal 2015 restructuring and separation plan initiated in connection with our plans to separate our business into two standalone companies. We expect our operating margins to fluctuate in future periods as a result of a number of factors, including our operating results and the timing and amount of expenses incurred.

Net cash provided by operating activities was \$300 million for the three months ended July 3, 2015, which resulted from net income of \$117 million adjusted for non-cash items, including depreciation and amortization charges of \$103 million and stock-based compensation expense of \$53 million, as well as net changes in trade receivables resulting in inflows of \$391 million. These amounts were partially offset by decreases in deferred revenue of \$249 million and accrued compensation and benefits of \$115 million.

Total deferred revenue decreased \$294 million from \$3,713 million at July 4, 2014 to \$3,419 million at July 3, 2015 primarily due to unfavorable foreign currency fluctuations.

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 three months ended July 3, 2015, 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 April 3, 2015.

Recently issued authoritative guidance

See Note 1 of the Notes to Condensed Consolidated Financial Statements in this quarterly report for recently issued authoritative guidance, including the respective expected dates of adoption and effects on our results of operations and financial condition.

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RESULTS OF OPERATIONS

The following table sets forth certain Consolidated Statements of Income data as a percentage of net revenue for the periods indicated:

| | Three Months Ended | | | |
|---|--------------------|--------------|--|---|
| | July 3, 2015 | July 4, 2014 | | |
| Net revenue: | | | | |
| Content, subscription, and maintenance | 90 | % 91 | | % |
| License | 10 | % 9 | | % |
| Total net revenue | 100 | % 100 | | % |
| Cost of revenue: | | | | |
| Content, subscription, and maintenance | 15 | % 16 | | % |
| License | 1 | % 2 | | % |
| Amortization of intangible assets | 1 | % 1 | | % |
| Total cost of revenue | 17 | % 18 | | % |
| Gross profit | 83 | % 82 | | % |
| Operating expenses: | | | | |
| Sales and marketing | 35 | % 37 | | % |
| Research and development | 19 | % 18 | | % |
| General and administrative | 6 | % 6 | | % |
| Amortization of intangible assets | 1 | % 2 | | % |
| Restructuring, separation, and transition | 8 | % 1 | | % |
| Total operating expenses | 70 | % 64 | | % |
| Operating income | 13 | % 19 | | % |
| Non-operating expense, net | 2 | % 1 | | % |

The total percentages may not add due to rounding.

Total net revenue

| | Three Months Ended | | | |
|--|-----------------------|--------------|----------|----|
| | July 3, 2015 | July 4, 2014 | % Change | |
| | (Dollars in millions) | | | |
| Content, subscription, and maintenance revenue | \$1,352 | \$1,574 | (14 |)% |
| License revenue | 147 | 161 | (9 |)% |
| Total | \$1,499 | \$1,735 | (14 |)% |

Content, subscription, and maintenance revenue represented 90% and 91% of total net revenue for the three months ended July 3, 2015 and July 4, 2014, respectively. Content, subscription, and maintenance revenue decreased \$222 million primarily due to unfavorable foreign currency fluctuations of approximately \$102 million, the additional week in the quarter ended July 4, 2014 and declines in our consumer security products driven by our channel strategy to exit certain high-cost OEM arrangements and changes to our renewal practices. License revenue decreased \$14 million primarily due to unfavorable foreign currency fluctuations of approximately \$13 million.

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Net revenue and operating income by segment

| | Three Months Ended | | % Change | |
|----------------------------------|-----------------------|--------------|----------|---|
| | July 3, 2015 | July 4, 2014 | | |
| | (Dollars in millions) | | | |
| Total net revenue: | | | | |
| Consumer Security | \$430 | \$533 | (19) | % |
| Enterprise Security | 482 | 552 | (13) | % |
| Information Management | 587 | 650 | (10) | % |
| Percentage of total net revenue: | | | | |
| Consumer Security | 29 | % 31 | % | |
| Enterprise Security | 32 | % 32 | % | |
| Information Management | 39 | % 37 | % | |
| Operating income: | | | | |
| Consumer Security | \$245 | \$268 | (9) | % |
| Enterprise Security | 30 | 70 | (57) | % |
| Information Management | 135 | 89 | 52 | % |
| Operating margin: | | | | |
| Consumer Security | 57 | % 50 | % | |
| Enterprise Security | 6 | % 13 | % | |
| Information Management | 23 | % 14 | % | |

Consumer Security revenue decreased \$103 million primarily due to the impact of the additional week in the quarter ended July 4, 2014 and unfavorable foreign currency fluctuations of approximately \$34 million. In addition, Consumer Security revenue decreased due to our channel strategy to exit unprofitable retail arrangements and certain high-cost OEM arrangements, coupled with the impact of our decision to change our renewal practices. Consumer Security operating income decreased \$23 million primarily due to the decrease in revenue, partially offset by decreases in cost of revenue, salaries and wages and marketing expenses.

Enterprise Security revenue decreased \$70 million primarily due to the impact of the additional week in the quarter ended July 4, 2014 and unfavorable foreign currency fluctuations of approximately \$36 million. The decrease of \$40 million in operating income was mainly due to the reduction in revenue which was partially offset by decreased headcount related expenses.

Information Management revenue decreased \$63 million primarily due to unfavorable foreign currency fluctuations of approximately \$45 million and the impact of the additional week in the quarter ended July 4, 2014. In addition, strong performance from NetBackup products was partially offset by weakness in Backup Exec and our storage management offerings. Information Management operating income increased \$46 million driven by decreased headcount related expenses which was partially offset by the decrease in revenue.

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Net revenue by geographic region

| | Three Months Ended | | % Change | |
|---|-----------------------|--------------|----------|----|
| | July 3, 2015 | July 4, 2014 | | |
| | (Dollars in millions) | | | |
| Revenue by geographic region: | | | | |
| Americas (U.S., Canada and Latin America) | \$855 | \$940 | (9 |)% |
| EMEA (Europe, Middle East, Africa) | 391 | 495 | (21 |)% |
| Asia Pacific/Japan | 253 | 300 | (16 |)% |
| Total net revenue | \$1,499 | \$1,735 | (14 |)% |
| U.S. | 767 | 832 | (8 |)% |
| International | 732 | 903 | (19 |)% |
| Total net revenue | \$1,499 | \$1,735 | (14 |)% |

Percentage of total net revenue:

| | | | |
|---|----|------|---|
| Americas (U.S., Canada and Latin America) | 57 | % 54 | % |
| EMEA (Europe, Middle East, Africa) | 26 | % 29 | % |
| Asia Pacific/Japan | 17 | % 17 | % |
| U.S. | 51 | % 48 | % |
| International | 49 | % 52 | % |

Fluctuations in the U.S. dollar compared to foreign currencies unfavorably impacted our international revenue by approximately \$115 million for the three months ended July 3, 2015 as compared to the same period last year. Revenue for the EMEA and Asia Pacific and Japan regions was impacted by unfavorable foreign currency fluctuations of \$87 million and \$27 million, respectively.

Our international sales are expected to continue to be a significant portion of our revenue. As a result, revenue is expected 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.

Cost of revenue

| | Three Months Ended | | % Change | |
|--|-----------------------|--------------|----------|----|
| | July 3, 2015 | July 4, 2014 | | |
| | (Dollars in millions) | | | |
| Cost of content, subscription, and maintenance | \$219 | \$269 | (19 |)% |
| Cost of license | 22 | 27 | (19 |)% |
| Amortization of intangible assets | 13 | 13 | — | % |
| Total | \$254 | \$309 | (18 |)% |

Cost of content, subscription, and maintenance consists primarily of technical support costs, costs of billable services, and fees to OEMs under revenue-sharing agreements. Cost of license consists primarily of royalties paid to third parties under technology licensing agreements, appliance manufacturing costs, and other direct material costs. Intangible assets are primarily comprised of developed technologies and patents from acquired companies. Our total cost of revenue decreased for the three months ended July 3, 2015 compared to the same period last year, primarily due to the additional week in the quarter ended July 4, 2014, decrease in OEM and other royalty fees and favorable foreign currency effects.

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Operating expenses

| | Three Months Ended | | |
|---|-----------------------|--------------|----------|
| | July 3, 2015 | July 4, 2014 | % Change |
| | (Dollars in millions) | | |
| Sales and marketing expense | \$521 | \$644 | (19)% |
| Research and development expense | 284 | 308 | (8)% |
| General and administrative expense | 96 | 103 | (7)% |
| Amortization of intangible assets | 19 | 29 | (34)% |
| Restructuring, separation, and transition | 124 | 20 | 520% |
| Total | \$1,044 | \$1,104 | (5)% |

We experienced favorable foreign currency effects on our operating expenses of approximately \$40 million in the three months ended July 3, 2015 as compared to the same period last year.

Sales and marketing expense decreased \$123 million primarily due to the additional week in the quarter ended July 4, 2014, lower salaries and wages due to lower headcount, and to a lesser extent, decreased advertising and promotion costs.

Research and development expense and general and administrative expense decreased \$24 million and \$7 million, respectively, primarily due to the additional week in the quarter ended July 4, 2014.

Amortization of intangible assets decreased \$10 million primarily due to certain intangible assets becoming fully amortized during the year ended April 3, 2015.

Restructuring, separation, and transition costs include severance, facilities, separation, transition and other related costs. The charges for the three months ended July 3, 2015 primarily relate to our fiscal 2015 restructuring and separation plan initiated in connection with our plans to separate our business into two standalone companies, and transition costs related to the implementation of a new enterprise resource planning system for the information management business. The charges for the three months ended July 4, 2014 primarily relate to our fiscal 2014 restructuring plan which was substantially completed as of March 28, 2014. For further information on restructuring, separation, and transition, see Note 4 of the Notes to Condensed Consolidated Financial Statements in this quarterly report.

Non-operating expense, net

| | Three Months Ended | | |
|-----------------------------|-----------------------|--------------|----------|
| | July 3, 2015 | July 4, 2014 | % Change |
| | (Dollars in millions) | | |
| Interest income | \$3 | \$3 | —% |
| Interest expense | (20) | (21) | (5)% |
| Other (expense) income, net | (11) | 1 | * |
| Non-operating expense, net | \$(28) | \$(17) | 65% |

* Percentage is not meaningful.

Non-operating expense, net, increased \$11 million primarily due to net foreign currency remeasurement loss.

Provision for income taxes

| | Three Months Ended | | |
|--------------------------------|-----------------------|--------------|----------|
| | July 3, 2015 | July 4, 2014 | % Change |
| | (Dollars in millions) | | |
| Provision for income taxes | \$56 | \$69 | (19)% |
| Effective tax rate on earnings | 32 | % 23 | % 9 |

Our effective tax rate was approximately 32% and 23% for the three months ended July 3, 2015 and July 4, 2014, respectively. Our effective tax rate differs from the federal statutory income tax rate primarily due to the benefits of lower-taxed international earnings and domestic manufacturing incentives, partially offset by state income taxes. The higher effective tax rate for the three months ended July 3, 2015 as compared to the three months ended July 4, 2014 is due primarily to a different geographic mix of earnings and the treatment of certain transaction costs in determining

the effective tax rate. The tax benefit associated with certain of these transaction costs will change as a result of the sale of the information management business. For additional information about the planned divestiture of our information management business see Note 11.

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For the three months ended July 3, 2015 and July 4, 2014, the effective tax rate was reduced by tax benefits primarily resulting from settlements with certain taxing authorities and lapses of statutes of limitations of \$3 million and \$14 million, respectively. For the three months ended July 3, 2015, these tax benefits were offset as a result of certain transaction costs not fully deductible for tax purposes.

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

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involve multiple tax periods and jurisdictions, it is reasonably possible that the gross unrecognized tax benefits related to these audits could decrease (whether by payment, release, or a combination of both) in the next 12 months by \$33 million, which could reduce our income tax provision and therefore benefit the resulting effective tax rate.

On July 27, 2015, the U.S. Tax Court invalidated a U.S. Treasury regulation requiring the inclusion of stock-based compensation in certain intercompany cost-sharing agreements. We are currently evaluating the impact of this decision on our current and historic tax filing positions. We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES**Planned divestiture of our information management business**

On August 10, 2015, we entered into a definitive agreement to sell the assets of our information management business to Carlyle for cash consideration of approximately \$8.0 billion and the assumption of certain liabilities. We are in the process of evaluating the transaction and its impact on our consolidated financial statements, including evaluating the resulting net gain and income tax expense that will be recognized, based on all the terms of the agreement. The Company's U.S. and foreign income taxes payable resulting from the transaction are estimated to range from \$1.3 billion to \$1.7 billion.

Sources of cash

We have historically relied on cash flow from operations, borrowings under a credit facility, and issuances of debt and equity securities for our liquidity needs. As of July 3, 2015, we had cash, cash equivalents and short-term investments of \$3.9 billion and an unused credit facility of \$1.0 billion, resulting in a liquidity position of approximately \$4.9 billion. As of July 3, 2015, \$2.3 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 such portion of these funds to support our operations in the U.S.

Revolving Credit Facility. In fiscal 2011, we entered into a \$1.0 billion senior unsecured revolving credit facility (“credit facility”), which was amended in fiscal 2013. The amendment extended the term of the credit facility to June 7, 2017. Under the terms of this credit facility, we must comply with certain financial and non-financial covenants, including a covenant to maintain a specified ratio of debt to EBITDA (earnings before interest, taxes, depreciation and amortization). As of July 3, 2015, we were in compliance with the required covenants, and no amounts were outstanding.

We believe that our existing cash and investment balances, our available revolving credit facility, our ability to issue new debt instruments, and cash generated from operations will be sufficient to meet our working capital and capital expenditure requirements, as well as to fund any cash dividends, principal and interest payments on debt, and repurchases of our stock, for at least the next 12 months and foreseeable future. Since the beginning of fiscal 2014, we have implemented a capital allocation strategy pursuant to which we expect to return over time approximately 50% of free cash flow to stockholders through a combination of dividends and share repurchases, while still enabling our company to invest in its future. Our strategy emphasizes organic growth through internal innovation and will be

complemented by acquisitions that fit strategically and meet specific internal profitability hurdles.

Uses of cash

Our principal cash requirements include working capital, capital expenditures, payments of principal and interest on debt, and payments of taxes. Also, we may, from time to time, engage in the open market purchase of our notes prior to their maturity. Furthermore, our capital allocation strategy contemplates a quarterly cash dividend. In addition, we regularly evaluate our ability to repurchase stock, pay debts, and acquire other businesses.

Stock Repurchases. For the three months ended July 3, 2015, we repurchased approximately 4 million shares, or \$90 million of our common stock. For the three months ended July 4, 2014, we repurchased 6 million shares, or \$125 million, of our

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common stock. The timing and amount of common shares purchased under our authorized stock repurchase programs will depend on various factors, including our business plans, financial performance and market conditions. On August 9, 2015, our Board of Directors authorized a new \$1.5 billion stock repurchase program which commenced immediately and does not have an expiration date. This is in addition to the previous program with \$1.1 billion remaining authorized for future repurchase as of July 3, 2015.

Dividend Program. During the three months ended July 3, 2015, we declared and paid aggregate cash dividends of \$103 million or \$0.15 per common share. During the three months ended July 4, 2014, we declared and paid cash dividends of \$104 million or \$0.15 per common share. Our restricted stock and performance-based stock units have dividend equivalent rights entitling holders to dividend equivalents to be paid in the form of cash upon vesting for each share of the underlying units.

On August 11, 2015, we declared a cash dividend of \$0.15 per share of common stock to be paid on September 16, 2015 to all stockholders of record as of the close of business on August 26, 2015. All shares of common stock issued and outstanding, and 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.

Restructuring Plans. In fiscal 2015, we announced plans to separate our security and information management businesses into standalone companies. In order to separate the business, we initiated a restructuring plan to properly align personnel and expect to incur associated severance and facilities costs. We also expect to incur separation costs in the form of advisory, consulting and disentanglement expenses. These actions are expected to be substantially completed by the end of the third quarter of fiscal 2016. We expect to incur total severance and facilities costs between \$165 million and \$195 million. We expect to incur separation costs between \$170 million and \$190 million, excluding tax implications and potential advisor fees payable upon separation. Total restructuring and separation costs are expected to be between \$335 million and \$385 million. As of July 3, 2015, liabilities for excess facility obligations at several locations around the world are expected to be paid throughout the respective lease terms as we continue to occupy these facilities, the longest of which extends through fiscal 2019.

In fiscal 2013, we initiated a restructuring plan to reduce management and redundant personnel resulting in headcount reductions across the Company. As of July 3, 2015, the related costs for severance and benefits are substantially complete; however, we may experience immaterial adjustments to existing accruals in subsequent periods.

Note Repayment. In the second fiscal quarter of 2016, the principal balance of our 2.75% Senior Notes due September 2015 will mature and be settled by a cash payment of \$350 million along with the \$4.8 million semiannual interest payment.

Cash flows

The following table summarizes, for the periods indicated, selected items in our Condensed Consolidated Statements of Cash Flows:

| | Three Months Ended | |
|---------------------------------|-----------------------|--------------|
| | July 3, 2015 | July 4, 2014 |
| | (Dollars in millions) | |
| Net cash provided by (used in): | | |
| Operating activities | \$300 | \$293 |
| Investing activities | 37 | (724) |
| Financing activities | (238) | (216) |
| Operating activities | | |

We expect cash from our operating activities to fluctuate in future periods as a result of a number of factors, including the timing of our billings and collections, our operating results, the timing and amount of tax and other liability payments.

Net cash provided by operating activities was \$300 million for the three months ended July 3, 2015, which resulted from net income of \$117 million adjusted for non-cash items, including depreciation and amortization charges of \$103 million and stock-based compensation expense of \$53 million, as well as net changes in trade receivables resulting in inflows of \$391 million. These amounts were partially offset by decreases in deferred revenue of \$249 million and

accrued compensation of \$115 million.

Net cash provided by operating activities was \$293 million for the three months ended July 4, 2014 which resulted from net income of \$236 million adjusted for non-cash items, including depreciation and amortization charges of \$117 million, as well as net changes in trade receivables resulting in inflows of \$308 million. These amounts were partially offset by decreases in deferred revenue of \$185 million, and accrued compensation of \$34 million, as well as by a tax payment of \$104 million related to a previous IRS audit.

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Investing activities

Net cash provided by investing activities was \$37 million for the three months ended July 3, 2015 and was primarily due to the proceeds of \$298 million from maturities and sales of our short-term investments partially offset by purchases of \$183 million of short-term investments and payments of \$78 million for capital expenditures.

Net cash used in investing activities was \$724 million for three months ended July 4, 2014 and was primarily due to the purchase of \$712 million of short-term investments and payments of \$92 million for capital expenditures, partially offset by \$99 million in proceeds from maturities and sales of our short-term investments.

Financing activities

Net cash used in financing activities was \$238 million for the three months ended July 3, 2015, which was primarily due to cash dividend and dividend equivalent payments of \$107 million, repurchases of our common stock of \$90 million, and tax payments related to restricted stock units of \$33 million.

Net cash used in financing activities was \$216 million for the three months ended July 4, 2014, which was primarily due to repurchases of our common stock of \$125 million and cash dividends paid of \$104 million, partially offset by net proceeds from sales of common stock through employee stock benefit plans of \$23 million.

Contractual obligations

There have been no significant changes during the three months ended July 3, 2015 to the contractual obligations disclosed 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 April 3, 2015.

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.

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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes in our market risk exposures during the three months ended July 3, 2015 as compared to the market risk exposures disclosed 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 April 3, 2015.

Item 4. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures

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

officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our management (with the participation of our Chief Executive Officer and Chief Financial Officer) has conducted an evaluation of the

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effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act). Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended July 3, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

c) Limitations on Effectiveness of Controls

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to this Item may be found under the heading “Litigation contingencies” in Note 5 of the Notes to 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 April 3, 2015. There have been no material changes in our risks from such description.

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

Repurchases of our equity securities

All stock repurchases during the three months ended July 3, 2015 were purchased under publicly announced plans or programs and are summarized as follows:

| | Total Number of Shares Purchased | Average Price Paid per Share | Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs |
|------------------------------|--|------------------------------------|---|
| | (In millions, except per share data) | | |
| April 4, 2015 to May 1, 2015 | 3.4 | \$24.33 | \$1,074 |
| May 2, 2015 to May 29, 2015 | 0.3 | \$25.14 | \$1,068 |
| May 30, 2015 to July 3, 2015 | — | \$— | \$1,068 |
| Total | 3.7 | \$24.39 | |

Through our stock repurchase programs we have repurchased shares on a quarterly basis since the fourth quarter of fiscal 2004. On August 9, 2015, our Board of Directors authorized a new \$1.5 billion stock repurchase program which commenced immediately and does not have an expiration date. This is in addition to the previous program with \$1.1 billion remaining authorized for future repurchase as of July 3, 2015.

Item 6. Exhibits

The information required by this Item is set forth in the Exhibit Index that follows the signature page of this Report.

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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/ Michael A. Brown
Michael A. Brown
President, Chief Executive Officer and Director

By: /s/ Thomas J. Seifert
Thomas J. Seifert
Executive Vice President and Chief Financial Officer

August 12, 2015

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EXHIBIT INDEX

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | File Date | Filed with this 10-Q |
|----------------|--|---------------------------|-------------|---------|-----------|----------------------|
| | | Form | File Number | Exhibit | | |
| 3.01 | Certificate of Designations of Series A Junior Preferred Stock of Symantec Corporation dated June 25, 2015 | 8-K | 000-17781 | 3.1 | 6/26/2015 | |
| 10.01* | FY16 Executive Annual Incentive Plan - President and Chief Executive Officer | | | | | X |
| 10.02* | FY16 Executive Annual Incentive Plan - Senior Vice President and Executive Vice President | | | | | X |
| 10.03* | Form of Symantec Corporation FY16 PRU Agreement | | | | | X |
| 31.01 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 31.02 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 32.01† | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 32.02† | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 101.INS | XBRL Instance Document | | | | | X |
| 101.SCH | XBRL Taxonomy Schema Linkbase Document | | | | | X |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document | | | | | X |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document | | | | | X |
| 101.LAB | XBRL Taxonomy Labels Linkbase Document | | | | | X |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document | | | | | X |

* Indicates a management contract 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.