



Symantec Reports Fiscal Second Quarter 2019 Results

11/01/2018

GAAP revenue of \$1.175 billion and non-GAAP revenue of \$1.184 billion were above guidance

GAAP Diluted EPS of \$(0.01) and non-GAAP Diluted EPS of \$0.42 were above guidance

Cash flow from operating activities was \$240 million, up 36% from the prior year

MOUNTAIN VIEW, Calif.--(BUSINESS WIRE)-- Symantec Corp. (NASDAQ: SYMC) today reported results for its second quarter fiscal year 2019 ended September 28, 2018.

"We delivered second quarter operating results in line or above guidance," said Greg Clark, Symantec CEO. "We were pleased to announce the completion of our Audit Committee investigation in late September, and we look forward to recovering momentum in our Enterprise Security business in the second half of this fiscal year. In the second quarter, we won significant business in Enterprise Security, in line with our strategy of integrated cyber defense. In our Consumer Digital Safety business, our platform strategy allows us to transcend hardware refresh cycles and bring enhanced value to our customers. Global cyber risk is unprecedented. Symantec's significant investments in cyber defense make us an essential partner for enterprises and consumers of all sizes. We are excited about our longer term outlook. We have reaffirmed our guidance for fiscal year 2019 and enter the seasonally strong second half of our fiscal year with a renewed focus on technology leadership and execution."

To help readers understand our past financial performance and our future results, we supplement the financial results that we provide in accordance with generally accepted accounting principles, or GAAP, with non-GAAP financial measures. The methods we use to produce non-GAAP results are not in accordance with GAAP and may differ from the methods used by other companies. Additional information regarding our non-GAAP measures are provided below.

Second Quarter Fiscal 2019 Financial Highlights

GAAP revenue was \$1.175 billion, non-GAAP revenue was \$1.184 billion

GAAP operating margin of 8.7%, non-GAAP operating margin of 31.7%

GAAP diluted EPS was \$(0.01), non-GAAP diluted EPS was \$0.42

Cash flow from operating activities was \$240 million

Third Quarter and Fiscal Year 2019 Guidance

Third Quarter Fiscal 2019		GAAP	Non-GAAP
Revenue	\$1,153M - \$1,183M		\$1,160M - \$1,190M
Operating Margin	6%		30%
EPS (Diluted)	\$0.02 - \$0.05		\$0.37 - \$0.41
Fiscal Year 2019			
Revenue	\$4,640M - \$4,760M		\$4,670M - \$4,790M
Operating Margin	5% - 7%		30%
EPS (Diluted)	(\$0.08) - \$0.02		\$1.47 - \$1.57

Symantec's Board of Directors has declared a quarterly cash dividend of \$0.075 per common share to be paid on December 12, 2018, to all stockholders of record as of the close of business on November 19, 2018.

Update of Previously Released Financial Results for Q4 and Fiscal Year 2018 and Q1 Fiscal Year 2019

Subsequent to the release of our financial results for the first quarter fiscal year 2019 on August 2, 2018, we revised our fourth quarter of fiscal year 2018 and first quarter of fiscal 2019 unaudited financial information to reflect the adjustments related to the completion of our Audit Committee investigation on September 24, 2018, as well as the completion of the audit of our fiscal year 2018 financial statements. These adjustments included a deferral of revenue resulting from further management review of a transaction that was reviewed by the Audit Committee during the investigation, certain adjustments to stock-based compensation and certain other operating expense and income tax adjustments. We have revised our financial results for the fourth quarter and fiscal year 2018 and first quarter fiscal year 2019 in our earnings materials posted to our investor relations website to reflect these adjustments.

For additional details regarding Symantec's results and outlook, please see the Supplemental Information on the investor relations page of our website at: <http://www.symantec.com/invest>.

Conference Call

Symantec has scheduled a conference call for 5:00 p.m. ET / 2:00 p.m. PT today to discuss its results for its second quarter fiscal year 2019 ended September 28, 2018 and to review guidance. Interested parties may access the conference call through Symantec's Investor Relations website at <http://investor.symantec.com/investor-relations/events-calendar/>. For telephone access to the conference, call (877) 475-6198 within the United States or (970) 297-2372 from outside the United States. Please call 15 minutes early and give the operator conference ID number 1384327.

A replay and our prepared remarks will be available on the investor relations home page shortly after the call is completed.

About Symantec

Symantec Corporation (NASDAQ: SYMC), the world's leading cyber security company, helps organizations, governments and people secure their most important data wherever it lives. Organizations across the world look to Symantec for strategic, integrated solutions to defend against sophisticated attacks across endpoints, cloud and infrastructure. Likewise, a global community of more than 50 million people and families rely on Symantec's Norton and LifeLock product suites to protect their digital lives at home and across their devices. Symantec operates one of the world's largest civilian cyber intelligence networks, allowing it to see and protect against the most advanced threats. For additional information, please visit www.symantec.com or connect with us on Facebook, Twitter, and LinkedIn.

NOTE TO EDITORS: If you would like additional information on Symantec Corporation and its products, please visit the Symantec News Room at <http://www.symantec.com/news>. All prices noted are in U.S. dollars and are valid only in the United States.

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Forward-Looking Statements: This press release contains statements which may be considered forward-looking within the meaning of the U.S. federal securities laws, including the information contained under the caption "Third Quarter and Fiscal Year 2019 Guidance" and the statements regarding Symantec's other projected financial and business results, including demand for its products and services, Symantec's enhanced capabilities, and Symantec's continued cost and operating efficiencies. These statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from results expressed or implied in this press release. Such risk factors include those related to: our ability to continue to integrate and fully achieve the expected benefits from acquired businesses; matters arising out of our completed Audit Committee investigation and the ongoing U.S. Securities and Exchange Commission investigation; general economic conditions; fluctuations and volatility in Symantec's stock price; the ability of Symantec to successfully execute strategic plans; the ability to maintain customer and partner relationships; the ability of Symantec to achieve its cost and operating efficiency goals; the anticipated growth of certain market segments; Symantec's sales pipeline and business strategy; fluctuations in tax rates and foreign currency exchange rates and the impact of any tax reform legislation; the impact related to Symantec's future adoption of the new revenue and other accounting standards; the timing and market acceptance of new product releases and upgrades; and the successful development of new products and the degree to which these products gain market acceptance. Actual results may differ materially from those contained in the forward-looking statements in this press release. Symantec assumes no obligation, and does not intend, to update these forward-looking statements as a result of future events or developments. Additional information concerning these and other risk factors is contained in the Risk Factors sections of Symantec's most recent reports on Form 10-K and Form 10-Q.

USE OF NON-GAAP FINANCIAL INFORMATION: We use non-GAAP measures of adjusted revenues, operating margin, net income and earnings per share, which are adjusted from results based on GAAP to include certain purchase accounting adjustments and exclude certain expenses, gains and losses. Additionally, we provide the non-GAAP metric of implied billings. These non-GAAP financial measures are provided to enhance the user's understanding of our past financial performance and our prospects for the future. Our management team uses these non-GAAP financial measures in assessing Symantec's performance, as well as in planning and forecasting future periods. These non-GAAP financial measures are not computed according to GAAP and the methods we use to compute them may differ from the methods used by other companies. Non-GAAP financial measures are supplemental, should not be considered a substitute for financial information presented in accordance with GAAP and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Readers are encouraged to review the reconciliation of our non-GAAP financial measures to the comparable GAAP results, which is attached to our quarterly earnings release and which can be found, along with other financial information including Supplemental Information, on the investor relations page of our website at: <http://www.symantec.com/invest>.

SYMANTEC CORPORATION
Condensed Consolidated Balance Sheets ⁽¹⁾
(In millions, unaudited)

	September 28, 2018	March 30, 2018 ⁽²⁾
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,147	\$ 1,774
Short-term investments	289	388
Accounts receivable, net	537	809
Other current assets	445	522
Total current assets	<u>3,418</u>	<u>3,493</u>
Property and equipment, net	778	778
Intangible assets, net	2,433	2,643
Goodwill	8,328	8,319
Other long-term assets	1,277	526
Total assets	<u>\$ 16,234</u>	<u>\$ 15,759</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 158	\$ 168
Accrued compensation and benefits	165	262
Current portion of long-term debt	597	-
Contract liabilities ⁽³⁾	2,113	2,368

Other current liabilities	378	372
Total current liabilities	3,411	3,170
Long-term debt	4,442	5,026
Long-term contract liabilities ⁽³⁾	633	735
Deferred income tax liabilities	652	592
Long-term income taxes payable	1,066	1,126
Other long-term liabilities	80	87
Total liabilities	10,284	10,736
Total stockholders' equity	5,950	5,023
Total liabilities and stockholders' equity	\$ 16,234	\$ 15,759

⁽¹⁾ We adopted the new revenue recognition accounting standard (ASC 606) on a modified retrospective basis during Q1 FY19. The results for Q2 FY19 and the first six months in FY19 are presented under the new revenue recognition accounting standard, while prior period amounts are not adjusted and continue to be reported under the prior revenue recognition accounting standard (ASC 605).

⁽²⁾ Derived from audited consolidated financial statements.

⁽³⁾ As a result of the new revenue recognition accounting standard (ASC 606), amounts we have previously referred to as deferred revenue are now referred to as contract liabilities, which consist of the total of what is now identified as deferred revenue and customer deposit liabilities in all schedules throughout this document.

SYMANTEC CORPORATION
Condensed Consolidated Statements of Operations ⁽¹⁾
(In millions, except per share data, unaudited)

	Three Months Ended		Six Months Ended	
	September 28, 2018	September 29, 2017	September 28, 2018	September 29, 2017
Net revenues	\$ 1,175	\$ 1,240	\$ 2,331	\$ 2,415
Cost of revenues	256	262	505	519
Gross profit	919	978	1,826	1,896
Operating expenses:				
Sales and marketing	365	434	751	867
Research and development	231	241	468	474
General and administrative	114	160	247	309
Amortization of intangible assets	51	55	104	114
Restructuring,	56	97	152	185

transition and other costs					
Total operating expenses	817	987	1,722	1,949	
Operating income (loss)	102	(9)	104	(53)	
Interest expense	(52)	(57)	(104)	(141)	
Other expense, net	(22)	(3)	(41)	(9)	
Income (loss) from continuing operations before income taxes	28	(69)	(41)	(203)	
Income tax expense (benefit)	36	(53)	32	(77)	
Loss from continuing operations	(8)	(16)	(73)	(126)	
Income (loss) from discontinued operations, net of income taxes	-	4	5	(19)	
Net loss	\$ (8)	\$ (12)	\$ (68)	\$ (145)	
Income (loss) per share – basic and diluted:					
Continuing operations	\$ (0.01)	\$ (0.03)	\$ (0.12)	\$ (0.21)	
Discontinued operations	\$ -	\$ 0.01	\$ 0.01	\$ (0.03)	
Net loss per share – basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.11)	\$ (0.24)	
Weighted-average shares outstanding – basic and diluted	630	615	627	612	

(1) We adopted the new revenue recognition accounting standard (ASC 606) on a modified retrospective basis during Q1 FY19. The results for Q2 FY19 and the first six months in FY19 are presented under the new revenue recognition accounting standard, while prior period amounts are not adjusted and continue to be reported under the prior revenue recognition accounting standard (ASC 605).

SYMANTEC CORPORATION
Condensed Consolidated Statements of Cash Flows
(In millions, unaudited)

	Three Months Ended		Six Months Ended	
	September 28, 2018	September 29, 2017 ⁽¹⁾	September 28, 2018	September 29, 2017 ⁽¹⁾
OPERATING ACTIVITIES:				
Net loss	\$ (8)	\$ (12)	\$ (68)	\$ (145)
(Income) loss from discontinued operations, net of income taxes	-	(4)	(5)	19
Adjustments:				
Amortization and depreciation	153	163	305	328
Impairment of long-lived assets	3	6	7	20
Stock-based compensation expense	97	176	210	323
Deferred income taxes	45	(127)	3	(189)
Other	39	6	18	32
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable, net	(35)	(73)	286	115
Accounts payable	(31)	52	(12)	20
Accrued compensation and benefits	(4)	(7)	(81)	(75)
Contract liabilities	(5)	(6)	(111)	(27)
Income taxes payable	(66)	28	(67)	30
Other assets	60	(50)	55	(9)
Other liabilities	(8)	18	31	(21)
Net cash provided by continuing operating activities	240	170	571	421
Net cash provided by (used in) discontinued operating activities	-	7	-	(31)

Net cash provided by operating activities	240	177	571	390
<hr/>				
INVESTING ACTIVITIES:				
Additions to property and equipment	(51)	(25)	(95)	(72)
Payments for acquisitions, net of cash acquired	(12)	(353)	(17)	(361)
Proceeds from maturities and sale of short-term investments	35	-	99	-
Purchase of short-term investments	-	(201)	-	(201)
Other	(2)	(1)	(7)	-
Net cash used in investing activities	(30)	(580)	(20)	(634)
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FINANCING ACTIVITIES:				
Repayments of debt	-	-	-	(2,010)
Net proceeds from sales of common stock under employee stock incentive plans	2	63	6	74
Tax payments related to restricted stock units	(11)	(22)	(53)	(83)
Dividends and dividend equivalents paid	(50)	(48)	(110)	(114)
Payment for dissenting shareholder settlement	-	(68)	-	(68)
Net cash	(59)	(75)	(157)	(2,201)

used in financing activities	<hr/>			
Effect of exchange rate fluctuations on cash and cash equivalents	(5)	8	(21)	34
Change in cash and cash equivalents	146	(470)	373	(2,411)
Beginning cash and cash equivalents	2,001	2,306	1,774	4,247
Ending cash and cash equivalents (including cash and cash equivalents held for sale)	\$ 2,147	\$ 1,836	\$ 2,147	\$ 1,836

(1) The impact of assets and liabilities reclassified as held for sale during the period was not considered in the changes in operating assets and liabilities within cash flows from operating activities.

SYMANTEC CORPORATION
Reconciliation of Selected GAAP Measures to Non-GAAP Measures ⁽¹⁾ ⁽²⁾
(Dollars in millions, except per share data, unaudited)

	Three Months Ended	
	September 28, 2018	September 29, 2017
Net revenues	\$ 1,175	\$ 1,240
Contract liabilities fair value adjustment	9	36
Net revenues (Non-GAAP)	\$ 1,184	\$ 1,276
Operating income (loss)	\$ 102	\$ (9)
Contract liabilities fair value adjustment	9	36
Stock-based compensation	97	176
Amortization of intangible assets	110	116
Restructuring, transition and other costs	56	97
Acquisition-related costs	1	19
Operating income (Non-GAAP)	\$ 375	\$ 435
Operating margin	8.7%	(0.7%)
Operating margin (Non-GAAP)	31.7%	34.1%

Net loss	\$	(8)	\$	(12)
Adjustments to income (loss) from continuing operations:				
Contract liabilities fair value adjustment		9		36
Stock-based compensation		97		176
Amortization of intangible assets		110		116
Restructuring, transition and other costs		56		97
Acquisition-related costs		1		19
Non-cash interest expense		6		5
Loss from equity interest		34		-
Other income tax effects and adjustments		(28)		(165)
Total adjustment from continuing operations		285		284
Total adjustment from discontinued operations		-		(4)
Net income (Non-GAAP)	\$	277	\$	268
Diluted net income (loss) per share ⁽³⁾	\$	(0.01)	\$	(0.02)
Adjustments to diluted net income (loss) per share				
Contract liabilities fair value adjustment		0.01		0.06
Stock-based compensation		0.15		0.29
Amortization of intangible assets		0.17		0.19
Restructuring, transition and other costs		0.09		0.16
Acquisition-related costs		0.00		0.03
Non-cash interest expense		0.01		0.01
Loss from equity interest		0.05		-
Other income tax effects and adjustments		(0.04)		(0.27)
Total adjustment from continuing operations		0.45		0.46
Total adjustment from discontinued operations		-		(0.01)
Incremental dilution effect		(0.02)		(0.04)
Diluted net income per share (Non-GAAP)	\$	0.42	\$	0.40
Diluted weighted-average shares outstanding				
		630		615
Incremental dilution		27		51
Diluted weighted-average shares outstanding (Non-GAAP) ⁽⁴⁾		657		666

(1) This presentation includes non-GAAP measures. Non-GAAP financial measures are supplemental and should not be considered a substitute for financial information presented in accordance with GAAP. For a detailed explanation of these non-GAAP measures, please see Appendix A.

(2) We adopted the new revenue recognition accounting standard (ASC 606) on a modified retrospective basis during Q1 FY19. The results for Q2 FY19 and the first six months in FY19 are presented under the new revenue recognition accounting standard, while prior period amounts are not adjusted and continue to be reported under the prior revenue recognition accounting standard (ASC 605).

(3) Net income per share amounts may not add due to rounding.

(4) Diluted GAAP and non-GAAP weighted-average shares outstanding are the same, except in periods in which there is a GAAP loss from continuing operations. In accordance with GAAP, we do not present dilution for GAAP in periods in which there is a loss from continuing operations. However, if there is non-GAAP net income, we present dilution for non-GAAP weighted-average shares outstanding in an amount equal to the dilution that would have been presented had there been GAAP income from continuing operations for the period.

SYMANTEC CORPORATION
 Reconciliation of GAAP Revenue to Non-GAAP Implied Billings ^{(1) (2)}
 (In millions, unaudited)

	Three Months Ended	
	September 28, 2018	September 29, 2017
Total Company Implied Billings (Non-GAAP)		
Total revenue	\$ 1,175	\$ 1,240
Add: Contract liabilities (end of period)	2,746	2,514
Less: Contract liabilities (beginning of period)	(2,767)	(2,794)
Other Contract liabilities adjustments ⁽³⁾	6	296
Implied billings (Non-GAAP)	<u>\$ 1,160</u>	<u>\$ 1,256</u>
Enterprise Security Implied Billings (Non-GAAP)		
Total revenue	\$ 574	\$ 686
Add: Contract liabilities (end of period)	1,717	1,484
Less: Contract liabilities (beginning of period)	(1,714)	(1,784)
Other Contract liabilities adjustments ⁽³⁾	6	296
Implied billings (Non-GAAP)	<u>\$ 583</u>	<u>\$ 682</u>
Consumer Digital Safety Implied Billings (Non-GAAP)		
Total revenue	\$ 601	\$ 554
Add: Contract liabilities (end of period)	1,029	1,030
Less: Contract liabilities (beginning of period)	(1,053)	(1,010)
Implied billings (Non-GAAP)	<u>\$ 577</u>	<u>\$ 574</u>

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⁽²⁾ We adopted the new revenue recognition accounting standard (ASC 606) on a modified retrospective basis during Q1 FY19. The results for Q2 FY19 and the first six months in FY19 are presented under the new revenue recognition accounting standard, while prior period amounts are not adjusted and continue to be reported under the prior revenue recognition accounting standard (ASC 605).

⁽³⁾ Other contract liabilities adjustments include contract liabilities acquired during the period and the change in contract liabilities related to Veritas discontinued operations.

SYMANTEC CORPORATION
 Guidance and Reconciliation of GAAP to Non-GAAP Revenue, Operating Income and EPS ^{(1) (2)}
 (Dollars in millions, except per share data, unaudited)

 Third Quarter Fiscal Year 2019

 Revenue Guidance

GAAP revenue range	\$1,153	-	\$1,183
Adjustment:		\$7	
Contract liabilities fair value adjustment			
Non-GAAP revenue range	\$1,160	-	\$1,190

 Operating Margin Guidance and Reconciliation

GAAP operating margin	6%
Adjustments:	
Contract liabilities fair value adjustment	1%
Stock-based compensation	8%
Amortization of intangible assets	9%
Restructuring, transition and other costs	6%
	30%

 Non-GAAP operating margin

 Earnings Per Share Guidance and Reconciliation

GAAP diluted loss per share range ⁽³⁾	\$0.02	-	\$0.05
Adjustments:		\$0.01	
Contract liabilities fair value adjustment		\$0.14	
Stock-based compensation		\$0.17	
Amortization of intangible assets		\$0.11	
Restructuring, transition and other costs		\$0.01	
Other income and expense adjustments		(\$0.09)	
Income tax effects and adjustments			
	\$0.37		

Non-GAAP diluted earnings per share range ⁽³⁾		-	\$0.41
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 Fiscal Year 2019

Revenue Guidance

GAAP revenue range	\$4,640	-	\$4,760
Adjustment:		\$30	
Contract liabilities fair value adjustment			
Non-GAAP revenue range	\$4,670	-	\$4,790

Operating Margin Guidance and Reconciliation

GAAP operating margin	5%	-	7%
Adjustments:		1%	
Contract liabilities fair value adjustment			
Stock-based compensation	9%	-	8%
		9%	
Amortization of intangible assets		6%	
Restructuring, transition and other costs			
Non-GAAP operating margin	30%	-	30%

Earnings Per Share Guidance and Reconciliation

GAAP diluted income (loss) per share range ⁽³⁾	(\$0.08)	-	\$0.02
Adjustments:		\$0.05	
Contract liabilities fair value adjustment		\$0.63	
Stock-based compensation		\$0.70	
Amortization of intangible assets		\$0.43	
Restructuring, transition and other costs		\$0.13	
Other income and expense adjustments		(\$0.32)	
Income tax effects and adjustments		(\$0.07)	
Incremental dilution effect			
Non-GAAP diluted earnings per share range ⁽³⁾	\$1.47	-	\$1.57

(1) This presentation includes non-GAAP measures. Non-GAAP financial measures are supplemental and should not be considered a substitute for financial information presented in accordance with GAAP. For a detailed explanation of these non-GAAP measures, please see Appendix A.

(2) Amounts may not add due to rounding.

(3) GAAP and non-GAAP income per share and adjustments per share are calculated using diluted

share count of 654 million for Q3 FY19. GAAP income (loss) per share and adjustments per share are calculated using basic share count of 633 million for FY19, and non-GAAP income per share are calculated using diluted share count of 660 million for FY19.

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