SYMANTEC CORP
Form 10-Q
November 06, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
(Mark One)

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

For the Quarterly Period Ended October 2, 2015
or

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

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

| | |
|---|---|
| Delaware | 77-0181864 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. employer Identification no.) |
| 350 Ellis Street, Mountain View, California | 94043 |
| (Address of principal executive offices) | (zip code) |

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

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

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 þ No o

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 þ | Accelerated filer o | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

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

Shares of Symantec common stock, $0.01 par value per share, outstanding as of October 30, 2015: 675,526,104 shares

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SYMANTEC CORPORATION
FORM 10-Q
Quarterly Period Ended October 2, 2015
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
SYMANTEC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

| | October 2, 2015 | April 3, 2015 * |
|---|---|---|
| | (Unaudited) | |
| | (In millions, except par value) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $3,097 | $2,874 |
| Short-term investments | 260 | 1,017 |
| Accounts receivable, net | 738 | 993 |
| Deferred income taxes | 207 | 152 |
| Deferred commissions | 112 | 131 |
| Other current assets | 250 | 255 |
| Total current assets | 4,664 | 5,422 |
| Property and equipment, net | 1,262 | 1,205 |
| Intangible assets, net | 572 | 628 |
| Goodwill | 5,847 | 5,847 |
| Long-term deferred commissions | 14 | 26 |
| Other long-term assets | 101 | 105 |
| Total assets | $12,460 | $13,233 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $326 | $213 |
| Accrued compensation and benefits | 289 | 398 |
| Deferred revenue | 2,766 | 3,109 |
| Current portion of long-term debt | — | 350 |
| Other current liabilities | 348 | 383 |
| Total current liabilities | 3,729 | 4,453 |
| Long-term debt | 1,740 | 1,746 |
| Long-term deferred revenue | 505 | 555 |
| Long-term deferred tax liabilities | 381 | 308 |
| Long-term income taxes payable | 132 | 134 |
| Other long-term obligations | 81 | 102 |
| Total liabilities | 6,568 | 7,298 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, $0.01 par value, 3,000 shares authorized; 680 and 898 shares issued; 680 and 684 shares outstanding, respectively | 7 | 7 |
| Additional paid-in capital | 5,794 | 6,094 |
| Accumulated other comprehensive income | 88 | 104 |
| Retained earnings (accumulated deficit) | 3 | (270) |
| Total stockholders' equity | 5,892 | 5,935 |
| Total liabilities and stockholders' equity | $12,460 | $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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SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| | (Unaudited) (In millions, except per share data) | | | |
| Net revenue: | | | | |
| Content, subscription, and maintenance | $1,333 | $1,445 | $2,685 | $3,019 |
| License | 165 | 172 | 312 | 333 |
| Total net revenue | 1,498 | 1,617 | 2,997 | 3,352 |
| Cost of revenue: | | | | |
| Content, subscription, and maintenance | 225 | 240 | 444 | 509 |
| License | 29 | 25 | 51 | 52 |
| Amortization of intangible assets | 10 | 13 | 23 | 26 |
| Total cost of revenue | 264 | 278 | 518 | 587 |
| Gross profit | 1,234 | 1,339 | 2,479 | 2,765 |
| Operating expenses: | | | | |
| Sales and marketing | 516 | 565 | 1,037 | 1,209 |
| Research and development | 293 | 276 | 577 | 584 |
| General and administrative | 94 | 93 | 190 | 196 |
| Amortization of intangible assets | 17 | 27 | 36 | 56 |
| Restructuring, separation, and transition | 111 | 30 | 235 | 50 |
| Total operating expenses | 1,031 | 991 | 2,075 | 2,095 |
| Operating income | 203 | 348 | 404 | 670 |
| Interest income | 3 | 3 | 6 | 6 |
| Interest expense | (19) | (19) | (39) | (40) |
| Other income (expense), net | 2 | 1 | (9) | 2 |
| Income before income taxes | 189 | 333 | 362 | 638 |
| Provision for income taxes | 33 | 89 | 89 | 158 |
| Net income | $156 | $244 | $273 | $480 |
| Net income per share: | | | | |
| Basic | $0.23 | $0.35 | $0.40 | $0.69 |
| Diluted | $0.23 | $0.35 | $0.40 | $0.69 |
| Weighted-average shares outstanding: | | | | |
| Basic | 682 | 690 | 682 | 691 |
| Diluted | 687 | 696 | 689 | 697 |
| Cash dividends declared per common share | $0.15 | $0.15 | $0.30 | $0.30 |

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 | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| | (Unaudited) | | | |
| | (Dollars in millions) | | | |
| Net income | $156 | $244 | $273 | $480 |
| Other comprehensive loss, net of taxes: | | | | |
| Foreign currency translation adjustments: | | | | |
| Translation adjustments | (34) | (42) | (22) | (40) |
| Reclassification adjustments for loss included in net income | 1 | — | 1 | — |
| Net foreign currency translation adjustments | (33) | (42) | (21) | (40) |
| Unrealized gain on available-for-sale securities, net of taxes of $3, $0, $3 and $0, respectively | 5 | — | 5 | — |
| Other comprehensive loss, net of taxes | (28) | (42) | (16) | (40) |
| Comprehensive income | $128 | $202 | $257 | $440 |

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 CASH FLOWS

| | Six Months Ended | |
|---|---|---|
| | October 2, 2015 | October 3, 2014 |
| | (Unaudited) | |
| | (Dollars in millions) | |
| OPERATING ACTIVITIES: | | |
| Net income | $273 | $480 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 143 | 145 |
| Amortization of intangible assets | 59 | 82 |
| Amortization of debt issuance costs and discounts | 2 | 2 |
| Stock-based compensation expense | 133 | 89 |
| Deferred income taxes | 17 | 30 |
| Excess income tax benefit from the exercise of stock options | (6) | (5) |
| Other | 9 | 3 |
| Net change in assets and liabilities, excluding effects of acquisitions: | | |
| Accounts receivable, net | 255 | 268 |
| Deferred commissions | 30 | (3) |
| Accounts payable | 50 | (77) |
| Accrued compensation and benefits | (107) | (50) |
| Deferred revenue | (397) | (374) |
| Income taxes payable | (22) | (101) |
| Other assets | 12 | 33 |
| Other liabilities | (17) | (56) |
| Net cash provided by operating activities | 434 | 466 |
| INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (149) | (199) |
| Payments for acquisitions, net of cash acquired | (4) | (19) |
| Purchases of short-term investments | (327) | (1,071) |
| Proceeds from maturities of short-term investments | 1,019 | 411 |
| Proceeds from sales of short-term investments | 76 | 156 |
| Net cash provided by (used in) investing activities | 615 | (722) |
| FINANCING ACTIVITIES: | | |
| Repayments of debt and other obligations | (367) | (18) |
| Net proceeds from sales of common stock under employee stock benefit plans | 44 | 66 |
| Excess income tax benefit from the exercise of stock options | 6 | 5 |
| Tax payments related to restricted stock units | (37) | (34) |
| Dividends and dividend equivalents paid | (210) | (207) |
| Repurchases of common stock | (250) | (250) |
| Proceeds from other financing, net | — | 34 |
| Net cash used in financing activities | (814) | (404) |
| Effect of exchange rate fluctuations on cash and cash equivalents | (12) | (75) |
| Change in cash and cash equivalents | 223 | (735) |
| Beginning cash and cash equivalents | 2,874 | 3,707 |
| Ending cash and cash equivalents | $3,097 | $2,972 |

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

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.
In the second quarter of fiscal 2016, 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 3.
Basis of presentation
The accompanying unaudited Condensed Consolidated Financial Statements 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 and six months ended October 2, 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 and six month ended periods in this report relate to fiscal periods ended October 2, 2015 and October 3, 2014. The six months ended October 2, 2015, consisted of 26 weeks whereas the six months ended October 3, 2014, consisted of 27 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 and six months ended October 2, 2015, 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
In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") 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 presentation and disclosure 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. For additional information about the planned divestiture of our information management business see Note 3.
In February 2015, the FASB issued ASU No. 2015-02, Consolidation, which modifies the evaluation of whether limited partnerships and similar legal entities qualify as variable interest entities (“VIEs”). The new standard also affects the consolidation analysis of reporting entities that are involved with VIEs. We adopted the standard in the second quarter of fiscal 2016, and it did not have a material impact upon adoption.
In April 2015, the FASB issued ASU 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.

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Recent accounting guidance not yet adopted

In May 2014, the FASB issued ASU 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. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which defers the effective date of the new revenue reporting standard by one year. 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.

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 six months ended October 2, 2015.

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

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| | October 2, 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 | $ 1,608 | $ 1,608 | $ — | $ 807 | $ 807 | $ — |
| Non-negotiable certificates of deposit | — | — | — | 296 | 260 | 36 |
| Level 1 | | | | | | |
| Money market | 1,411 | 1,411 | — | 1,725 | 1,725 | — |
| U.S. government securities | 75 | — | 75 | 284 | — | 284 |
| Marketable equity securities | 12 | — | 12 | 5 | — | 5 |
| | 1,498 | 1,411 | 87 | 2,014 | 1,725 | 289 |
| Level 2 | | | | | | |
| Corporate bonds | 105 | 5 | 100 | 166 | — | 166 |
| U.S. agency securities | 21 | — | 21 | 68 | — | 68 |
| Commercial paper | 64 | 44 | 20 | 333 | 82 | 251 |
| Negotiable certificates of deposit | 20 | — | 20 | 184 | — | 184 |
| International government securities | 41 | 29 | 12 | 23 | — | 23 |
| | 251 | 78 | 173 | 774 | 82 | 692 |
| Total | $ 3,357 | $ 3,097 | $ 260 | $ 3,891 | $ 2,874 | $ 1,017 |

Fair value of debt

As of October 2, 2015 and April 3, 2015, the total fair value of our current and long-term debt was $1.8 billion and $2.2 billion, respectively, based on Level 2 inputs.

Note 3. Planned Divestiture of Information Management Business

In the second quarter of fiscal 2016, 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, subject to specified adjustments. 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.

The Company and Carlyle have made customary representations and warranties and have agreed to customary covenants related to the sale. Subject to certain limitations, the Company and Carlyle have agreed to indemnify each other for losses arising from certain breaches of the agreement, certain tax liabilities and certain other liabilities.

We are in the process of evaluating the transaction and its impact on our Condensed 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.

As of October 2, 2015, our information management business did not meet the criteria to be classified as held for sale, as Symantec did not have the ability to transfer its information management business to Carlyle in its present condition. The sale is conditioned on multiple milestones that were not completed as of October 2, 2015, for the Company's completion of the operational separation, in all material respects, of the information management business. We expect that effective beginning with the third quarter of fiscal 2016, the financial results of our information management business will be presented as discontinued operations on the Condensed Consolidated Financial Statements, as we expect then to 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.

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Note 4. Goodwill and Intangible Assets

Goodwill

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

| | Consumer Security | Enterprise Security | Information Management | Total |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| Net balance as of April 3, 2015 | $1,230 | $1,916 | $2,701 | $5,847 |
| Translation adjustments | — | 2 | (2) | — |
| Net balance as of October 2, 2015 | $1,230 | $1,918 | $2,699 | $5,847 |

Intangible assets, net

| | October 2, 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 | $531 | $(369) | $162 | $730 | $(536) | $194 |
| Developed technology | 251 | (147) | 104 | 296 | (172) | 124 |
| Finite-lived trade names | 14 | (9) | 5 | 125 | (117) | 8 |
| Patents | 21 | (17) | 4 | 21 | (16) | 5 |
| Total finite-lived intangible assets | 817 | (542) | 275 | 1,172 | (841) | 331 |
| Indefinite-lived trade names | 297 | — | 297 | 297 | — | 297 |
| Total | $1,114 | $(542) | $572 | $1,469 | $(841) | $628 |

As of October 2, 2015, future amortization expense related to finite-lived intangible assets by fiscal year is as follows:

| | October 2, 2015 |
|---|---|
| | (Dollars in millions) |
| Remainder of 2016 | $53 |
| 2017 | 94 |
| 2018 | 72 |
| 2019 | 37 |
| 2020 | 15 |
| Thereafter | 4 |
| Total | $275 |

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Note 5. Debt

The following table summarizes components of our debt:

| | October 2, 2015 | | | April 3, 2015 | | |
|---|---|---|---|---|---|---|
| | Amount | Effective Interest Rate | | Amount | Effective Interest Rate | |
| | (Dollars in millions) | | | | | |
| Senior Notes | | | | | | |
| 2.75% due September 15, 2015 | $— | — | % | $350 | 2.76 | % |
| 2.75% due June 15, 2017 | 600 | 2.79 | % | 600 | 2.79 | % |
| 4.20% due September 15, 2020 | 750 | 4.25 | % | 750 | 4.25 | % |
| 3.95% due June 15, 2022 | 400 | 4.05 | % | 400 | 4.05 | % |
| Total principal amount | $1,750 | | | $2,100 | | |
| Less: unamortized discount and issuance costs | (10 | ) | | (4 | ) | |
| Total debt | $1,740 | | | $2,096 | | |
| Less: current portion | — | | | (350 | ) | |
| Total long-term portion | $1,740 | | | $1,746 | | |

Senior Notes

Our Senior Notes are senior unsecured obligations that rank equally in right of payment with all of our existing and future unsecured, unsubordinated obligations and are redeemable by us at any time, subject to a “make-whole” premium. Interest on our Senior Notes is payable semiannually. Both the discount and issuance costs are being amortized as incremental interest expense over the respective terms of the Senior Notes. The principal balance of our 2.75% Senior Notes due September 15, 2015 matured and was settled by a cash payment of $350 million in the three months ended October 2, 2015.

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. Loans under the credit facility will bear interest, at our option, at a rate equal to either a) LIBOR plus a margin based on debt ratings, as defined in the credit facility agreement or b) the bank’s base rate plus a margin based on debt ratings, as defined in the credit facility agreement. Under the terms of the 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 October 2, 2015, we were in compliance with the required covenants, and no amounts were outstanding.

Note 6. 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 primarily 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 8 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 October 2, 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. In order to separate the businesses, we initiated a restructuring plan to properly align personnel and are incurring associated severance and facilities costs. We are also incurring 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. Total remaining restructuring and separation costs are expected to be between $50 million and $100 million, excluding tax implications and potential advisor fees payable upon separation. As of October 2, 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 expense summary

| | Three Months Ended October 2, 2015 | Six Months Ended October 2, 2015 |
|---|---|---|
| | (Dollars in millions) | |
| Fiscal 2015 Plan | | |
| Severance costs | $— | $21 |
| Separation costs | 73 | 136 |
| Other exit and disposal costs | 3 | 4 |
| Fiscal 2015 Plan Total | 76 | 161 |
| Transition and other related costs | 35 | 74 |
| Total restructuring, separation, and transition costs | $111 | $235 |

Restructuring, separation, and transition liabilities summary

| | April 3, 2015 | Costs, Net of Adjustments | Cash Payments | October 2, 2015 | Cumulative Incurred to Date |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Fiscal 2014 Plan total | $4 | $— | $(3) | $1 | $ 238 |
| Fiscal 2015 Plan | | | | | |
| Severance costs | 59 | 21 | (58) | 22 | 123 |
| Separation costs | 17 | 136 | (104) | 49 | 217 |
| Other exit and disposal costs | 6 | 4 | (4) | 6 | 11 |
| Fiscal 2015 Plan total | $82 | $161 | $(166) | $77 | $ 351 |
| Restructuring and separation plans total | $86 | $161 | $(169) | $78 | |
| Transition and other related costs | | 74 | | | |
| Total restructuring, separation, and transition costs | | $235 | | | |

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 7. 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

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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.

As reported on the GSA's publicly-available database, our total sales under the GSA Schedule contract were approximately $222 million from the period beginning January 2007 and ending September 2012. We have fully cooperated with the government throughout its investigation and in January 2014, representatives of the government indicated that their initial analysis of our actual damages exposure from direct government sales under the GSA schedule was approximately $145 million; since the initial meeting, the government's analysis of our potential damages exposure relating to direct sales has increased. The government has also indicated they are going to pursue claims for certain sales to 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; through a post-trial motion, Symantec is seeking to overturn 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.; 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 August 2015, the parties executed a settlement agreement pursuant to which the Company would pay the plaintiffs $30 million, which we accrued. On October 8, 2015, the Court granted approval of the settlement, which was subsequently paid by the Company.

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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 8. 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, cyber security services, and website security, previously named trust 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 3.

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| | (Dollars in millions) | | | |
| Total Segments | | | | |
| Net revenue | $1,498 | $1,617 | $2,997 | $3,352 |
| Operating income | 421 | 464 | 831 | 891 |
| Consumer Security | | | | |
| Net revenue | $420 | $485 | $850 | $1,018 |
| Operating income | 232 | 257 | 477 | 525 |
| Enterprise Security | | | | |
| Net revenue | $485 | $511 | $967 | $1,063 |
| Operating income | 50 | 85 | 80 | 155 |
| Information Management | | | | |
| Net revenue | $593 | $621 | $1,180 | $1,271 |
| Operating income | 139 | 122 | 274 | 211 |

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.

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| | (Dollars in millions) | | | |
| Total segment operating income | $421 | $464 | $831 | $891 |
| Reconciling items: | | | | |
| Stock-based compensation | 80 | 46 | 133 | 89 |
| Amortization of intangibles | 27 | 40 | 59 | 82 |
| Restructuring. separation, and transition | 111 | 30 | 235 | 50 |
| Total consolidated operating income | $203 | $348 | $404 | $670 |

Note 9. Stockholders' Equity

Dividends

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| | (Dollars in millions, except per share data) | | | |
| Dividends declared and paid | $102 | $104 | $205 | $207 |
| Cash dividends declared per common share | $0.15 | $0.15 | $0.30 | $0.30 |

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 November 5, 2015, we declared a cash dividend of $0.15 per share of common stock to be paid on December 16, 2015 to all stockholders of record as of the close of business on November 23, 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.

Stock repurchases

The following table summarizes our stock repurchases for the periods presented:

| | Three Months Ended | Six Months Ended |
|---|---|---|
| | October 2, 2015 | October 2, 2015 |
| | (In millions, except per share data) | |
| Total number of shares repurchased | 7.6 | 11.3 |
| Dollar amount of shares repurchased | $160 | $250 |
| Average price paid per share | $21.13 | $22.20 |
| Remaining authorization at end of period | $2,408 | $2,408 |

Through our stock repurchase programs we have repurchased shares on a quarterly basis since the fourth quarter of fiscal 2004. During the second quarter of fiscal 2016, 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 remaining amount authorized for future repurchase under our previous program.

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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 | (22) | 5 | (17) |
| Loss reclassified from accumulated other comprehensive income | 1 | — | 1 |
| Balance as of October 2, 2015 | $80 | $8 | $88 |

Note 10. Stock-Based Compensation

Stock-based compensation expense

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| | (Dollars in millions) | | | |
| Cost of revenue | $8 | $6 | $13 | $12 |
| Sales and marketing | 29 | 18 | 48 | 35 |
| Research and development | 30 | 15 | 49 | 28 |
| General and administrative | 13 | 7 | 23 | 14 |
| Total stock-based compensation expense | 80 | 46 | 133 | 89 |
| Tax benefit associated with stock-based compensation expense | (24) | (14) | (39) | (26) |
| Net stock-based compensation expense | $56 | $32 | $94 | $63 |

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:

| | Six Months Ended | |
|---|---|---|
| | October 2, 2015 | October 3, 2014 |
| | (In millions, except per grant data) | |
| Weighted-average fair value per grant | $23.53 | $21.48 |
| Awards granted | 12.8 | 12.5 |
| Total fair value of awards vested | $140 | $87 |
| Total unrecognized compensation expense | $462 | $367 |
| Weighted-average remaining vesting period | 2.3 years | 2.9 years |

Note 11. Income Taxes

The following table summarizes our effective tax rate for the periods presented:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| Effective tax rate | 17% | 27% | 25% | 25% |

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.

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On July 27, 2015, in Altera Corp. v. Commissioner, the U.S. Tax Court issued an opinion related to the treatment of stock-based compensation expense in an intercompany cost-sharing agreement. A final decision has yet to be issued by the Tax Court. At this time, the U.S. Department of the Treasury has not withdrawn the requirement to include stock-based compensation from its regulations. We evaluated the opinion and determined the net impact to our consolidated financial statements was not material. We will continue to monitor developments related to the case and the potential impact on our consolidated financial statements.

The tax provision for the three and six months ended October 2, 2015 was also reduced by $8 million in tax benefits related to certain foreign operations. In addition, as a result of having entered into a definitive agreement in the second quarter of fiscal 2016 to sell our information management business, certain transaction costs previously treated as non-deductible are now treated as deductible. The provision for the three months ended October 2, 2015, was accordingly reduced by $10 million related to certain transaction costs in fiscal 2015. For additional information about the planned divestiture of our information management business see Note 3.

For the three and six months ended October 3, 2014, the tax provision was reduced by tax benefits primarily resulting from settlements with certain taxing authorities and lapses of statutes of limitations of $2 million and $16 million, respectively.

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 $27 million, which could reduce our income tax provision and therefore benefit the resulting effective tax rate.

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

Note 12. Earnings Per Share

The components of earnings per share are as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| | (In millions, except per share data) | | | |
| Net income | $156 | $244 | $273 | $480 |
| Net income per share — basic | $0.23 | $0.35 | $0.40 | $0.69 |
| Net income per share — diluted | $0.23 | $0.35 | $0.40 | $0.69 |
| Weighted-average shares outstanding — basic | 682 | 690 | 682 | 691 |
| Dilutive potential shares from stock-based compensation | 5 | 6 | 7 | 6 |
| Weighted-average shares outstanding — diluted | 687 | 696 | 689 | 697 |
| Anti-dilutive effect of stock-based compensation | 11 | 1 | 6 | 2 |

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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 expressio 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 more than 40 countries.

Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The three and six months ended October 2, 2015 consisted of 13 and 26 weeks, respectively. The three and six months ended and October 3, 2014 consisted of 13 and 27 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 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.

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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

In the second quarter of fiscal 2016, 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, subject to specified adjustments. 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 beginning with the third quarter of fiscal 2016, the financial results of our information management business will be presented as discontinued operations on the Condensed Consolidated Financial Statements, as we expect then to 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 3 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, cyber security services, and website security, previously named trust 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 3 of the Notes to Condensed Consolidated Financial Statements in this quarterly report.

For further description of our operating segments see Note 8 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 | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| | (Dollars in millions) | | | |
| Consolidated Income Statement Data: | | | | |
| Total net revenue | $1,498 | $1,617 | $2,997 | $3,352 |
| Gross profit | 1,234 | 1,339 | 2,479 | 2,765 |
| Operating income | 203 | 348 | 404 | 670 |
| Operating margin percentage | 14 % | 22 % | 13 % | 20 % |
| Consolidated Cash Flow and Balance Sheet Data: | | | | |
| Cash flow from operations | | | $434 | $466 |
| Deferred revenue | | | 3,271 | 3,417 |

The six months ended October 3, 2014, consisted of 27 weeks and the six months ended October 2, 2015, consisted of 26 weeks.

Total net revenue for the three and six months ended October 2, 2015, decreased $119 million and $355 million, respectively, compared to the corresponding prior year periods. The lower net revenue was primarily due to the general strengthening of the U.S. dollar against foreign currencies and declines in our consumer security products driven by the continued implementation of our channel strategy to exit unprofitable retail arrangements, coupled with the ongoing impact of changes to our renewal practices. These factors were partially offset by strong performance from NetBackup Appliance. Total net revenue for the six months ended October 2, 2015, also decreased due to the impact of the additional week in the six months ended October 3, 2014.

Gross margin remained relatively consistent at 82% and 83% for the three and six months ended October 2, 2015, respectively, compared to 83% and 82% for the three and six months ended October 3, 2014, respectively, as the cost of revenue decreases were generally proportional to the decreases in total net revenue.

Operating income for the three and six months ended October 2, 2015, decreased $145 million and $266 million, respectively, compared to the corresponding prior year periods primarily due to lower net revenue and increased restructuring, separation, and transition costs related to our fiscal 2015 restructuring plan initiated in connection with the separation of our information management business. These factors were partially offset by favorable foreign currency effects on our total operating expense of approximately $40 million and $80 million for the three and six months ended October 2, 2015, respectively. In addition, operating expenses for the six months ended October 2, 2015, decreased due to our cost savings initiatives and the impact of the additional week in the six months ended October 3, 2014. 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 $434 million for the six months ended October 2, 2015, which resulted from net income of $273 million adjusted for non-cash items, including depreciation and amortization charges of $204 million and stock-based compensation expense of $133 million, as well as net changes in accounts receivable and accounts payable resulting in inflows of $255 million and $50 million, respectively. These amounts were partially offset by decreases in deferred revenue of $397 million and accrued compensation and benefits of $107 million.

Total deferred revenue decreased $146 million from $3,417 million at October 3, 2014, to $3,271 million at October 2, 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 and six months ended October 2, 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 on Form 10-Q 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 Condensed Consolidated Statements of Income data as a percentage of net revenue for the periods indicated:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | October 2, 2015 | October 3, 2014 |
| Net revenue: | | | | |
| Content, subscription, and maintenance | 89 % | 89 % | 90 % | 90 % |
| License | 11 % | 11 % | 10 % | 10 % |
| Total net revenue | 100 % | 100 % | 100 % | 100 % |
| Cost of revenue: | | | | |
| Content, subscription, and maintenance | 15 % | 15 % | 15 % | 15 % |
| License | 2 % | 2 % | 2 % | 2 % |
| Amortization of intangible assets | 1 % | 1 % | 1 % | 1 % |
| Total cost of revenue | 18 % | 17 % | 17 % | 18 % |
| Gross profit | 82 % | 83 % | 83 % | 82 % |
| Operating expenses: | | | | |
| Sales and marketing | 34 % | 35 % | 35 % | 36 % |
| Research and development | 20 % | 17 % | 19 % | 17 % |
| General and administrative | 6 % | 6 % | 6 % | 6 % |
| Amortization of intangible assets | 1 % | 2 % | 1 % | 2 % |
| Restructuring, separation, and transition | 7 % | 2 % | 8 % | 1 % |
| Total operating expenses | 69 % | 61 % | 69 % | 63 % |
| Operating income | 14 % | 22 % | 13 % | 20 % |
| Non-operating expense, net | 1 % | 1 % | 1 % | 1 % |

Note: The total percentages may not add due to rounding.

Total net revenue

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | % Change | October 2, 2015 | October 3, 2014 | % Change |
| | (Dollars in millions) | | | | | |
| Content, subscription, and maintenance revenue | $1,333 | $1,445 | (8) % | $2,685 | $3,019 | (11) % |
| License revenue | 165 | 172 | (4) % | 312 | 333 | (6) % |
| Total | $1,498 | $1,617 | (7) % | $2,997 | $3,352 | (11) % |

Content, subscription, and maintenance revenue decreased $112 million and $334 million for the three and six months ended October 2, 2015, respectively, compared to the corresponding prior year periods. The decreases were primarily due to unfavorable currency fluctuations of approximately $88 million and $191 million, respectively, and declines in our consumer security products driven by the continued implementation of our channel strategy to exit unprofitable retail arrangements, as well as changes to our renewal practices. These factors were partially offset by revenue increases in NetBackup products. Content, subscription, and maintenance revenue for the six months ended October 2, 2015 also decreased due to the impact of the additional week in the six months ended October 3, 2014.

License revenue decreased $7 million and $21 million during the three and six months ended October 2, 2015, compared to the same periods last year, primarily due to unfavorable foreign currency fluctuations of approximately $10 million and $23 million, respectively, partially offset by increases in license revenue from Data Loss Prevention.

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Net revenue and operating income by segment

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | % Change | October 2, 2015 | October 3, 2014 | % Change |
| | (Dollars in millions) | | | | | |
| Total net revenue: | | | | | | |
| Consumer Security | $420 | $485 | (13) % | $850 | $1,018 | (17) % |
| Enterprise Security | 485 | 511 | (5) % | 967 | 1,063 | (9) % |
| Information Management | 593 | 621 | (5) % | 1,180 | 1,271 | (7) % |
| Percentage of total net revenue: | | | | | | |
| Consumer Security | 28 % | 30 % | | 28 % | 30 % | |
| Enterprise Security | 32 % | 32 % | | 32 % | 32 % | |
| Information Management | 40 % | 38 % | | 39 % | 38 % | |
| Operating income: | | | | | | |
| Consumer Security | $232 | $257 | (10) % | $477 | $525 | (9) % |
| Enterprise Security | 50 | 85 | (41) % | 80 | 155 | (48) % |
| Information Management | 139 | 122 | 14 % | 274 | 211 | 30 % |
| Operating margin: | | | | | | |
| Consumer Security | 55 % | 53 % | | 56 % | 52 % | |
| Enterprise Security | 10 % | 17 % | | 8 % | 15 % | |
| Information Management | 23 % | 20 % | | 23 % | 17 % | |

Consumer Security revenue decreased $65 million and $168 million for the three and six months ended October 2, 2015, respectively, compared to the same periods last year. The revenue decreases were primarily due to unfavorable foreign currency fluctuations of approximately $28 million and $62 million, respectively, and the continued implementation of our channel strategy to exit unprofitable retail arrangements, coupled with the ongoing impact of changes to our renewal practices. Consumer Security operating income decreased $25 million and $48 million for the three and six months ended October 2, 2015, respectively, primarily due to the decreases in revenue, which were partially offset by reductions in cost of revenue and headcount related and marketing expenses.

Enterprise Security revenue decreased $26 million and $96 million for the three and six months ended October 2, 2015, respectively, compared to the same periods last year, primarily due to unfavorable foreign currency fluctuations of approximately $30 million and $66 million, respectively. Enterprise Security operating income decreased $35 million and $75 million for the three and six months ended October 2, 2015, respectively, compared to the same periods last year, primarily due to decreased revenue and increased investments in research and development to help bring new products to market. These factors were partially offset by reduced sales and marketing expense.

Information Management revenue decreased $28 million and $91 million for the three and six months ended October 2, 2015, respectively, compared to the same periods last year. The revenue decreases were primarily due to unfavorable foreign currency fluctuations of approximately $41 million and $86 million, respectively, as well as weakness in Information Availability and Backup Exec. These factors were partially offset by strong performance from NetBackup products. Information Management operating income increased $17 million and $63 million for the three and six months ended October 2, 2015, respectively, compared to the same periods last year, primarily driven by decreased sales and marketing and headcount related expenses, which were partially offset by the decreases in revenue.

In addition to the aforementioned factors, each segment's revenue also decreased for the six months ended October 2, 2015, due to the impact of the additional week in the six months ended October 2, 2014.

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Net revenue by geographic region

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | % Change | October 2, 2015 | October 3, 2014 | % Change |
| | (Dollars in millions) | | | | | |
| Revenue by geographic region: | | | | | | |
| Americas (U.S., Canada and Latin America) | $866 | $884 | (2)% | $1,721 | $1,824 | (6)% |
| EMEA (Europe, Middle East and Africa) | 387 | 455 | (15)% | 778 | 950 | (18)% |
| APJ (Asia Pacific and Japan) | 245 | 278 | (12)% | 498 | 578 | (14)% |
| Total net revenue | $1,498 | $1,617 | (7)% | $2,997 | $3,352 | (11)% |
| | | | | | | |
| U.S. | $781 | $770 | 1% | $1,548 | $1,602 | (3)% |
| International | 717 | 847 | (15)% | 1,449 | 1,750 | (17)% |
| Total net revenue | $1,498 | $1,617 | (7)% | $2,997 | $3,352 | (11)% |
| | | | | | | |
| Percentage of total net revenue: | | | | | | |
| Americas (U.S., Canada and Latin America) | 58% | 55% | | 57% | 54% | |
| EMEA (Europe, Middle East and Africa) | 26% | 28% | | 26% | 28% | |
| APJ (Asia Pacific and Japan) | 16% | 17% | | 17% | 17% | |
| U.S. | 52% | 48% | | 52% | 48% | |
| International | 48% | 52% | | 48% | 52% | |

Note: The total percentages may not add due to rounding.

Fluctuations in the U.S. dollar compared to foreign currencies unfavorably impacted our international revenue by approximately $99 million and $214 million for the three and six months ended October 2, 2015, respectively, compared to the same periods last year. The EMEA region revenue decreased for the three and six months ended October 2, 2015, compared to the same periods last year, primarily due to unfavorable foreign currency fluctuations of approximately $67 million and $154 million, respectively. The APJ region revenue decreased for the three and six months ended October 2, 2015, compared to the same periods last year, primarily due to unfavorable foreign currency fluctuations of approximately $30 million and $57 million, respectively.

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

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Cost of revenue

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | % Change | October 2, 2015 | October 3, 2014 | % Change |
| | (Dollars in millions) | | | | | |
| Cost of content, subscription, and maintenance | $225 | $240 | (6 )% | $444 | $509 | (13) % |
| Cost of license | 29 | 25 | 16 % | 51 | 52 | (2) % |
| Amortization of intangible assets | 10 | 13 | (23 )% | 23 | 26 | (12) % |
| Total | $264 | $278 | (5 )% | $518 | $587 | (12) % |

Cost of content, subscription, and maintenance consists primarily of technical support costs, costs of billable services, and fees to original equipment manufacturers ("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. Cost of revenue from amortization of intangible assets is comprised of amortization from developed technologies and patents from acquired companies. Our total cost of revenue decreased $14 million for the three months ended October 2, 2015, compared to the same period last year, primarily due to favorable currency effects of approximately $15 million. Total cost of revenue decreased $69 million for the six months ended October 2, 2015, compared to the same period last year, primarily due to favorable currency effects of approximately $28 million, a decrease in OEM and other royalty fees, and the impact of the additional week in the six months ended October 3, 2014.

Operating expenses

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | % Change | October 2, 2015 | October 3, 2014 | % Change |
| | (Dollars in millions) | | | | | |
| Sales and marketing | $516 | $565 | (9 )% | $1,037 | $1,209 | (14) % |
| Research and development | 293 | 276 | 6 % | 577 | 584 | (1) % |
| General and administrative | 94 | 93 | 1 % | 190 | 196 | (3) % |
| Amortization of intangible assets | 17 | 27 | (37 )% | 36 | 56 | (36) % |
| Restructuring, separation, and transition | 111 | 30 | 270 % | 235 | 50 | 370 % |
| Total | $1,031 | $991 | 4 % | $2,075 | $2,095 | (1) % |

Sales and marketing expense decreased $49 million and $172 million for the three and six months ended October 2, 2015, compared to the same periods last year, primarily due to favorable foreign currency effects of approximately $28 million and $57 million, respectively, and a decrease in advertising and promotion costs. Sales and marketing for the six months ended, was further reduced by lower salaries and wages due to reduced headcount, and the incremental expense from the extra week in the six months ended October 3, 2014.

Research and development expense increased $17 million for the three months ended October 2, 2015, compared to the same period last year, primarily due to an increase in stock-based compensation expense. Research and development expense decreased $7 million for the six months ended October 2, 2015, compared to the same period last year, primarily due to favorable foreign currency effects of approximately $13 million and the incremental expense from the extra week in the six months ended October 3, 2014, partially offset by an increase in stock-based compensation expense.

Amortization of intangible assets decreased $10 million and $20 million for the three and six months ended October 2, 2015, respectively, compared to the same periods last year, 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. These charges increased $81 million and $185 million for the three and six months ended October 2, 2015, respectively, compared to the same periods last year, primarily due to our fiscal 2015 restructuring plan that was initiated during the second quarter of fiscal 2015 in connection with our plans to separate our business into two companies, and transition costs related to the implementation of a new enterprise resource planning system for the information management business. For further information on restructuring, separation, and transition, see Note 6 of the Notes to Condensed Consolidated Financial Statements in this quarterly report.

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Non-operating expense, net

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | % Change | October 2, 2015 | October 3, 2014 | % Change |
| | (Dollars in millions) | | | | | |
| Interest income | $3 | $3 | — % | $6 | $6 | — % |
| Interest expense | (19) | (19) | — % | (39) | (40) | (3) % |
| Other income (expense), net | 2 | 1 | * | (9) | 2 | * |
| Non-operating expense, net | $(14) | $(15) | (7)% | $(42) | $(32) | 31 % |

* Percentage is not meaningful.

Non-operating expense, net, increased $10 million for the six months ended October 2, 2015, primarily due to net foreign currency remeasurement losses.

Provision for income taxes

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | October 2, 2015 | October 3, 2014 | % Change | October 2, 2015 | October 3, 2014 | % Change |
| | (Dollars in millions) | | | | | |
| Provision for income taxes | $33 | $89 | (63) % | $89 | $158 | (44) % |
| Effective tax rate on earnings | 17 % | 27 % | | 25 % | 25 % | |

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.

On July 27, 2015, in Altera Corp. v. Commissioner, the U.S. Tax Court issued an opinion related to the treatment of stock-based compensation expense in an intercompany cost-sharing agreement. A final decision has yet to be issued by the Tax Court. At this time, the U.S. Department of the Treasury has not withdrawn the requirement to include stock-based compensation from its regulations. We evaluated the opinion and determined the net impact to our consolidated financial statements was not material. We will continue to monitor developments related to the case and the potential impact on our consolidated financial statements.

The tax provision for the three and six months ended October 2, 2015 was also reduced by $8 million in tax benefits related to certain foreign operations. In addition, as a result of having entered into a definitive agreement in the second quarter of fiscal 2016 to sell our information management business, certain transaction costs previously treated as non-deductible are now treated as deductible. The provision for the three months ended October 2, 2015, was accordingly reduced by $10 million related to certain transaction costs in fiscal 2015. For additional information about the planned divestiture of our information management business see Note 3.

For the three and six months ended October 3, 2014, the tax provision was reduced by tax benefits primarily resulting from settlements with certain taxing authorities and lapses of statutes of limitations of $2 million and $16 million, respectively.

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 $27 million, which could reduce our income tax provision and therefore benefit the resulting effective tax rate.

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

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## LIQUIDITY AND CAPITAL RESOURCES

### Planned divestiture of our information management business

In the second quarter of fiscal 2016, 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, subject to specified adjustments. We are in the process of evaluating the transaction and its impact on our Condensed 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 October 2, 2015, we had cash, cash equivalents and short-term investments of $3.4 billion and an unused credit facility of $1.0 billion, resulting in a liquidity position of approximately $4.4 billion. As of October 2, 2015, $2.4 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, which was amended in fiscal 2013. The amendment extended the term of the credit facility to June 7, 2017. Loans under the credit facility will bear interest, at our option, at a rate equal to either a) LIBOR plus a margin based on debt ratings, as defined in the credit facility agreement or b) the bank's base rate plus a margin based on debt ratings, as defined in the credit facility agreement. 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 October 2, 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. We have 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 each of the six months ended October 2, 2015, and October 3, 2014, we repurchased approximately 11 million shares, or $250 million, of our 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. During the second quarter of fiscal 2016, our Board of Directors authorized a new $1.5 billion stock repurchase program which commenced immediately and does not have an expiration date. This additional amount authorized, in conjunction with amounts previously authorized under our prior program, resulted in $2.4 billion available for future repurchases as of October 2, 2015. As part of the $2.4 billion, in November 2015 our Board of Directors authorized the Company to pursue an Accelerated Share Repurchase ("ASR") of $500 million. The Company expects to execute the ASR in the third quarter of fiscal 2016.

Dividend Program. During the six months ended October 2, 2015, we declared and paid aggregate cash dividends of $205 million, or $0.30 per common share, and we paid dividend equivalent rights of $5 million. During the six months ended October 3, 2014, we declared and paid cash dividends of $207 million or $0.30 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 November 5, 2015, we declared a cash dividend of $0.15 per share of common stock to be paid on December 16, 2015 to all stockholders of record as of the close of business on November 23, 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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Restructuring Plans. In fiscal 2015, we announced plans to separate our security and information management businesses. In order to separate the businesses, we initiated a restructuring plan to properly align personnel and are incurring associated severance and facilities costs. We are also incurring 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. Total remaining restructuring and separation costs are expected to be between $50 million and $100 million, excluding tax implications and potential advisor fees payable upon separation. As of October 2, 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.

Note Repayment. In the second fiscal quarter of 2016, the principal balance of our 2.75% Senior Notes due September 2015 matured and was settled by a cash payment of $350 million along with the $5 million semiannual interest payment.

Cash flows

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

| | Six Months Ended | |
|---|---|---|
| | October 2, 2015 | October 3, 2014 |
| | (Dollars in millions) | |
| Net cash provided by (used in): | | |
| Operating activities | $434 | $466 |
| Investing activities | 615 | (722) |
| Financing activities | (814) | (404) |

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 $434 million for the six months ended October 2, 2015, which resulted from net income of $273 million adjusted for non-cash items, including depreciation and amortization charges of $204 million and stock-based compensation expense of $133 million, as well as net changes in accounts receivable and accounts payable resulting in inflows of $255 million and $50 million, respectively. These amounts were partially offset by decreases in deferred revenue of $397 million and accrued compensation of $107 million.

Net cash provided by operating activities was $466 million for the six months ended October 3, 2014, which resulted from net income of $480 million adjusted for non-cash items, including depreciation and amortization charges of $229 million, as well as net changes in accounts receivable resulting in inflows of $268 million. These amounts were partially offset by decreases in deferred revenue of $374 million, income taxes payable of $101 million, and accrued compensation of $50 million.

Investing activities

Net cash provided by investing activities was $615 million for the six months ended October 2, 2015, and was primarily due to the proceeds of $1.1 billion from maturities and sales of our short-term investments partially offset by purchases of $327 million of short-term investments and payments of $149 million for capital expenditures.

Net cash used in investing activities was $722 million for six months ended October 3, 2014, and was primarily due to the purchase of $1.1 billion of short-term investments and payments of $199 million for capital expenditures, partially offset by $567 million in proceeds from maturities and sales of our short-term investments.

Financing activities

Net cash used in financing activities was $814 million for the six months ended October 2, 2015, which was primarily due to the repayment of debt and other obligations of $367 million, repurchases of our common stock of $250 million, and cash dividend and dividend equivalent payments of $210 million.

Net cash used in financing activities was $404 million for the six months ended October 3, 2014, which was primarily due to repurchases of our common stock of $250 million and cash dividend payments of $207 million, partially offset by net proceeds from sales of common stock through employee stock benefit plans of $66 million.

Contractual obligations

There have been no significant changes outside the ordinary schedule of our contractual obligations during the six months ended October 2, 2015, to the contractual obligations disclosed in Management's Discussion and Analysis of Financial

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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 six months ended October 2, 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 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 October 2, 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.

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PART II. OTHER INFORMATION
Item 1. Legal Proceedings
Information with respect to this Item may be found in Note 7 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 October 2, 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) | | |
| July 4, 2015 to July 31, 2015 | — | $— | $1,068 |
| August 1, 2015 to August 28, 2015 | 7.6 | $21.13 | $2,408 |
| August 29, 2015 to October 2, 2015 | — | $— | $2,408 |
| Total | 7.6 | $21.13 | |

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 remaining amount authorized for future repurchase under our previous program.
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

November 6, 2015

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EXHIBIT INDEX

| Exhibit Number | Exhibit Description | Incorporated by Reference Form | File Number | Exhibit | File Date | Filed with this 10-Q |
|---|---|---|---|---|---|---|
| 2.01 | Purchase Agreement By and Between Symantec Corporation and Havasu Holdings Ltd. dated August 11, 2015 | 8-K | 000-17781 | 2.1 | 8/13/2015 | |
| 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 |

* Certain schedules have been omitted. The Registrant agrees to furnish supplementally a copy of any such schedules to the Securities and Exchange Commission upon request.

† 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.