New revenue accounting standard – ASC 606

APRIL 2018

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- Additionally during this presentation, we may discuss various non-GAAP financial measures as defined by the SEC's Regulation G. More information on the non-GAAP financial measures used in this presentation can be found in the earnings press release issued today and on the Investor Relations page of our corporate website at www.citrix.com/investors. A reconciliation of certain forward-looking GAAP and non-GAAP measures is not available without unreasonable effort due to the uncertainty regarding, and the potential variability of, certain GAAP measures.

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Why is this change happening?

- Standard is intended to introduce a global principles-based accounting framework
    - Expectation is that IFRS will be generally consistent with US GAAP
- Will remove existing industry-specific accounting guidance
    - Expanded qualitative and quantitative disclosures (annual and interim)

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How are we impacted by this new standard?

- What changes
  - Revenue for on-premise and hybrid cloud subscription offerings
  - Changes to operating expenses related to direct selling costs
- What doesn't change?
  - Revenue for Cloud services, perpetual licensing for software/hardware and associated maintenance and professional services
  - Customer billing, cash flow from or used in operating, financing, or investing activities or free cash flow
- What should I expect upon adoption?
  - Financial impact of changes for periods prior to 2018 are reflected in retained earnings within our March 31, 2018 balance sheet, primarily related to:
    - A decrease in deferred revenue from the upfront recognition of term licenses and the general requirement to allocate the transaction price on a relative stand-alone selling price
    - An increase to our assets due to the requirement to capitalize contract acquisition costs

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Comparison of Q1’18 activity

We have adopted the standard on a modified retrospective method and therefore, prior periods have not been restated. Below is the as reported versus pro forma, as if the previous revenue recognition guidance was in effect, comparison

Three months ended March 31, 2018 (in thousands) (unaudited)*			
Income Statement	**As Reported**	**Without ASC 606**	**Change**
Total net revenues	$697,192	$707,324	$(10,132)
Total operating expenses	423,343	426,684	(3,341)
Net income	$144,259	$150,902	$(6,643)
Diluted earnings per share	0.99	1.03	(0.04)

March 31, 2018 (in thousands) (unaudited)			
Balance Sheet	**As Reported**	**Without ASC 606**	**Change**
Contract assets	$7,307	$0	$7,307
Contract acquisition costs	83,306	14,233	69,573
Deferred tax assets	114,277	144,137	(29,860)
Total assets	$5,137,477	$5,090,457	$47,020
Deferred tax liabilities	60,025	46,946	13,079
Current portion of deferred revenues	1,204,199	1,255,308	(51,109)
Long-term portion of deferred revenues	480,985	519,683	(38,698)
Total liabilities	$4,614,099	$4,690,827	$(76,728)
Retained earnings	$3,786,521	$3,662,773	$123,748

An analysis of as reported versus pro forma will be provided within the SEC filings during the 2018 fiscal year.

*Amounts based on US GAAP. For a detailed GAAP to non-GAAP reconciliation, please see our investor website.

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