



Autodesk Reports Solid Q1; Strong Subscriptions Growth

May 19, 2015

SAN RAFAEL, Calif.--(BUSINESS WIRE)--May 19, 2015-- [Autodesk, Inc.](#) (NASDAQ: ADSK) today reported financial results for the first quarter of fiscal 2016.

First Quarter Fiscal 2016

- Total billings increased 3 percent, compared to the first quarter last year as reported, and 8 percent on a constant currency basis.
- Deferred revenue increased 20 percent to \$1.15 billion, compared to \$964 million in the first quarter last year.
- Total subscriptions increased by approximately 95,000 from the fourth quarter of fiscal 2015.
- Revenue was \$647 million, an increase of 9 percent compared to the first quarter last year as reported, and 13 percent on a constant currency basis.
- GAAP operating margin was 3 percent, compared to 7 percent in the first quarter last year.
- Non-GAAP operating margin was 15 percent, compared to 17 percent in the first quarter last year. A reconciliation of GAAP to non-GAAP results is provided in the accompanying tables.
- GAAP diluted earnings per share were \$0.08, compared to \$0.12 in the first quarter last year.
- Non-GAAP diluted earnings per share were \$0.30, compared to \$0.32 in the first quarter last year.
- Cash flow from operating activities was \$87 million, compared to \$219 million in the first quarter last year.

"We had a solid start to the year with good progress on our business model transition," said [Carl Bass](#), Autodesk president and CEO. "We added 95,000 subscriptions during the quarter, with approximately half coming from new subscription types. Over the course of the next two years we expect to transition the vast majority of our offerings to subscription, which provides our customers with greater flexibility and a better user experience."

First Quarter Operational Overview

Revenue in the Americas increased 19 percent compared to the first quarter last year to \$244 million. EMEA revenue was \$245 million, an increase of 9 percent compared to the first quarter last year as reported, and 15 percent on a constant currency basis. Revenue in APAC was \$157 million, a decrease of 3 percent compared to the first quarter last year as reported, and an increase of 2 percent on a constant currency basis. Revenue from emerging economies was \$93 million, an increase of 17 percent compared to the first quarter last year as reported, and 19 percent on a constant currency basis. Revenue from emerging economies represented 14 percent of total revenue in the first quarter.

Revenue from the Architecture, Engineering and Construction business segment was \$237 million, an increase of 21 percent compared to the first quarter last year. Revenue from the Platform Solutions and Emerging Business segment was \$185 million, a decrease of 13 percent compared to the first quarter last year. Revenue from the Manufacturing business segment was \$185 million, an increase of 25 percent compared to the first quarter last year. Revenue from the Media and Entertainment business segment was \$40 million, an increase of 6 percent compared to the first quarter last year.

Revenue from Flagship products was \$299 million, flat compared to the first quarter last year. Revenue from Suites was \$240 million, an increase of 14 percent compared to the first quarter last year. Revenue from New and Adjacent products was \$108 million, an increase of 30 percent compared to the first quarter last year.

"We were pleased with the first quarter results and remain confident in our business model transition," said [Scott Herren](#), Autodesk Chief Financial Officer. "As we scan the economic environment, we've observed unevenness, particularly in key markets. Considering the current economic environment, coupled with persistent foreign currency headwinds, we've adjusted our business outlook for the fiscal year as we look to build on the early successes of our model transition."

Business Outlook

The following are forward-looking statements based on current expectations and assumptions, and involve risks and uncertainties some of which are set forth below. Autodesk's business outlook for the second quarter and full year fiscal 2016 assumes, among other things, a continuation of the current economic environment and foreign exchange currency rate environment. A reconciliation between the GAAP and non-GAAP estimates for fiscal 2016 is provided below or in the tables following this press release.

Second Quarter Fiscal 2016

Q2 FY16 Guidance Metrics	Q2 FY16 (ending July 31, 2015)
Revenue (in millions)	\$600 - \$620
EPS GAAP	(\$0.10) - (\$0.05)
EPS Non-GAAP (1)	\$0.14 - \$0.19

(1) Non-GAAP earnings per diluted share exclude \$0.16 related to stock-based compensation expense and \$0.08 for the amortization of acquisition related intangibles, net of tax.

Full Year Fiscal 2016

FY16 Guidance Metrics	FY16 (ending January 31, 2016)
Billings growth (1)	2 - 4%
Revenue growth (2)	2 - 4%
GAAP operating margin	1 - 3%
Non-GAAP operating margin	12 - 14%
EPS GAAP	\$0.00 - \$0.15
EPS Non-GAAP (3)	\$0.95 - \$1.10
Net subscription additions	375,000 - 425,000

(1) On a constant currency basis, billings growth would be 9% - 11%.

(2) On a constant currency basis, revenue growth would be 7% - 9%.

(3) Non-GAAP earnings per diluted share exclude \$0.69 related to stock-based compensation expense and \$0.26 for the amortization of acquisition related intangibles, net of tax.

The second quarter and full year fiscal 2016 outlook assume a projected annual effective tax rate of 27 percent and 26 percent for GAAP and non-GAAP results, respectively.

Earnings Conference Call and Webcast

Autodesk will host its first quarter conference call today at 5:00 p.m. ET. The live broadcast can be accessed at <http://www.autodesk.com/investors>. Supplemental financial information and prepared remarks for the conference call will be posted to the investor relations section of Autodesk's website simultaneously with this press release.

NOTE: The prepared remarks will not be read on the conference call. The conference call will include only brief remarks followed by questions and answers.

A replay of the broadcast will be available at 7:00 pm ET at <http://www.autodesk.com/investors>. This replay will be maintained on Autodesk's website for at least 12 months.

Safe Harbor Statement

This press release contains forward-looking statements that involve risks and uncertainties, including statements in the paragraphs under "Business Outlook" above, statements regarding the impacts of our business model transition, expectations regarding the transition of product offerings to subscription, and other statements regarding our strategies, market and products positions, performance, and results. There are a significant number of factors that could cause actual results to differ materially from statements made in this press release, including: general market, political, economic and business conditions; failure to maintain our revenue growth and profitability; failure to successfully manage transitions to new business models and markets, including the introduction of additional ratable revenue streams and our continuing efforts to attract customers to our cloud-based offerings and expenses related to the transition of our business model; fluctuation in foreign currency exchange rates; the success of our foreign currency hedging program; failure to control our expenses; our performance in particular geographies, including emerging economies; the ability of governments around the world to meet their financial and debt obligations, and finance infrastructure projects; weak or negative growth in the industries we serve; slowing momentum in subscription billings or revenues; difficulty in predicting revenue from new businesses and the potential impact on our financial results from changes in our business models; difficulties encountered in integrating new or acquired businesses and technologies; the inability to identify and realize the anticipated benefits of acquisitions; the financial and business condition of our reseller and distribution channels; dependence on and the timing of large transactions; failure to achieve sufficient sell-through in our channels for new or existing products; pricing pressure; unexpected fluctuations in our tax rate; the timing and degree of expected investments in growth and efficiency opportunities; changes in the timing of product releases and retirements; and any unanticipated accounting charges.

Further information on potential factors that could affect the financial results of Autodesk are included in Autodesk's Annual Report on Form 10-K for the year ended January 31, 2015, which is on file with the U.S. Securities and Exchange Commission. Autodesk disclaims any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

About Autodesk

Autodesk helps people imagine, design and create a better world. Everyone--from design professionals, engineers and architects to digital artists, students and hobbyists--uses Autodesk software to unlock their creativity and solve important challenges. For more information visit autodesk.com or follow @autodesk.

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Autodesk, Inc.

Condensed Consolidated Statements of Operations

(In millions, except per share data)

	Three Months Ended April 30,	
	2015	2014
	(Unaudited)	
Net revenue:		
License and other	\$ 326.7	\$ 316.2
Subscription	319.8	276.3
Total net revenue	646.5	592.5
Cost of revenue:		
Cost of license and other revenue	53.1	49.3
Cost of subscription revenue	38.7	29.4
Total cost of revenue	91.8	78.7
Gross profit	554.7	513.8
Operating expenses:		
Marketing and sales	253.9	225.4
Research and development	194.5	170.5
General and administrative (1)	75.9	62.5
Amortization of purchased intangibles (1)	8.9	10.9
Restructuring charges, net	—	2.3
Total operating expenses	533.2	471.6
Income from operations	21.5	42.2
Interest and other income (expense), net	0.3	(6.6)
Income before income taxes	21.8	35.6
Provision for income taxes	(2.7)	(7.3)
Net income	\$ 19.1	\$ 28.3
Basic net income per share	\$ 0.08	\$ 0.12
Diluted net income per share	\$ 0.08	\$ 0.12
Weighted average shares used in computing basic net income per share	227.2	227.0
Weighted average shares used in computing diluted net income per share	231.7	231.6

(1) Effective in second quarter of fiscal 2015, Autodesk elected to present amortization of purchased customer relationships, trade names, patents, and user lists as a separate line item within operating expenses. As a result, amortization previously reflected in "General and Administrative" expense was reclassified to "Amortization of Purchased Intangibles" within Operating Expenses. Prior period amounts have been revised to conform to the current period presentation.

Autodesk, Inc.

Condensed Consolidated Balance Sheets

(In millions)

	April 30, 2015	January 31, 2015
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,182.7	\$ 1,410.6
Marketable securities	648.2	615.8
Accounts receivable, net	316.0	458.9
Deferred income taxes, net	81.2	85.1
Prepaid expenses and other current assets	112.9	100.9
Total current assets	2,341.0	2,671.3
Marketable securities	440.3	273.0
Computer equipment, software, furniture and leasehold improvements, net	156.9	159.2
Developed technologies, net	84.8	86.5
Goodwill	1,476.1	1,456.2
Deferred income taxes, net	106.8	100.0
Other assets	170.0	167.6
Total assets	\$ 4,775.9	\$ 4,913.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		

Accounts payable	\$ 93.1	\$ 100.5
Accrued compensation	163.6	253.3
Accrued income taxes	29.0	28.2
Deferred revenue	893.4	900.8
Other accrued liabilities	91.2	117.3
Total current liabilities	1,270.3	1,400.1
Deferred revenue	260.3	256.3
Long term income taxes payable	139.6	158.8
Long term notes payable, net of discount	747.4	747.2
Other liabilities	133.9	132.2
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	1,816.2	1,773.1
Accumulated other comprehensive loss	(56.0	) (53.3
Retained earnings	464.2	499.4
Total stockholders' equity	2,224.4	2,219.2
Total liabilities and stockholders' equity	\$ 4,775.9	\$ 4,913.8

Autodesk, Inc.

Condensed Consolidated Statements of Cash Flows

(In millions)

	Three Months Ended April 30,	
	2015	2014
	(Unaudited)	
Operating activities:		
Net income	\$ 19.1	\$ 28.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	37.8	36.1
Stock-based compensation expense	50.2	33.6
Deferred income taxes	(5.3	) 21.1
Restructuring charges, net	—	2.3
Other operating activities	(3.5	) 8.3
Changes in operating assets and liabilities, net of business combinations		
Accounts receivable	143.1	117.2
Prepaid expenses and other current assets	(22.4	) (1.6
Accounts payable and accrued liabilities	(110.8	) (44.8
Deferred revenue	(3.4	) 52.5
Accrued income taxes	(18.3	) (34.3
Net cash provided by operating activities	86.5	218.7
Investing activities:		
Purchases of marketable securities	(485.2	) (306.4
Sales of marketable securities	97.5	59.2
Maturities of marketable securities	192.4	163.1
Capital expenditures	(12.5	) (14.5
Acquisitions, net of cash acquired	(34.5	) (322.3
Other investing activities	(10.6	) (0.8
Net cash used in investing activities	(252.9	) (421.7
Financing activities:		
Proceeds from issuance of common stock, net of issuance costs	34.1	62.2
Repurchase and retirement of common stock	(95.4	) (102.5
Net cash used in financing activities	(61.3	) (40.3
Effect of exchange rate changes on cash and cash equivalents	(0.2	) (0.1
Net decrease in cash and cash equivalents	(227.9	) (243.4
Cash and cash equivalents at beginning of fiscal year	1,410.6	1,853.0
Cash and cash equivalents at end of the period	\$ 1,182.7	\$ 1,609.6

Autodesk, Inc.

Reconciliation of GAAP financial measures to non-GAAP financial measures

(In millions, except per share data)

To supplement our consolidated financial statements presented on a GAAP basis, Autodesk provides investors with certain non-GAAP measures including non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per share and billings. Excluding billings, these non-GAAP financial measures are adjusted to exclude certain costs, expenses, gains and losses, including stock-based compensation expense, restructuring charges, amortization of purchased intangibles, gain and loss on strategic investments, and related income tax expenses. In the case of billings, we reconcile to revenue by adjusting for the change in deferred revenue from the beginning to the end of the period less any deferred revenue balances acquired from business combination(s) during the period and other discounts. See our reconciliation of GAAP financial measures to non-GAAP financial measures herein. We believe these exclusions are appropriate to enhance an overall understanding of our past financial performance and also our prospects for the future, as well as to facilitate comparisons with our historical operating results. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of Autodesk's underlying operational results and trends and our marketplace performance. For example, non-GAAP results are an indication of our baseline performance before gains, losses or other charges that are considered by management to be outside our core operating results. In addition, these non-GAAP financial measures are among the primary indicators management uses as a basis for our planning and forecasting of future periods.

There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP in the United States. Investors should review the reconciliation of the non-GAAP financial measures to their most directly comparable GAAP financial measures as provided in the tables accompanying this press release.

The following table shows Autodesk's non-GAAP results reconciled to GAAP results included in this release.

	Three Months Ended April 30,	
	2015	2014
	(Unaudited)	
GAAP cost of license and other revenue	\$ 53.1	\$ 49.3
Stock-based compensation expense	(1.5)	(0.9)
Amortization of developed technology	(12.4)	(11.8)
Non-GAAP cost of license and other revenue	\$ 39.2	\$ 36.6
GAAP cost of subscription revenue	\$ 38.7	\$ 29.4
Stock-based compensation expense	(1.4)	(0.8)
Amortization of developed technology	(1.1)	(1.2)
Non-GAAP cost of subscription revenue	\$ 36.2	\$ 27.4
GAAP gross profit	\$ 554.7	\$ 513.8
Stock-based compensation expense	2.9	1.7
Amortization of developed technology	13.5	13.0
Non-GAAP gross profit	\$ 571.1	\$ 528.5
GAAP marketing and sales	\$ 253.9	\$ 225.4
Stock-based compensation expense	(21.7)	(14.0)
Non-GAAP marketing and sales	\$ 232.2	\$ 211.4
GAAP research and development	\$ 194.5	\$ 170.5
Stock-based compensation expense	(17.6)	(10.9)
Non-GAAP research and development	\$ 176.9	\$ 159.6
GAAP general and administrative	\$ 75.9	\$ 62.5
Stock-based compensation expense	(8.0)	(7.0)
Non-GAAP general and administrative	\$ 67.9	\$ 55.5
GAAP amortization of purchased intangibles	\$ 8.9	\$ 10.9
Amortization of purchased intangibles	(8.9)	(10.9)
Non-GAAP Amortization of purchased intangibles	\$ —	\$ —
GAAP restructuring charges, net	\$ —	\$ 2.3
Restructuring charges, net	—	(2.3)
Non-GAAP restructuring charges, net	\$ —	\$ —

GAAP operating expenses	\$ 533.2		\$ 471.6	
Stock-based compensation expense	(47.3	)	(31.9)
Amortization of purchased intangibles	(8.9	)	(10.9)
Restructuring charges, net	—		(2.3)
Non-GAAP operating expenses	\$ 477.0		\$ 426.5	
GAAP income from operations	\$ 21.5		\$ 42.2	
Stock-based compensation expense	50.2		33.6	
Amortization of developed technology	13.5		13.0	
Amortization of purchased intangibles	8.9		10.9	
Restructuring charges, net	—		2.3	
Non-GAAP income from operations	\$ 94.1		\$ 102.0	
GAAP interest and other income, net	\$ 0.3		\$ (6.6)
(Gain) Loss on strategic investments	(1.0	)	3.6	
Non-GAAP interest and other income, net	\$ (0.7	)	\$ (3.0)
GAAP provision for income taxes	\$ (2.7	)	\$ (7.3)
Discrete GAAP tax provision items	(3.1	)	(2.1)
Income tax effect of non-GAAP adjustments	(18.5	)	(15.8)
Non-GAAP provision for income tax	\$ (24.3	)	\$ (25.2)
GAAP net income	\$ 19.1		\$ 28.3	
Stock-based compensation expense	50.2		33.6	
Amortization of developed technology	13.5		13.0	
Amortization of purchased intangibles	8.9		10.9	
Restructuring charges, net	—		2.3	
(Gain) Loss on strategic investments	(1.0	)	3.6	
Discrete GAAP tax provision items	(3.1	)	(2.1)
Income tax effect of non-GAAP adjustments	(18.5	)	(15.8)
Non-GAAP net income	\$ 69.1		\$ 73.8	
GAAP diluted net income per share	\$ 0.08		\$ 0.12	
Stock-based compensation expense	0.21		0.14	
Amortization of developed technology	0.06		0.06	
Amortization of purchased intangibles	0.04		0.05	
Restructuring charges, net	—		0.01	
Loss on strategic investments	—		0.02	
Discrete GAAP tax provision items	(0.01	)	(0.01)
Income tax effect of non-GAAP adjustments	(0.08	)	(0.07)
Non-GAAP diluted net income per share	\$ 0.30		\$ 0.32	

Autodesk, Inc.

Other Supplemental Financial Information (a)

Fiscal Year 2016	QTR 1	QTR 2	QTR 3	QTR 4	YTD 2016	
Financial Statistics (\$ in millions, except per share data):						
Total Net Revenue:	\$ 647				\$ 647	
License and Other Revenue	\$ 327				\$ 327	
Subscription Revenue	\$ 320				\$ 320	
GAAP Gross Margin	86	%			86	%
Non-GAAP Gross Margin (1)(2)	88	%			88	%
GAAP Operating Expenses	\$ 533				\$ 533	
GAAP Operating Margin	3	%			3	%
GAAP Net Income	\$ 19				\$ 19	

GAAP Diluted Net Income Per Share (b)	\$ 0.08		\$ 0.08	
Non-GAAP Operating Expenses (1)(3)	\$ 477		\$ 477	
Non-GAAP Operating Margin (1)(4)	15	%	15	%
Non-GAAP Net Income (1)(5)(c)	\$ 69		\$ 69	
Non-GAAP Diluted Net Income Per Share (1)(6)(b)(c)	\$ 0.30		\$ 0.30	
Total Cash and Marketable Securities	\$ 2,271		\$ 2,271	
Days Sales Outstanding	44			
Capital Expenditures	\$ 13		\$ 13	
Cash Flow from Operating Activities	\$ 87		\$ 87	
GAAP Depreciation, Amortization and Accretion	\$ 38		\$ 38	
Deferred Subscription Revenue Balance (c)	\$ 930		\$ 930	
Revenue by Geography:				
Americas	\$ 244		\$ 244	
Europe, Middle East and Africa	\$ 245		\$ 245	
Asia Pacific	\$ 157		\$ 157	
% of Total Rev from Emerging Economies	14	%	14	%
Revenue by Segment:				
Architecture, Engineering and Construction	\$ 237		\$ 237	
Platform Solutions and Emerging Business	\$ 185		\$ 185	
Manufacturing	\$ 185		\$ 185	
Media and Entertainment	\$ 40		\$ 40	
Other Revenue Statistics:				
% of Total Rev from Flagship	46	%	46	%
% of Total Rev from Suites	37	%	37	%
% of Total Rev from New and Adjacent	17	%	17	%
% of Total Rev from AutoCAD and AutoCAD LT	25	%	25	%
Favorable (Unfavorable) Impact of U.S. Dollar Translation Relative to Foreign Currencies Compared to Comparable Prior Year Period:				
FX Impact on Billings	\$ (31)	)	\$ (31))
FX Impact on Total Net Revenue	\$ (22)	)	\$ (22))
FX Impact on Cost of Revenue and Total Operating Expenses	\$ 22		\$ 22	
FX Impact on Operating Income	\$ —		\$ —	
Gross Profit by Segment:				
Architecture, Engineering and Construction	\$ 217		\$ 217	
Platform Solutions and Emerging Business	\$ 163		\$ 163	
Manufacturing	\$ 158		\$ 158	
Media and Entertainment	\$ 33		\$ 33	
Unallocated amounts	\$ (16)	)	\$ (16))
Common Stock Statistics:				
Common Shares Outstanding	227.6		227.6	
Fully Diluted Weighted Average Shares Outstanding	231.7		231.7	
Shares Repurchased	1.6		1.6	
Subscriptions (in millions):				
Total Subscriptions (c)	2.33		2.33	

(a) Totals may not agree with the sum of the components due to rounding.

(b) Earnings per share were computed independently for each of the periods presented; therefore the sum of the earnings per share amounts for the quarters may not equal the total for the year.

(c) Total Subscriptions consists of subscriptions from our maintenance, desktop, cloud service and enterprise license offerings that are active as of the quarter end date. For certain cloud based and enterprise license offerings, subscriptions represent the monthly average activity within the last three months of the quarter end date. Total subscriptions do not include data from education offerings, consumer product offerings, certain Creative Finishing product offerings, Autodesk Buzzsaw, Autodesk Constructware and third party products. Subscriptions acquired with the acquisition of a business are captured once the data conforms to our subscription count methodology and when added, may cause variability in the quarterly comparisons of this calculation.

(1) To supplement our consolidated financial statements presented on a GAAP basis, Autodesk provides investors with certain non-GAAP measures including non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per share and billings. Excluding net billings, these non-GAAP financial measures are adjusted to exclude certain costs, expenses, gains and losses, including stock-based compensation expense, restructuring charges, amortization of purchased intangibles, gain and loss on strategic investments, and related income tax expenses. In the case of billings, we reconcile to revenue by adjusting for the change in deferred revenue from the beginning to the end of the period less any deferred revenue balances acquired from business combination(s) during the period and other discounts. See our reconciliation of GAAP financial measures to non-GAAP financial measures herein. We believe these exclusions are appropriate to enhance an overall understanding of our past financial performance and also our prospects for the future, as well as to facilitate comparisons with our historical operating results. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of Autodesk's underlying operational results and trends and our marketplace performance. For example, non-GAAP results are an indication of our baseline performance before gains, losses or other charges that are considered by management to be outside our core operating results. In addition, these non-GAAP financial measures are among the primary indicators management uses as a basis for our planning and forecasting of future periods. There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP in the United States. Investors should review the reconciliation of the non-GAAP financial measures to their most directly comparable GAAP financial measures as provided in the tables accompanying Autodesk's press release.

	QTR 1		QTR 2	QTR 3	QTR 4	YTD 2016	
(2) GAAP Gross Margin	86	%				86	%
Stock-based compensation expense	—	%				—	%
Amortization of developed technology	2	%				2	%
Non-GAAP Gross Margin	88	%				88	%
(3) GAAP Operating Expenses	\$ 533					\$ 533	
Stock-based compensation expense	(47)	)				(47))
Amortization of purchased intangibles	(9)	)				(9))
Restructuring charges, net	—					—	
Non-GAAP Operating Expenses	\$ 477					\$ 477	
(4) GAAP Operating Margin	3	%				3	%
Stock-based compensation expense	8	%				8	%
Amortization of developed technology	2	%				2	%
Amortization of purchased intangibles	2	%				2	%
Restructuring charges, net	—	%				—	%
Non-GAAP Operating Margin	15	%				15	%
(5) GAAP Net Income	\$ 19					\$ 19	
Stock-based compensation expense	50					50	
Amortization of developed technology	14					14	
Amortization of purchased intangibles	9					9	
Restructuring charges, net	—					—	
Loss on strategic investments	(1)	)				(1))
Discrete GAAP tax provision items	(3)	)				(3))
Income tax effect of non-GAAP adjustments	(19)	)				(19))
Non-GAAP Net Income	\$ 69					\$ 69	
(6) GAAP Diluted Net Income Per Share	\$ 0.08					\$ 0.08	
Stock-based compensation expense	0.21					0.21	
Amortization of developed technology	0.06					0.06	
Amortization of purchased intangibles	0.04					0.04	
Restructuring charges, net	—					—	
Loss on strategic investments	—					—	

Discrete GAAP tax provision items	(0.01)	(0.01)
Income tax effect of non-GAAP adjustments	(0.08)	(0.08)
Non-GAAP Diluted Net Income Per Share	\$ 0.30	\$ 0.30

Reconciliation for Billings:

	Q116	
Year over year change in GAAP Net Revenue	9	%
Change in deferred revenue in the current period	(11))%
Change in hedge gain (loss) applicable to billings	4	%
Change in acquisition related deferred revenue and other	1	%
Year over year change in Billings	3	%

Reconciliation for Guidance:

The following is a reconciliation of anticipated full year fiscal 2016 GAAP and non-GAAP operating margins:

	Fiscal 2016			
GAAP operating margin	1	%	3	%
Stock-based compensation expense	8	%	8	%
Amortization of purchased intangibles	3	%	3	%
Non-GAAP operating margin	12	%	14	%

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