



to submit and post such files).  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The aggregate market value of Common Stock held by non-affiliates of the registrant computed by reference to the price of the registrant's Common Stock as of the last business day of the registrant's most recently completed second fiscal quarter (based on the last reported sale price on The Nasdaq Global Select Market as of such date) was \$10,767,687,991. As of February 12, 2016 there were 153,979,766 shares of the registrant's Common Stock, \$.001 par value per share, outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2015. Portions of such definitive proxy statement are incorporated by reference into Part III of this Annual Report on Form 10-K.

CITRIX SYSTEMS, INC.  
TABLE OF CONTENTS

Part I:		
Item 1	Business	<u>3</u>
Item 1A.	Risk Factors	<u>13</u>
Item 1B.	Unresolved Staff Comments	<u>30</u>
Item 2	Properties	<u>30</u>
Item 3	Legal Proceedings	<u>30</u>
Item 4	Mine Safety Disclosures	<u>30</u>
Part II:		
Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>31</u>
Item 6	Selected Financial Data	<u>32</u>
Item 7	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>33</u>
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	<u>54</u>
Item 8	Financial Statements and Supplementary Data	<u>54</u>
Item 9	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	<u>55</u>
Item 9A.	<u>Controls and Procedures</u>	<u>55</u>
Item 9B.	<u>Other Information</u>	<u>57</u>
Part III:		
Item 10	Directors, Executive Officers and Corporate Governance	<u>57</u>
Item 11	Executive Compensation	<u>57</u>
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>57</u>
Item 13	Certain Relationships and Related Transactions and Director Independence	<u>57</u>
Item 14	Principal Accounting Fees and Services	<u>57</u>
Part IV:		
Item 15	Exhibits, Financial Statement Schedules	<u>58</u>

## PART I

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such actual results to differ materially from those set forth in these forward-looking statements are included in Part I, Item 1A "Risk Factors" beginning on page 13.

### ITEM 1. BUSINESS

#### General

Citrix develops and sells products and services that enable the secure and reliable delivery of applications and data over public, private or hybrid clouds or networks, to virtually any type of device.

We market and license our products directly to customers, over the Web, and through systems integrators, or SIs, in addition to indirectly through value-added resellers, or VARs, value-added distributors, or VADs, original equipment manufacturers, or OEMs and service providers.

Citrix is a Delaware corporation founded on April 17, 1989.

#### Business Overview

For 27 years, Citrix has innovated and delivered products consistent with a vision of a workplace where people can securely and easily collaborate across boundaries of time, place and device, creating better business outcomes, improving productivity, and making businesses far more agile and responsive to change - both in information technology change as well as business change.

#### Proposed Spin-off Transaction

On November 17, 2015, we announced a plan to spinoff our "GoTo" family of products into a separate, publicly traded company. The proposed separation, which is intended to be a tax-free spinoff to our stockholders, is expected to be completed in the second half of 2016. Upon completion of the separation, Chris Hylen, who currently serves as Senior Vice President and General Manager of our Mobility Apps business unit, will serve as Chief Executive Officer of the new company.

The company established as a result of the spinoff will be made up of the following Mobility Apps products and services: GoToAssist, GoToMeeting, GoToMyPC, GoToTraining, GoToWebinar, Grasshopper and OpenVoice. Immediately following the separation, Citrix shareholders will own shares in two publicly traded companies. The new spinoff company will more effectively allocate resources in line with its own market opportunity, unique growth priorities and go-to-market capabilities, as well as adapt more quickly to SaaS market and customer dynamics; and, Citrix post-spinoff, will focus on its strategic solutions for secure and reliable delivery of applications and data. The spinoff will be subject to customary closing conditions and final approval by our Board of Directors. Please see the information in "Item 1A: Risk Factors" under the heading "Risk Factors Related to the Planned Separation," which describes some of the risks and uncertainties associated with the proposed separation.

#### Products and Services

Our products and services target customers of all sizes, from individuals and professional consumers, to large global enterprises. Two business units, Enterprise and Service Provider and Mobility Apps, administer the research and development, product marketing, and product management for our offerings. Our Enterprise and Service Provider business unit is comprised of Workspace Services and Delivery Networking products. Our Mobility Apps business unit is comprised of Communications Cloud and Workflow Cloud products. Broadly, as an organizing principle, we group our offerings in the following main categories within our two business units:

##### Workspace Services

##### Windows App Delivery

Our Windows App Delivery products are built to transform and reduce the cost of traditional Windows app and desktop management by virtualizing applications and desktops in the datacenter and delivering a cloud-like service to users anywhere on any device. We differentiate from basic virtualization solutions with robust security and flexibility to enable IT to deliver Windows apps and desktops for better business outcomes.

XenDesktop is a fully integrated desktop virtualization system that gives customers the flexibility to deliver desktops and applications as cloud services - enabling people to work better and simplifying desktop and app management. XenDesktop includes HDX technologies to give users a high-definition experience - even when using multimedia, real-time collaboration, USB devices, and 3D graphics content - while consuming less bandwidth than competing solutions. XenDesktop breaks down traditional cost barriers by reducing server and storage costs through the use of pooled desktops that can be personalized on-demand. XenDesktop is available in multiple editions designed for different requirements, from simple VDI-only deployments to sophisticated, enterprise-class desktop and application delivery services that can meet the needs of everything from basic call center environments to high-powered graphics workstations. In XenDesktop Enterprise and Platinum editions, customers also receive the industry-leading Citrix XenApp to manage and mobilize Windows applications.

XenApp is a widely deployed solution that allows Windows applications to be delivered as cloud services to Android and iOS mobile devices, Macs, PCs and thin clients. XenApp enables people to work better by running applications in the security of the data center and using HDX technologies to deliver a superior user experience to any device, anywhere. XenApp can optimize the application experience for smartphones, tablets and touchscreen laptops, providing intuitive touch capabilities for the latest generation of devices. Keeping applications under the centralized control of IT administrators enhances data security and reduces the costs of managing applications on every PC. XenApp runs on all current versions of Microsoft Windows Server and tightly integrates with the Microsoft Desktop Optimization Pack, Microsoft App-V, and Microsoft System Center. Our joint solution lowers the cost of delivering and maintaining Windows applications for all users in the enterprise. The capabilities of XenApp are available standalone as well as seamlessly integrated within with XenDesktop Enterprise and Platinum Editions.

#### Mobile App Delivery

Our Enterprise Mobility Management, or EMM products help organizations secure and manage mobile devices along with the apps and data that reside on the mobile device. XenMobile allows IT to easily meet mobile device security and compliance requirements for BYO and corporate liable devices while giving users the freedom to experience work and life their way. Unlike other mobile device management, or MDM and mobile application management, or MAM products, XenMobile provides the quickest path to productivity for mobile users with a low cost of ownership for IT: XenMobile Enterprise is a comprehensive solution to manage mobile devices, apps, and data. Users have single-click access to all of their mobile, SaaS and Windows apps from a unified corporate app store, including seamlessly integrated email, browser, data sharing, IT support and collaboration apps. IT can deliver a rich user experience with WorxMail for secure mobile email, calendar and contact access, WorxWeb for secure browsing and ShareFile for enterprise data syncing. IT gains control over mobile devices with full configuration, security, provisioning and support capabilities. Flexible deployment options give IT the choice to manage XenMobile in the cloud or on-premise. In addition, XenMobile securely delivers Worx Mobile Apps, mobile apps built for businesses using the Worx App Software Development Kit, or SDK and found through the Worx App Gallery. With XenMobile, IT can meet their compliance and control needs while users get the freedom to experience work and life their way.

#### Citrix Workspace Suite

We offer customers the opportunity to acquire our mobility, desktop and app products through a single integrated product offering - the Citrix Workspace Suite. Citrix Workspace Suite is a complete, integrated business mobility solution for helping people and business become more productive with an on-demand mobile workspace.

Citrix Workspace Suite delivers the user experience for any app or desktop using a universal client - Citrix Receiver - available on all tablets, smartphones, PCs, Macs or thin clients, IT can securely deliver content over low bandwidth high latency WANs, highly variable 3G/4G mobile networks or a reliable corporate LAN to ensure native experience. Citrix Workspace Suite offers enterprise grade security to ensure data and applications are always secure and compliant. Workers can access and sync all of their data from any device and securely share it with colleagues and customers. Organizations can minimize loss of intellectual property and sensitive private information through data encryption, password authentication, secure lock and wipe on the device or through centralization of applications and desktops which keeps all content in the datacenter. Citrix Workspace Suite provides a single, flexible solution that can streamline application and desktop deployment and lifecycle management to reduce IT costs. By centrally managing and delivering on-demand standard images, IT can improve the success rate of application and desktop image updates and provide role-based management, configuration, security and support for corporate and employee-owned devices.

Delivery Networking

Our Delivery Networking products allow organizations to deliver cloud services to any device with high performance, security and reliability.

4

---

NetScaler is an all-in-one application delivery controller designed to make applications run up to five times faster by application accelerator methods such as hypertext transfer protocol, or HTTP compression and caching, ensuring application availability through the advanced L4-7 load balancer and content switching methods; increase application security with an integrated application firewall; ensure client security with integrated SSL VPN gateway; and substantially lower costs by offloading servers to enable server consolidation.

#### Mobility Apps

Communications Cloud and Workflow Cloud products allow organizations to enable mobile workstyles and offer employees the ability to move seamlessly across a diverse mix of devices and collaborate and share information.

#### Communications Cloud

GoToMeeting is an easy-to-use, secure and cost-effective product for online meetings, sales demonstrations and collaborative gatherings. GoToMeeting users can easily host, or participate in online meetings from a Mac, PC, iPad, iPhone, Windows 8 tablet, Windows Phone or Android device. GoToMeeting comes equipped with integrated conference dial-in numbers, Voice over Internet Protocol, or VoIP and HDFaces high-definition video conferencing. It features an advanced, secure communication architecture that uses industry-standard secure sockets layer, or SSL, encryption.

GoToWebinar is an easy-to-use, do-it-yourself webinar product, allowing organizations to increase market reach and effectively present online to geographically dispersed audiences. GoToWebinar users can easily host, attend or participate in a webinar session from a Mac, PC or mobile device without significant training or IT support; attendees can join from a Mac, PC, iPad, iPhone or Android device. GoToWebinar includes such features as full-service registration with real-time reports; customized branding; automated email templates; polling and survey capabilities; a webinar dashboard for monitoring attendance and participation; easy presenter controls for changing presenters; high-definition webcam sharing for up to 6 organizers and panelists and VoIP and toll-based phone options.

GoToTraining is an easy-to-use and secure online training product that enables individuals and enterprises to provide interactive training sessions to customers and employees in any location. GoToTraining users can easily create curriculums for their students from a Mac or PC without significant training or IT support; attendees can join from a Mac, PC, iPad, iPhone or Android device. GoToTraining includes such features as full-service registration with real-time reports; materials; automated email templates; polling and survey capabilities as well as testing; and high-definition webcam sharing for up to 6 participants and VoIP and toll-based phone options.

OpenVoice is a reservation-less audio conferencing service, providing robust web-based account tools that allows user provisioning and audio meeting controls for users to manage small and large audio conferences without operator assistance. OpenVoice Integrates seamlessly with all Communications Cloud products, adding a toll-free number to online sessions.

Grasshopper is a provider of cloud-based telephony solutions for small businesses that allows organizations to establish professional voice presence (e.g., interactive voice response (IVR), routing, voicemail) without costly hardware investments. Additionally, Grasshopper enables employees to use their personal devices to make and receive calls from their business line via a mobile app.

#### Workflow Cloud

ShareFile is a secure, cloud-based file sharing and storage solution built for business. ShareFile enables business professionals to manage and share data securely and easily and solves the mobility and collaboration needs of users. It replaces insecure and inconsistent methods of transferring large and confidential files including email attachment, FTP and consumer cloud storage services. ShareFile protects client data throughout the storage and transfer process, using up to 256-bit encryption and SSL or Transport Layer Security, or TLS encryption protocols for transfer and 256-bit encryption for files at rest on ShareFile servers. Password protection and granular access to folders and files stored with ShareFile ensure that data remains in control of the company. With ShareFile Enterprise, organizations can manage their data on premises in customer managed StorageZones, choose Citrix managed secure cloud options or create a mix of both to meet the needs for data sovereignty, compliance, performance and costs. In addition, ShareFile supports e-signature and approval workflows.

GoToMyPC is an online service that enables mobile workstyles by providing secure, remote access to a PC or Mac from virtually any Internet-connected computer, as well as from supported iOS or Android mobile devices, such as

the iPad, iPhone, Kindle Fire, and Samsung Galaxy. GoToMyPC sets up easily with a secure encrypted connection and enables individuals to remotely use any resources hosted on their desktop just as though they were sitting in front of it.

5

---



GoToAssist provides easy-to-use cloud-based IT support solutions to deliver maximum uptime for people and their computers, mobile devices and apps. GoToAssist's integrated toolset is built specifically for IT managers, consultants and managed service providers.

#### License Updates and Maintenance

We provide several ways for customers to receive upgrades, support and maintenance for products.

Subscription Advantage provides customers access to the latest product version updates when made available during their membership term. These updates include major changes to the product architecture and updates to the feature set of a product. Citrix software products eligible for participating in the Subscription Advantage program come with the first year of Subscription Advantage embedded into the cost of the product.

Technical Support Services are specifically designed to address the variety of challenges facing our customers' IT environments. We offer several support-level options, global coverage and personalized relationship management. Post-sale technical support is offered through Citrix-operated support centers located in the United States, Ireland, Japan, Hong Kong, Australia, Singapore and India. In most cases, we provide technical advice to distributors, resellers, service providers and entities with which we have a technology relationship, who act as the first line of technical assistance for end-users.

Hardware Maintenance provides technical support from Citrix experts to diagnose and resolve issues encountered with appliances. It also offers the latest software upgrades and replacement of malfunctioning appliances to minimize organizational downtime. Additionally, dedicated account management is available as an add-on to the program for an even higher level of service.

Software Maintenance combines 24x7x365 unlimited worldwide support with product version upgrades when available. The first year of Software Maintenance is required with certain corresponding product purchases. Effective February 16, 2015, we introduced Software Maintenance across all Citrix software products and discontinued our existing Premier Support offering.

#### Professional Services

We provide a portfolio of professional services to our business partners and customers to manage the quality of implementation, operation and support of our solutions. These services are available for additional fees paid on an annual or transactional basis.

Citrix Consulting helps guide the successful implementation of Citrix technologies and solutions through the use of proven methodologies, tools and leading practices. Citrix Consulting focuses on strategic engagements with enterprise customers who have complex, mission-critical, or large-scale Citrix deployments. These engagements are typically fee-based engagements for the most challenging projects in scope and complexity, requiring consultants who are uniquely qualified with project methodology and Citrix product expertise. Citrix Consulting is also responsible for the development of best practice knowledge that is disseminated to businesses with which we have a business relationship and end-users through training and written documentation. Leveraging these best practices enables our integration resellers to provide more complex systems, reach new buyers within existing customer organizations and provide more sophisticated system proposals to prospective customers. Citrix Consulting has worked with Fortune Global 500 companies, technology providers, and government organizations to deliver solutions that achieve their unique technical and business objectives.

Product Training & Certification helps enable our customers and partners to be successful with Citrix and achieve their business objectives faster. Authorized Citrix training is available when and how it is needed. Traditional or virtual instructor-led training offerings feature Citrix Certified Instructors delivering training in a classroom or remote setting at one of our Citrix Authorized Learning Centers, or CALCs, worldwide. CALCs are staffed with instructors that have been certified by us and teach their students using Citrix-developed courseware. Self-Paced Online offerings, available to students 24 hours a day, seven days a week, provide technically robust course content without an instructor and include hands-on practice via virtual labs. Certifications validate key skills and are available for administrators, engineers, architects and sales professionals.

#### Technology

Our products are based on a full range of industry-standard open source technologies. In addition, certain of our products are also based on our proprietary technologies.

Citrix HDX Technologies is a family of innovations that optimize the end-to-end user experience in virtual desktop and virtual application environments. These technologies incorporate our ICA protocol, which consists of server- and client-side technology that allows graphical user interfaces to be transmitted securely over any network, and include

6

---

optimizations for multimedia, unified communications, high-end graphics and mobile networks which work together to provide a high-definition user experience across a wide array of applications, devices and networks.

Citrix SmartAccess technologies provide granular, policy-based control over access and features that enable the best balance of security, compliance and end-user experience. These capabilities can dynamically enforce higher levels of security based on the device, network or user accessing the applications.

NetScaler Software Packet Engine, or the Packet Engine, forms the foundation of our NetScaler line of products. The Packet Engine allows high-performance networking and packet processing without the need for special purpose hardware.

NetScaler nCore Technology is an architecture which enables execution of multiple Packet Engines in parallel. nCore technology allows the distribution of packet flows across multiple central processing unit cores to achieve efficient, high-performance parallel processing across multiple Packet Engines. The architecture incorporates innovations in flow distribution and state sharing and provides for efficient execution across Packet Engines.

XenMobile is our foundational technology that delivers a holistic mobile computing platform for enterprises. Its main components include MDM, MAM and a set of mobile applications including secure email, corporate app store, web browsing, data sharing, secure note taking and document editing on a host of mobile platforms including iOS, Android and Windows mobile.

Citrix Internet Overlay Platform is our foundational technology for GoToMeeting, GoToWebinar, GoToTraining and GoToAssist. The platform implements one of the largest multicast overlay data networks in the world using the Internet. It provides proprietary screen-sharing technology that separately optimizes screen transmission for each endpoint device (such as a remote PC during an online meeting or remote access session).

Citrix PSTN/VoIP Bridge is core technology that allows the seamless integration of Public Switched Telephone Network/Voice over Internet Protocol, or PSTN/VoIP, in our products that use our audio conferencing.

HDFaces in GoToMeeting, GoToWebinar and GoToTraining delivers high-definition video conferencing and one-to-many video streaming over the public Internet. It includes proprietary network transport protocols and transcoding software that optimize video quality for each endpoint device.

Innovation is a core Citrix competency. We have many additional unique inventions that are important enablers of our continued leadership in delivery networking, workspace services and mobility apps.

Customers

We believe that the primary IT buyers involved in decision-making related to our solutions are the following:

Strategic IT Executives including chief information officers, chief technology officers, chief information security officers and vice presidents of infrastructure, who have responsibility for ensuring that IT services are enablers to business initiatives and are delivered with the best performance, availability, security and cost.

Desktop Operations Managers who are responsible for managing Windows Desktop environments including corporate help desks.

IT Infrastructure Managers who are responsible for managing and delivering Windows-based applications.

Directors of Messaging and Mobility, who are, respectively, responsible for Exchange and defining mobile strategies and solutions for securing and managing mobile devices including their content and applications.

Network Architects who are responsible for delivering Web-based applications who have primary responsibility for the WAN infrastructure for all applications.

Server Operations Managers who are responsible for specifying datacenter systems and managing daily operations.

Individuals and prosumers, who are responsible for choosing personal solutions and helping small businesses select simple-to-use computing solutions.

Small business owners who are responsible for choosing the systems needed to support their business goals, such as SaaS.

Line of business and functional executives that determine the need for our mobility apps offerings at certain enterprises.

Chief technology officer and engineering department (managers, architects, etc.) for telecommunications service providers are the primary buyers of our ByteMobile Smart Capacity solutions.

Chief information officer and engineering departments within service providers, using Citrix products to deliver desktops and applications as hosted cloud services.

The IT buyers for our products include a wide variety of industries including those in financial services, technology, healthcare, education, government and telecom.

7

---

We offer perpetual and term-based software licenses for our products, along with annual subscriptions for software updates, technical support and SaaS. Perpetual licenses allow our customers to use the version of software initially purchased into perpetuity, while term-based licenses are limited to a specified period of time. Software update subscriptions give customers the right to upgrade to new software versions if and when any updates are delivered during the subscription term. Perpetual license software products come primarily in electronic-based forms and, in selected markets, we offer pre-packaged shrink-wrap products to meet local customer needs. We also offer subscription licenses to service providers via a Service Provider License Agreement, which are invoiced on a monthly basis or based on reported license usage. Our Mobility Apps products are accessed over the Internet for usage during the subscription period. Our hardware appliances come pre-loaded with software for which customers can purchase perpetual licenses and annual support and maintenance.

#### Technology Relationships

We have a number of technology relationships in place to accelerate the development of existing and future products and go-to-market. These relationships include cross-licensing, OEM, resell, joint reference architectures, and other arrangements that result in better solutions for our customers.

#### Microsoft

For over 25 years, Citrix and Microsoft have maintained a very strategic partnership spanning product development, go-to-market initiatives and partner development, with the goal of helping customers to enable secure delivery of applications and data on any device, wherever they go. We continue to invest and make progress on moving from an on-premises centric approach to a hybrid and cloud model. This next-generation model encompasses not just the Microsoft platform but extends to enable customers to leverage other platforms to deliver the best experiences through Microsoft and Citrix technologies.

#### Google

Together, Google and Citrix offer today's enterprise a new approach to end user computing. Google and Citrix empower organizations to provide secure, scalable, app-centric, mobile workspace solutions that deliver an exceptional user experience. Our technology and marketing collaboration across app virtualization and mobility builds on a natural alignment to enable people to both work better and live better. The two companies continue working to optimize Citrix Receiver for Chrome to enable organizations to easily provision, centrally manage and deliver enterprise apps and data with high security over any network on any Chrome-based device. Our mobility technology and marketing collaboration ensures that XenMobile offers complete enterprise mobility management support for Android in the enterprise. Citrix is a founding partner for the Google Android for Work industry program. Our partnership has grown quickly and will continue to expand as we introduce new joint solutions for Citrix products to leverage Google Cloud Platform.

#### Intel

Citrix and Intel have a long tradition of collaborating on various technologies, including client and server virtualization, remote 3D graphics visualization, cloud security, networking and mobility to enable enterprises to deliver a seamless, scalable and secure mobile workspace experience to anyone working from anywhere on any device. The two companies have recently built a go-to-market partnership to deliver cost effective and enterprise ready rich, virtual apps and desktops hosted on either a cloud or on-premise in the datacenter to any Intel architecture-based end point device including Windows, Mac, Chrome and Linux operating systems. In addition, both companies are increasing joint market programs to drive enterprise adoption of Application Delivery Controllers and SD-WAN on our Intel Xeon processor-based NetScaler SDX and MDX product families.

#### Additional Relationships

Our partners continue to expand their focus on the broad range of Citrix products. Some examples include Hewlett Packard Enterprise, Dell, IBM and Fujitsu which have multiple offerings in the market with our workspace services solutions and delivery networking products. We also have strongly established relationships with SAP, Samsung, Nutanix, and NVIDIA that complement the benefits provided by Citrix products. Amazon continues to market Citrix NetScaler, Citrix CloudBridge, and Citrix XenMobile in its Amazon Web Services (AWS) Marketplace, and we collaborate to help customers to run XenApp and XenDesktop on the AWS platform.

Through our Citrix Ready program, more than 27,000 products have been verified to work with Citrix technologies. The program is trusted by customers, providing them choice and confidence when identifying Citrix verified partner

products critical to their solution deployment. In addition, numerous partners proactively incorporate Citrix products and technologies such as Receiver, XenDesktop, XenApp, NetScaler, and HDX (ICA) technologies into their customer offerings. Our HDX and Receiver technologies are often included with or offered for thin clients, industry-standard servers and mobile devices, such as

8

---

Apple's iPhone and iPad, Windows Mobile and Google Android devices. Licensees include Dell, Samsung, Fujitsu and Hewlett-Packard Enterprise, among others.

#### Research and Development

We focus our research and development efforts on developing new products and core technologies in our core markets and to further enhancing the functionality, reliability, performance and flexibility of existing products. We solicit extensive feedback concerning product development from customers, both directly from and indirectly through our channel distributors.

We believe that our software development teams and core technologies represent a significant competitive advantage for us. Included in each of the business unit software development teams are individuals focused on research activities that include prototyping ways to integrate emerging technologies and standards into our product offerings, such as emerging Web services technologies, management standards and Microsoft's newest technologies. Many groups within the software development teams have expertise in Extensible Markup Language, or XML, based software development, integration of acquired technology, multi-tier Web-based application development and deployment, SSL secure access, hypervisor technologies, cloud technologies, networking technologies, VoIP-based audio technology, Web-based video technology and building SaaS. We incurred research and development expenses of approximately \$564.0 million in 2015, \$553.8 million in 2014 and \$516.3 million in 2013.

#### Sales, Marketing and Services

We market and license our products and services through multiple channels worldwide, including selling through resellers and direct over the Web. Our partner community comprises thousands of value-added resellers known as Citrix Solution Advisors, VADs, cloud service providers, SIs, Independent Software Vendors, or ISVs and OEMs. Distribution channels are managed by our worldwide sales and services organization. Partners receive training and certification opportunities to support our portfolio of products, solutions and services. In addition, our Mobility Apps business unit provides our collaboration and data sharing offerings through direct corporate sales, our partner community, and direct through our web sites.

We reward our partners that provide sales expertise, services delivery, customer education, technical implementation and support of the Citrix portfolio of products through our Citrix Advisor Rewards program. We continue to focus on increasing the productivity of our existing partners, and building capacity through targeted recruitment, introducing programs to increase partner mindshare, limit channel conflict and increase partner loyalty to us.

As Citrix continues to lead with cloud services, we have been cultivating a global base of partners within the Citrix Service Provider program. These partners, consisting of managed service providers, IT hosting companies and Telcos, license Citrix desktop, application, networking and enterprise mobility management products on a monthly subscription basis. With these technologies partners then create various vertically differentiated offers of their own, consisting of cloud-hosted applications and cloud-hosted desktops, which they then resell both to SMBs and to enterprise IT. Besides supplying technology, Citrix is actively engaged in assisting these partners develop their hosted businesses by supplying business and marketing assistance.

For all of our channels, we regularly take actions to improve the effectiveness of our partner programs and further strengthen our channel relationships through management of non-performing partners, recruitment of partners with expertise in selling into new markets and forming additional strategic global and national partnerships. Engagement with SIs and ISVs continues to be a substantial part of our strategic roadmap within large enterprise and government markets. Our integrator partnerships include organizations such as Accenture, Capgemini, Computer Sciences Corporation, Dimension Data, Hewlett Packard, Fujitsu, IBM Global Services, and Wipro, among others. Computer Sciences Corporation, Fujitsu, Hewlett Packard, IBM and Wipro all deliver offerings powered by the Citrix Workspace Suite. The ISV program maintains a strong representation across targeted industry verticals including healthcare, financial services and telecommunications. Members in the ISV program include Allscripts, Cerner Corporation, Epic Systems Corporation, McKesson Corporation, and Siemens Medical Health Solutions, among several others.

Our corporate marketing organization provides sales and industry event support, demand generation, web and social marketing, sales tools and collateral, advertising, direct mail, industry analyst relations and public relations coverage to our indirect channels to aid in market development and in attracting new customers. Our partner development organization actively supports our partners to improve their commitment and capabilities with Citrix solutions. Our

customer sales organization consists of field-based sales engineers and corporate sales professionals who work directly with our largest customers, and coordinate integration services provided by our partners. Additional sales personnel, working in central locations and in the field, provide support including recruitment of prospective partners and technical training with respect to our products.

9

---



In fiscal year 2015, there was no individual customer that accounted for over 10% of our total net revenues. In fiscal years 2014 and 2013, one distributor, Ingram Micro, accounted for 13% and 14%, respectively, of our total net revenues. Our distributor arrangements with Ingram Micro consist of several non-exclusive, independently negotiated agreements with its subsidiaries, each of which covers different countries or regions. Each agreement is negotiated separately and is independent of any other contract (such as a master distribution agreement), one of which was individually responsible for over 10% of our total net revenues in fiscal years 2014 and 2013.

We are not obligated to accept product returns from our distributors under any conditions, unless the product item is defective in manufacture. See “Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates” and Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for information regarding our revenue recognition policy.

International revenues (sales outside the United States) accounted for approximately 43.1% of our net revenues for the year ended December 31, 2015, 45.2% of our net revenues for the year ended December 31, 2014 and 45.4% of our net revenues for the year ended December 31, 2013. For detailed information on our international revenues, please refer to Note 11 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015.

#### Segment Revenue

Our revenues are derived from our Enterprise and Service Provider products, which primarily include Workspace Services solutions, Delivery Networking products and related license updates and maintenance, support and professional services and from our Mobility Apps business unit's Communications Cloud and Workflow Cloud products. The Enterprise and Service Provider and the Mobility Apps business units constitute our two reportable segments. As part of our continued transformation, effective January 1, 2016, we reorganized a part of our business by creating a new Cloud Services business unit that will include our ShareFile product line. The ShareFile product line is currently included within our Workflow Cloud products under the Mobility Apps segment. We are currently evaluating our segment reporting for 2016 as a result of these changes. See Note 11 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015.

#### Operations

For our Delivery Networking products, which include NetScaler, we use independent contractors to provide a redundant source of manufacture and assembly capabilities. Independent contractors provide us with the flexibility needed to meet our product quality and delivery requirements. We have manufacturing relationships that we enter into in the ordinary course of business, primarily with Flextronics and IBM (primarily for ByteMobile Smart Capacity) under which we have subcontracted the majority of our hardware manufacturing activity, generally on a purchase order basis. These third-party contract manufacturers also provide final test, warehousing and shipping services. This subcontracting activity extends from prototypes to full production and includes activities such as material procurement, final assembly, test, control, shipment to our customers and repairs. Together with our contract manufacturers, we design, specify and monitor the tests that are required to meet internal and external quality standards. Our contract manufacturers manufacture our products based on forecasted demand for our products. Each of the contract manufacturers procures components necessary to assemble the products in our forecast and test the products according to our specifications. We are dual-sourced on our components, however, in some instances, those sources may be located in the same geographic area. Accordingly, if a natural disaster occurred in one of those areas, we may need to seek additional sources. Products are then shipped to our distributors, VARs or end-users. If the products go unsold for specified periods of time, we may incur carrying charges or obsolete material charges for products ordered to meet our forecast or customer orders. In 2015, we did not experience any material difficulties or significant delays in the manufacture and assembly of our products.

We control all purchasing, inventory, scheduling, order processing and accounting functions related to our operations. For our software products, production, warehousing and shipping are performed by our independent contractors Hewlett Packard Enterprise, Ireland and Digital River. Master software, development of user manuals, packaging designs, initial product quality control and testing are primarily performed at our facilities. In some cases, independent contractors also duplicate master software, print documentation and package and assemble products to our specifications.

While it is generally our practice to promptly ship product upon receipt of properly finalized purchase orders, we sometimes have orders that have not shipped upon receipt of a purchase order. Although the amount of such product license orders may vary, the amount, if any, of such orders at the end of a fiscal year is not material to our business. We do not believe that backlog, as of any particular date, is a reliable indicator of future performance. We believe that our fourth quarter revenues and expenses are affected by a number of seasonal factors, including the lapse of many corporations' fiscal year budgets and an increase in amounts paid pursuant to our sales compensation plans due to

compensation plan accelerators that are often triggered in the fourth quarter. We believe that these seasonal factors are common within our industry. Such factors historically have resulted in first quarter revenues in any year being lower than the immediately preceding fourth quarter. We expect this trend to continue through the first quarter of 2016. In addition, our European operations generally generate lower revenues in the summer months because of the generally reduced economic activity in Europe during the summer. This seasonal factor also typically results in higher fourth quarter revenues.

#### Competition

We sell our products in intensely competitive markets. Some of our competitors and potential competitors have significantly greater financial, technical, sales and marketing and other resources than we do. As the markets for our products and services continue to develop, additional companies, including those with significant market presence in the computer appliances, software and networking industries, could enter the markets in which we compete and further intensify competition. In addition, we believe price competition could become a more significant competitive factor in the future. As a result, we may not be able to maintain our historic prices and margins, which could adversely affect our business, results of operations and financial condition. See “Technology Relationships” and Part I-Item 1A entitled “Risk Factors” included in this Annual Report on Form 10-K for the year ended December 31, 2015.

#### Workspace Services

Our Windows App Delivery products are based on an alternative technology platform the success of which will depend on organizations and customers perceiving technological and operational benefits and cost savings associated with adopting desktop and application virtualization solutions. We differentiate from basic virtualization solutions with robust security and flexibility to enable IT to deliver Windows apps and desktops for better business outcomes. Our primary competition in this market is the existing IT desktop management practice of manually configuring physical desktops, which is time-consuming, expensive and subject to inconsistency. We also face numerous competitors that provide automation of these processes and alternative approaches, including VMware's Horizon View product and the emergence of virtual applications and desktop delivery from public and private cloud services. We believe XenApp, XenDesktop and Citrix Workspace Suite give Citrix a competitive advantage by providing customers multiple ways to virtualize and deliver desktops and/or apps with one, integrated virtualization system and delivering a higher performance user experience, more robust security and the flexibility for people to use any device and IT to use any cloud infrastructure - public or private.

Our Enterprise Mobility Management product line, XenMobile, competes with AirWatch by VMware, MobileIron, Good Technology by BlackBerry and other smaller competitors. We believe we differentiate ourselves from these competitors by providing the most complete solution on the market, with MDM, MAM and superior core mobile productivity applications, including secure mobile email, calendar, browser, notes and more. Our apps feature unique workflow integrations designed to make people work better, a significant advantage over competitors that do not focus on the end user experience and either have basic applications or rely on third parties for their mobile apps and can drive similar integrations.

We also see competition from competitors that are combining mobile and desktop technologies. We believe the Citrix solution, Citrix Workspace Suite, is the best solution available today that can securely deliver a mobile workspace - all Windows, Web, SaaS and native mobile applications, data and virtual desktops - to any device, anywhere. VMware responded to our introduction of the Citrix Workspace Suite with the introduction of the VMware Workspace Suite. We expect other vendors to follow suit. We offer market-leading technologies for every component of the Citrix Workspace Suite. Further, we believe that our end-user experience is a competitive edge when compared to the alternative solutions due to the intuitiveness and self-service features of our offering.

#### Delivery Networking

Our NetScaler products compete against other established competitors, including, F5 Networks, Inc., or F5, and to a lesser extent, Radware and A10 Networks. The companies compete with us for traditional enterprise sales opportunities, while F5 is our principal competitor in the Internet-centric market segment. We continue to enhance NetScaler's feature capability and aggressively market NetScaler to our existing customer base as well as expanding into telco and cloud provider markets. NetScaler's integration with XenApp and XenDesktop provides a major competitive advantage with customers who are already using these products.

#### Mobility Apps

Our products for collaboration continue to maintain leadership positions in extremely competitive markets, particularly among SMBs. We differentiate our SaaS offerings by designing simple, secure, reliable and cost-efficient products that deliver a superior customer experience. Our competitors range from large, established technology firms to small, Internet-based startups.

Our Communications Cloud products compete primarily with Adobe Connect, Cisco WebEx, TeamViewer, Microsoft Lync and Skype, BlueJeans and Zoom, and conferencing call solutions from AT&T, BT, Intercall, PGI, RingCentral, Verizon and Vonage. In addition, we compete with freemium products such as LogMeIn's Join.me and Google's Google + Hangouts. Our GoToMeeting, GoToWebinar and GoToTraining products have proven to be competitive based on ease-of-use and our All You Can Meet pricing model, combined with built-in VoIP and toll-based PSTN audio services. We further differentiate our collaboration products by integrating OpenVoice toll-free seamlessly with built-in VoIP and toll audio services and having purpose-built solutions for marketing and training use cases. We believe these features give us a competitive advantage among individual, prosumer and SMB customers.

We have been a market leader with our GoToMyPC product for many years. Our competition includes LogMeIn, free solutions such as Microsoft's Live Mesh and those from many others, including internet startups. In addition, our Windows App Delivery products and new remote access features in desktop operating systems like Microsoft Windows and Macintosh OSX provide alternatives to GoToMyPC. We endeavor to differentiate our products by continuing our focus on security, ease-of-use and support for multiple desktop operating systems focused on individual, prosumer and SMB customers.

Our GoToAssist product has achieved success in Web-based clientless remote support. This product includes a version purpose-built for individual users, consultants and small businesses, positioning Citrix as the only provider of remote support solutions for all customer segments. In remote support, we compete with Cisco's WebEx, LogMeIn, TeamViewer, Bomgar and Zendesk.

In the data sharing segment, our ShareFile product's direct competition includes Dropbox, Box, Syncplicity, BlackBerry's Watchdox, Accellion, Microsoft and HighTail (formerly YouSendIt), as well as legacy solutions such as traditional file transfer protocol, or FTP. Many of these competitors have strong brand recognition through consumer and free versions of their products. However, we believe our ShareFile product offers a superior solution for businesses as it is built specifically for the needs of business. Further, we believe that Citrix's strong reputation in certain vertical segments, along with ShareFile's integration with other Citrix products, such as Receiver and XenMobile, and our unique ability to store data on-premise or in the Cloud, will be key differentiators.

#### Proprietary Technology

Our success is dependent upon certain proprietary technologies and core intellectual property. We have been awarded numerous domestic and foreign patents and have numerous pending patent applications in the United States and foreign countries. Our technology is also protected under copyright laws. Additionally, we rely on trade secret protection and confidentiality and proprietary information agreements to protect our proprietary technology. We have established proprietary trademark rights in markets across the globe, and own trademark registrations and pending registration applications in the United States and other countries, including Citrix, GoToAssist, GoToMeeting, GoToWebinar, NetScaler, ShareFile, Xen, XenApp, XenDesktop, XenServer and XenMobile. While our competitive position could be affected by our ability to protect our proprietary information, we believe that because of the rapid pace of technological change in the industry, factors such as the technical expertise, knowledge and innovative skill of our management and technical personnel, our technology relationships, name recognition, the timeliness and quality of support services provided by us and our ability to rapidly develop, enhance and market software products could be more significant in maintaining our competitive position. See Part I-Item 1A entitled "Risk Factors" included in this Annual Report on Form 10-K for the year ended December 31, 2015.

#### Available Information

Our Internet address is <http://www.citrix.com>. We make available, free of charge, on or through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. The information on our website is not part of this Annual Report on Form 10-K for the year ended December 31, 2015.

#### Employees

As of December 31, 2015, we had approximately 9,500 employees. In November 2015, we announced a strategic restructuring program which included steps to reduce our headcount by approximately 700 full-time positions over its term, which extends into 2016. We believe our relations with employees are good. In certain countries outside the

United States, our relations with employees are governed by labor regulations that provide for specific terms of employment between our company and our employees.

## ITEM 1A. RISK FACTORS

Our operating results and financial condition have varied in the past and could in the future vary significantly depending on a number of factors. From time to time, information provided by us or statements made by our employees contain “forward-looking” information that involves risks and uncertainties. In particular, statements contained in this Annual Report on Form 10-K for the year ended December 31, 2015, and in the documents incorporated by reference into this Annual Report on Form 10-K for the year ended December 31, 2015, that are not historical facts, including, but not limited to, statements concerning new products, product development and offerings of products and services market positioning, distribution and sales channels, our partners and other strategic or technology relationships, financial information and results of operations for future periods, product and price competition, strategy, operational and growth initiatives, seasonal factors, natural disasters, stock-based compensation, licensing and subscription renewal programs, international operations and expansion, investment transactions and valuations of investments and derivative instruments, reinvestment or repatriation of foreign earnings, fluctuations in foreign exchange rates, tax matters, acquisitions, stock repurchases, our debt, changes in accounting rules or guidance, changes in domestic and foreign economic conditions and credit markets, delays or reductions in technology purchases, liquidity, litigation matters, intellectual property matters, and the proposed spinoff of our GoTo family of products, constitute forward-looking statements and are made under the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are neither promises nor guarantees. Our actual results of operations and financial condition could vary materially from those stated in any forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K for the year ended December 31, 2015, in the documents incorporated by reference into this Annual Report on Form 10-K or presented elsewhere by our management from time to time. Such factors, among others, could have a material adverse effect upon our business, results of operations and financial condition. We caution readers not to place undue reliance on any forward-looking statements, which only speak as of the date made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

### RISKS RELATED TO OUR BUSINESS AND INDUSTRY

A significant portion of our revenues has historically come from our Windows App Delivery products, and decreases in sales for certain of these products could adversely affect our results of operations and financial condition.

A significant portion of our revenues has historically come from our Windows App Delivery products. We continue to anticipate that sales of our Windows App Delivery products and related enhancements and upgrades will constitute a majority of our revenue for the foreseeable future, and if the proposed spinoff of our GoTo family of products is completed, our business will be further dependent upon sales of these products. Recently, product license sales for certain of our Windows App Delivery products have declined year-over-year. Further declines and variability in sales of certain of our Windows App Delivery products could occur as a result of:

- new competitive product releases and updates to existing products;
- industry trend to focus on the secure delivery of applications, especially on mobile devices;
- introduction of new or alternative technologies, products or service offerings by third parties;
- termination or reduction of our product offerings and enhancements;
- potential market saturation;
- failure to enter new markets;
- price and product competition resulting from rapid and frequent technological changes and customer needs;
- general economic conditions;
- complexities and cost in implementation;
- failure to deliver satisfactory technical support;
- dissatisfied customers; or
- lack of commercial success of our technology relationships.

In addition, we recently have experienced increased competition in the Windows App Delivery business from directly competing products, alternative products and products on new platforms. For example, in 2014 VMware introduced

Horizon Suite, which competes with our XenApp product offerings. Further, there continues to be an increase in the number of alternatives to Windows operating system powered desktops, in particular mobile devices such as smartphones and tablet computers. Users may increasingly turn to these devices to perform functions that would have been traditionally performed on desktops and laptops, which in turn may reduce the market for our Windows App Delivery products. If sales of our Windows App Delivery products decline as a result of these or other factors, our revenue would decrease and our results of operations and financial condition would be adversely affected. In addition, modifications to certain of our Windows App Delivery products may cause variability in our Windows App Delivery revenue, and make it difficult to predict our revenue growth and trends, as our customers adjust their purchasing decisions in response to such events.



Our business could be adversely impacted by conditions affecting the information technology market. The demand for our products and services depends substantially upon the general demand for business-related computer appliances and software, which fluctuates based on numerous factors, including capital spending levels, the spending levels and growth of our current and prospective customers, and general economic conditions. Moreover, the purchase of our products and services is often discretionary and may involve a significant commitment of capital and other resources. U.S economic forecasts for the information technology, or IT, sector are uncertain and continue to highlight an industry in transition from legacy platforms to mobile, cloud, big data and social solutions. If our current and prospective customers cut costs, they may significantly reduce their information technology expenditures. Additionally, if our current and prospective customers shift their IT spending more rapidly towards newer technologies and solutions as mobile, cloud, big data and social platforms evolve, the demand for our products and services most aligned with legacy platforms (such as our desktop virtualization products) could decrease. Fluctuations in the demand for our products and services could have a material adverse effect on our business, results of operations and financial condition.

We face intense competition, which could result in customer loss, fewer customer orders and reduced revenues and margins.

We sell our products and services in intensely competitive markets. Some of our competitors and potential competitors have significantly greater financial, technical, sales and marketing and other resources than we do. We compete based on our ability to offer to our customers the most current and desired product and services features. We expect that competition will continue to be intense, and there is a risk that our competitors' products may be less costly, more heavily discounted or, especially with respect to our Mobility Apps products, free, provide better performance or include additional features when compared to our products. Additionally, there is a risk that our products may become outdated or that our market share may erode. Further, the announcement of the release, and the actual release, of new products incorporating similar features to our products could cause our existing and potential customers to postpone or cancel plans to license certain of our existing and future product and service offerings. Existing or new products and services that provide alternatives to our products and services could materially impact our ability to compete in these markets. As the markets for our products and services, especially those products in early stages of development, continue to develop, additional companies, including companies with significant market presence in the computer hardware, software, cloud, networking, mobile, collaboration, data sharing and related industries, could enter, or increase their footprint in, the markets in which we compete and further intensify competition. In addition, we believe price competition could become a more significant competitive factor in the future. As a result, we may not be able to maintain our historic prices and margins, which could adversely affect our business, results of operations and financial condition.

We expect to continue to face additional competition as new participants enter our markets and as our current competitors seek to increase market share. Further, we may see new and increased competition in different geographic regions. The generally low barriers to entry in certain of our businesses increase the potential for challenges from new industry competitors, whether small and medium sized businesses or larger, more established companies. Smaller companies new to our market may have more flexibility to develop on more agile platforms and have greater ability to adapt their strategies and cost structures, which may give them a competitive advantage with our current or prospective customers. We may also experience increased competition from new types of products as the options for workspace services, delivery networking and mobility apps increase. Further, as our industry evolves and if our company grows, companies with which we have strategic alliances may become competitors in other product areas, or our current competitors may enter into new strategic relationships with new or existing competitors, all of which may further increase the competitive pressures we face.

In order to be successful, we must attract, engage, retain and integrate key employees and have adequate succession plans in place, and failure to do so could have an adverse effect on our ability to manage our business.

Our success depends, in large part, on our ability to attract, engage, retain, and integrate qualified executives and other key employees throughout all areas of our business. Identifying, developing internally or hiring externally, training and retaining highly-skilled managerial, technical, sales and services, finance and marketing personnel are critical to our future, and competition for experienced employees can be intense. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide a competitive compensation package, including

cash- and equity-based compensation. If we do not obtain the stockholder approval needed to continue granting equity compensation in a competitive manner, our ability to attract, retain, and motivate executives and key employees could be weakened. Failure to successfully hire executives and key employees or the loss of any executives and key employees could have a significant impact on our operations. Competition for qualified personnel in our industry is intense because of the limited number of people available with the necessary technical skills and understanding of products in our industry. The loss of services of any key personnel, the inability to retain and attract qualified personnel in the future or delays in hiring may harm our business and results of operations.

Effective succession planning is also important to our long-term success. We recently have experienced significant changes in our senior management team, including the appointment of Kirill Tatarinov as our new President and Chief Executive Officer in January 2016. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. Further, changes in our management team may be disruptive to our business and any failure to successfully integrate key new hires or promoted employees could adversely affect our business and results of operations.

Returning to growth may require us to develop new products and services, integrate acquired products and services and develop enhancements for our existing products and services; and if we are unable to successfully accomplish this, our business, results of operations and financial condition could be adversely affected.

The markets for our products and services are characterized by:

- rapid technological change;
- evolving industry standards;
- fluctuations in customer demand;
- changing and increasingly sophisticated customer needs; and
- frequent new product and service introductions and enhancements.

U.S. economic forecasts for the IT sector are uncertain and continue to highlight an industry in transition from legacy platforms to mobile, cloud, big data and social solutions. Our ability to return to growth depends on our ability to adapt to this fluid market and continually enhance our current products and services, integrate acquired products and services, and develop and introduce new products and services that our customers choose to buy. The emerging markets for our next generation of products and services have yet to be defined. The introduction of third-party solutions embodying new technologies and the emergence of new industry standards could make our existing and future software solutions obsolete and unmarketable. If we are unable to keep pace with technological developments of third parties, expectations of the emerging markets and customer demands by introducing new products, services and enhancements (especially with respect to cloud-based solutions), our business, results of operations and financial condition could be adversely affected. Our future success could be hindered by:

- failure to identify new products and services;
- delays in or lack of market acceptance of any new products and services or new releases of our current products and services;
- our failure to support services in a timely manner;
  - our failure to identify and address significant product quality issues;
- our inability to position and/or price our products and services to meet the market demand;
- our failure to maintain relevance and brand loyalty in the evolving marketplace; and
- the introduction of new products, services or technologies from third parties that could replace, make obsolete or shorten the life cycle of our existing product and service offerings.

We believe the demand for technology has and will continue to shift from the types of products and services we and our competitors have sold in the past to a new generation of products and services. We cannot guarantee that our Workspace Services solutions, Delivery Networking products and Mobility Apps products will achieve the broad market acceptance by our channel and strategic partners, customers and prospective customers necessary to generate significant revenue in the future. In addition, we cannot guarantee that we will be able to respond effectively to technological changes or new product announcements by others. If we experience material delays or sales shortfalls with respect to our new products and services or new releases of our current products and services, those delays or shortfalls could have a material adverse effect on our business, results of operations and financial condition.

Adverse changes in general global economic conditions could adversely affect our operating results.

As a globally operated company, we are subject to the risks arising from adverse changes in global economic and market conditions. Continued economic uncertainty across all geographic locations may adversely affect sales of our products and services and may result in longer sales cycles, slower adoption of technologies and increased price competition. For example, if Russia, Brazil and China experience economic downturn, this could contribute to a decline in business and our customers' spending. Additionally, in response to sustained economic uncertainty, many governmental organizations outside the U.S. that are current or prospective customers for our products and services

continue to make significant spending cutbacks, which may continue to reduce the amount of government spending on IT and demand for our products and services from government organizations. Adverse economic conditions also may negatively impact our ability to obtain payment for outstanding debts owed to us by our customers or other parties with whom we do business.

Industry volatility may result in increased competition.

The industry has been volatile and there has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving and volatile industry and as companies are acquired or are unable to continue operations. For example, some of our competitors have made acquisitions or entered into partnerships or other strategic relationships to offer a more comprehensive solution than they had previously offered. Further, some companies are making plans or may be under pressure by stockholders to divest businesses and such divestitures may result in stronger competition. Additionally, as IT companies attempt to strengthen or maintain their market positions in the evolving workspace services, delivery networking and mobility apps markets, these companies continue to seek to deliver comprehensive IT solutions to end users and combine enterprise-level hardware and software solutions that may compete with our Workspace Services, Delivery Networking and Mobility Apps solutions. These consolidators or potential consolidators may have significantly greater financial, technical and other resources and brand loyalty than we do, and may be better positioned to acquire and offer complementary products and services. The companies resulting from these possible combinations may create more compelling product and service offerings and be able to offer greater pricing flexibility or sales and marketing support for such offerings than we can. These heightened competitive pressures could result in a loss of customers or a reduction in our revenues or revenue growth rates, all of which could adversely affect our business, results of operations and financial condition.

Actual or perceived security vulnerabilities in our products and services or cyberattacks on our networks could have a material adverse impact on our business, results of operations and financial condition.

Use of our products and services may involve the transmission and/or storage of data, including in certain instances customers' business and personally identifiable information. Thus, maintaining the security of products, computer networks and data storage resources is important as security breaches could result in product or service vulnerabilities and loss of and/or unauthorized access to confidential information. We devote significant resources to addressing security vulnerabilities in our products and services through our efforts to engineer more secure products and services, enhance security and reliability features in our products and services, deploy security updates to address security vulnerabilities and seek to respond to known security incidents in sufficient time to minimize any potential adverse impact. Despite our efforts, from time to time, we experience attacks and other cyber-threats, none of which to our knowledge have resulted in data exfiltration. Generally speaking, unauthorized parties may attempt to misappropriate or compromise our confidential information or that of third parties, create system disruptions, product or service vulnerabilities or cause shutdowns. These perpetrators of cyberattacks also may be able to develop and deploy viruses, worms, malware and other malicious software programs that directly or indirectly, for example, through a vendor or other third-party, attack our products, services or networks, or otherwise exploit any security vulnerabilities of our products, services and networks. Because techniques used by these perpetrators to obtain unauthorized access to or sabotage systems change frequently and generally are not recognized until long after being launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We can make no assurance that we will be able to detect, prevent, timely and adequately address, or mitigate the negative effects of cyberattacks or other security breaches.

A breach of our security measures as a result of third-party action, malware, employee error, malfeasance or otherwise could result in (among other consequences):

harm to our reputation or brand, which could lead some customers to seek to cancel subscriptions, stop using certain of our products or services, reduce or delay future purchases of our products or services, or use competing products or services;

individual and/or class action lawsuits, which could result in financial judgments against us or the payment of settlement amounts, which would cause us to incur legal fees and costs;

state or federal enforcement action, which could result in fines and/or penalties or other sanctions and which would cause us to incur legal fees and costs; and/or

in the event that we or one of our customers were the victim of a cyberattack or other security breach, additional costs associated with responding to such breach, such as investigative and remediation costs, and the costs of providing data owners or others with notice of the breach, legal fees, costs of any additional fraud detection activities required by

such customers' credit card issuers, and costs incurred by credit card issuers associated with the compromise and additional monitoring of systems for further fraudulent activity.

Any of these actions could materially adversely impact our business and results of operations.

We may not achieve the expected benefits from our strategic and operational review and related initiatives.

Building upon our previous initiatives to increase our strategic focus and operational efficiency, our Board formed an Operations Committee in July 2015 to work with our management team on a comprehensive operational review, including, among other things, a review of our operating margins, profitability and capital structure. In November 2015, we announced the initial results of our operational review and a plan to focus on our strategic solutions for secure and reliable delivery of applications and data, which included, among other things:

- the proposed spinoff of our GoTo family of products into a separate, publicly-traded company;
- the rationalization of our product portfolio, including plans to increase our emphasis and resources on our core enterprise products, the end of investment in certain other products and programs, and further evaluation of our products, technologies, offerings and programs, with a focus on enterprise readiness, ability to drive customer value, and growth and profitability prospects; and
- the realignment of our resources to focus on simplification of our enterprise go-to-market motion and roles while improving coverage, reflect changes in our product focus, and balance resources with demand across our marketing, general and administration areas.

We cannot assure you that such activities will result in the anticipated benefits to our business, results of operations and financial condition in a timely manner if at all. Further, we could experience unexpected delays, business disruptions resulting from supporting these initiatives during and following completion of these activities, decreased productivity, and employee turnover as a result of such initiatives. The review by the Operations Committee remains on-going and may result in changes to or abandonment of certain initiatives, additional activities by our company focused on reducing costs, improving margins and increasing efficiency, and/or other organizational changes, including, but not limited to, the elimination of full-time and contractor positions. In addition, due to potential changes in our strategy and product portfolio, it is possible that the forecasts we use to support our goodwill and other intangible assets could change in the future, which could result in non-cash charges that would adversely affect our results of operations and financial condition.

We recently implemented restructuring programs, which could have a material negative impact on our business.

On January 28, 2015, we announced the implementation of a restructuring program, or the 2015 Restructuring Plan, designed to increase our strategic focus and operational efficiency. The actions related to this program were completed by the end of 2015. As a result of this program, we eliminated approximately 700 full-time positions and incurred costs of approximately \$68.9 million during the year ended December 31, 2015, primarily related to employee severance arrangements and the consolidation of leased facilities. On November 17, 2015, we announced the implementation of an additional restructuring program, or the 2015 Other Restructuring Program, that will focus on the simplification of our enterprise go-to-market motion and roles while improving coverage, reflect changes in our product focus, and balance resources with demand across our marketing, general and administration areas. As a result of this subsequent program, we will eliminate approximately an additional 700 full-time positions, of which 350 were communicated in 2015. It is anticipated that the aggregate total pre-tax restructuring charges for this subsequent program, which primarily relate to employee severance arrangements, will be in the range of \$55.0 million to \$60.0 million. We cannot guarantee that we will achieve or sustain the targeted benefits under these restructuring programs, or that the benefits, even if achieved, will be adequate to meet our long-term growth expectations. Risks associated with these restructuring programs also include additional unexpected costs, adverse effects on employee morale and the failure to meet operational targets due to the loss of employees, any of which may impair our ability to achieve anticipated results or otherwise harm our business.

Regulation of the Web and telecommunications, privacy and data security may adversely affect sales of our products and result in increased compliance costs.

As Web commerce and telecommunications continues to evolve, increasing regulation by federal, state or foreign agencies and industry groups becomes more likely. For example, we believe increased regulation is likely with respect to the solicitation, collection, processing or use of personal, financial and consumer information as regulatory authorities around the world are considering a number of legislative and regulatory proposals concerning data protection, privacy and data security. In addition, the interpretation and application of consumer and data protection laws and industry standards in the United States, Europe and elsewhere are often uncertain and in flux. The application of existing laws to cloud-based solutions is particularly uncertain and cloud-based solutions may be subject to further regulation, the impact of which cannot be fully understood at this time. Moreover, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data and privacy practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data and



privacy practices, which could have an adverse effect on our business and results of operations. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. Also, any new regulation, or interpretation of existing regulation, imposing greater fees or taxes on Web-based services, such as Mobility Apps services and audio services, or restricting information exchange over the Web, could result in a decline in the use and adversely affect sales of our products and our results of operations.

Our Mobility Apps products may involve the storage and transmission of protected health information, or PHI, that is subject to the Health Insurance Portability and Accountability Act, or HIPAA. HIPAA, amended by the Health Information Technology for Economic and Clinical Health Act, or the HITECH ACT, has significantly increased the civil money penalties for violations of patient privacy rights protected under HIPAA. As a result of the HITECH ACT, business associates who have access to PHI provided by hospitals, healthcare providers, health insurance companies and other covered entities are now directly subject to HIPAA, including the new enforcement scheme and inspection requirements. To the extent we are required to comply with HIPAA's data security provisions, we may be liable for sanctions and penalties for any failure to so comply. Furthermore, we may be required to incur additional expenses in order to comply with the HITECH Act and any further amendments to and/or modifications of these requirements.

Our products could contain errors that could delay the release of new products or that may not be detected until after our products are shipped.

Despite significant testing by us and by current and potential customers, our products, especially new products or releases or acquired products, could contain errors. In some cases, these errors may not be discovered until after commercial shipments have been made. Errors in our products could delay the development or release of new products and could adversely affect market acceptance of our products. Additionally, our products depend on third-party products, which could contain defects and could reduce the performance of our products or render them useless. Because our products are often used in mission-critical applications, errors in our products or the products of third parties upon which our products rely could give rise to warranty or other claims by our customers, which may have a material adverse effect on our business, financial condition and results of operations.

We may experience outages, data loss and service disruptions of our Mobility Apps products and Delivery Networking products, which could significantly and adversely affect our financial condition and operating results. The increasing user traffic and complexity of our Mobility Apps products, specifically those using Voice over Internet protocol and high-definition video conferencing features, and Delivery Networking products demands more computing power. We have spent and expect to continue to spend substantial amounts of time and cost to adequately resource our Mobility Apps products and Delivery Networking products and to maintain and upgrade our technology and network infrastructure to handle the increased traffic of our Mobility Apps products. Maintaining and expanding the capacity and geographic footprint of our infrastructure is expensive and complex. Inefficiencies or operational failures, including temporary service outages and temporary or permanent loss of customer data, could diminish the perceived quality and reliability of our services, and result in liability claims by customers and other third parties, damage to our reputation and loss of current and potential customers, any of which could materially and adversely affect our financial condition and results of operations.

Certain of the offerings from our Enterprise and Service Provider business unit have sales cycles which are long and/or unpredictable which could cause significant variability and unpredictability in our revenue and operating results for any particular period.

Generally, a substantial portion of our large and medium-sized customers implement our Workspace Services solutions on a departmental or enterprise-wide basis. We have a long sales cycle for these departmental or enterprise-wide sales because:

- our sales force generally needs to explain and demonstrate the benefits of a large-scale deployment of our product to potential and existing customers prior to sale;
- our service personnel typically spend a significant amount of time assisting potential customers in their testing and evaluation of our products and services;
- our customers are typically large and medium size organizations that carefully research their technology needs and the many potential projects prior to making capital expenditures for software infrastructure; and

before making a purchase, our potential customers usually must get approvals from various levels of decision makers within their organizations, and this process can be lengthy.

Our long sales cycle for these products makes it difficult to predict when these sales will occur, and we may not be able to sustain these sales on a predictable basis. In addition, the long sales cycle for these products makes it difficult to predict the quarter in which sales will occur. Delays in sales could cause significant variability in our revenue and operating results for any

particular period, and large projects with significant IT components may fail to meet our customers' business requirements or be canceled before delivery, which likewise could adversely affect our revenue and operating results for any particular period.

Overall the timing of our revenue is difficult to predict. Our quarterly sales have historically reflected an uneven pattern in which a disproportionate percentage of a quarter's total sales occur in the last month, weeks and days of each quarter. In addition, our business is subject to seasonal fluctuations and such fluctuations are generally most significant in our fourth fiscal quarter, which we believe is due to the impact on revenue from the availability (or lack thereof) in our customers' fiscal year budgets and an increase in expenses resulting from amounts paid pursuant to our sales compensation plans as performance milestones are often triggered in the fourth quarter. We believe that these seasonal factors are common within our industry. In addition, our European operations generally generate lower revenues in the summer months because of the generally reduced economic activity in Europe during the summer. If we fail to convert our free users to paying customers or retain existing customers of our Mobility Apps products, our revenue and results of operations would be adversely affected.

Initially, many users of our Mobility Apps products utilize such products free of charge through free trials or freemium versions of the products or lower priced/limited functionality versions of the products. We seek to convert these free trial users to paying customers and, where appropriate, we encourage customers utilizing a lower priced/limited functionality versions of our product to upgrade to higher priced/full functionality versions. If our rate of conversion or upgrade suffers for any reason, our revenue may decline. We sell our Mobility Apps products pursuant to subscription agreements. Such customers may not renew their subscription after their subscription period expires. We may not be able to accurately predict future trends in customer cancellation, and our customers' continuation rates may decline or fluctuate because of several factors, including their satisfaction or dissatisfaction with our Mobility Apps products, the prices of such products, the prices of products offered by our competitors or reductions in our customers' spending levels. If our customers fail to renew or cancel their subscriptions for our Mobility Apps products, our operating results and financial condition could be adversely impacted.

Our success depends on our ability to attract and retain and further access large enterprise customers.

We must retain and continue to expand our ability to reach and access large enterprise customers by adding effective value-added distributors, or VADs, system integrators, or SIs, and other partners, as well as expanding our direct sales teams and consulting services. Our inability to attract and retain large enterprise customers could have a material adverse effect on our business, results of operations and financial condition. Large enterprise customers usually request special pricing and purchase of multiple years of subscription and maintenance up-front and generally have longer sales cycles. By allowing these customers to purchase multiple years of subscription or maintenance up-front and by granting special pricing, such as bundled pricing or discounts, to these large customers, we may have to defer recognition of some or all of the revenue from such sales. This deferral, compounded with the longer sales cycles, could reduce our revenues and operating profits for a given reporting period and make revenues difficult to predict. Changes to our licensing or subscription renewal programs, or bundling of our products, could negatively impact the timing of our recognition of revenue.

We continually re-evaluate our licensing programs and subscription renewal programs, including specific license models, delivery methods, and terms and conditions, to market our current and future products and services. We could implement new licensing programs and subscription renewal programs, including promotional trade-up programs or offering specified enhancements to our current and future product and service lines. Such changes could result in deferring revenue recognition until the specified enhancement is delivered or at the end of the contract term as opposed to upon the initial shipment or licensing of our software product. We could implement different licensing models in certain circumstances, for which we would recognize licensing fees over a longer period, including offering additional products in a SaaS model. Changes to our licensing programs and subscription renewal programs, including the timing of the release of enhancements, upgrades, maintenance releases, the term of the contract, discounts, promotions and other factors, could impact the timing of the recognition of revenue for our products, related enhancements and services and could adversely affect our operating results and financial condition.

Further, we may be required to defer the recognition of revenue that we receive from the sale of certain bundled products if we have not established vendor specific objective evidence, or VSOE, for the undelivered elements in the arrangement in accordance with generally accepted accounting principles in the United States, or GAAP. A delay in

the recognition of revenue from sales of these bundled products may cause fluctuations in our quarterly financial results and may adversely affect our operating margins. Similarly, companies that we acquire may operate with different cost and margin structures, which could further cause fluctuations in our operating results and adversely affect our operating margins. Moreover, if our quarterly financial results or our predictions of future financial results fail to meet the expectations of securities analysts and investors, our stock price could be negatively affected.

Sales and renewals of our license updates and maintenance products constitute a large portion of our deferred revenue. We anticipate that sales and renewals of our license updates and maintenance products will continue to constitute a substantial portion of our deferred revenue. Our ability to continue to generate both recognized and deferred revenue from our license updates and maintenance products will depend on our customers continuing to perceive value in automatic delivery of our software upgrades and enhancements. A decrease in demand for our license updates and maintenance products could occur as a result of a decrease in demand for our Workspace Services solutions and our Delivery Networking products. If our customers do not continue to purchase our license updates and maintenance products, our deferred revenue would decrease significantly and our results of operations and financial condition would be adversely affected.

Our international presence subjects us to additional risks that could harm our business.

We conduct significant sales and customer support, development and engineering operations in countries outside of the United States. During the year ended December 31, 2015, we derived approximately 43.1% of our revenues from sales outside the United States. Potential growth and profitability could require us to further expand our international operations. To successfully maintain and expand international sales, we may need to establish additional foreign operations, hire additional personnel and recruit additional international resellers. In addition, there is significant competition for entry into high growth markets where we may seek to expand, such as China, the Middle East and Eastern Europe. Our international operations are subject to a variety of risks, which could adversely affect the results of our international operations. These risks include:

- compliance with foreign regulatory and market requirements;
  - variability of foreign economic, political and labor conditions;
  - changing restrictions imposed by regulatory requirements, tariffs or other trade barriers or by U.S. export laws;
  - regional data privacy laws that apply to the transmission of our customers' data across international borders;
  - health or similar issues such as pandemic or epidemic;
  - difficulties in staffing and managing international operations;
  - longer accounts receivable payment cycles;
  - potentially adverse tax consequences;
  - difficulties in enforcing and protecting intellectual property rights;
  - burdens of complying with a wide variety of foreign laws; and
- as we generate cash flow in non-U.S. jurisdictions, if required, we may experience difficulty transferring such funds to the U.S. in a tax efficient manner.

Our success depends, in part, on our ability to anticipate and address these risks. We cannot guarantee that these or other factors will not adversely affect our business or results of operations.

We rely on indirect distribution channels and major distributors that we do not control.

We rely significantly on independent distributors and resellers to market and distribute our products and services. Our distributors generally sell through resellers. Our distributor and reseller base is relatively concentrated. We maintain and periodically revise our sales incentive programs for our independent distributors and resellers, and such program revisions may adversely impact our results of operations. Our competitors may in some cases be effective in providing incentives to current or potential distributors and resellers to favor their products or to prevent or reduce sales of our products. The loss of or reduction in sales to our distributors or resellers could materially reduce our revenues. Further, we could maintain individually significant accounts receivable balances with certain distributors. The financial condition of our distributors could deteriorate and distributors could significantly delay or default on their payment obligations. Any significant delays, defaults or terminations could have a material adverse effect on our business, results of operations and financial condition.

We are in the process of diversifying our base of channel relationships by adding and training more channel partners with abilities to reach larger enterprise customers and additional mid-market customers and to sell our newer products and services. We are also in the process of building relationships with new types of channel partners, such as systems integrators and service providers. In addition to this diversification of our partner base, we will need to maintain a healthy mix of channel members who service smaller customers. We may need to add and remove distribution partners to maintain customer satisfaction and a steady adoption rate of our products, which could increase our operating expenses. Through our Citrix Partner Network and other programs, we are currently investing, and intend to

continue to invest, significant resources to develop these channels, which could reduce our profits if such channels do not result in increased revenues.

20

---

Our Delivery Networking business could suffer if there are any interruptions or delays in the supply of hardware or hardware components from our third-party sources.

We rely on a concentrated number of third-party suppliers, who provide hardware or hardware components for our Delivery Networking products, and contract manufacturers. If we are required to change suppliers, there could be a delay in the supply of our hardware or hardware components and our ability to meet the demands of our customers could be adversely affected, which could cause the loss of Delivery Networking sales and existing or potential customers and delayed revenue recognition and adversely affect our results of operations. While we have not, to date, experienced any material difficulties or delays in the manufacture and assembly of our Delivery Networking products, our suppliers may encounter problems during manufacturing due to a variety of reasons, including failure to follow specific protocols and procedures, failure to comply with applicable regulations, or the need to implement costly or time-consuming protocols to comply with applicable regulations (including regulations related to conflict minerals), equipment malfunction, natural disasters and environmental factors, any of which could delay or impede their ability to meet our demand.

We are exposed to fluctuations in foreign currency exchange rates, which could adversely affect our future operating results.

Our results of operations are subject to fluctuations in exchange rates, which could adversely affect our future revenue and overall operating results. In order to minimize volatility in earnings associated with fluctuations in the value of foreign currency relative to the U.S. dollar, we use financial instruments to hedge our exposure to foreign currencies as we deem appropriate for a portion of our expenses, which are denominated in the local currency of our foreign subsidiaries. We generally initiate our hedging of currency exchange risks one year in advance of anticipated foreign currency expenses for those currencies to which we have the greatest exposure. When the dollar is weak, foreign currency denominated expenses will be higher, and these higher expenses will be partially offset by the gains realized from our hedging contracts. If the dollar is strong, foreign currency denominated expenses will be lower. These lower expenses will in turn be partially offset by the losses incurred from our hedging contracts. There is a risk that there will be fluctuations in foreign currency exchange rates beyond the one year timeframe for which we hedge our risk and there is no guarantee that we will accurately forecast the expenses we are hedging. Further, a substantial portion of our overseas assets and liabilities are denominated in local currencies. To protect against fluctuations in earnings caused by changes in currency exchange rates when remeasuring our balance sheet, we utilize foreign exchange forward contracts to hedge our exposure to this potential volatility. There is no assurance that our hedging strategies will be effective. In addition, as a result of entering into these contracts with counterparties who are unrelated to us, the risk of a counterparty default exists in fulfilling the hedge contract. Should there be a counterparty default, we could be unable to recover anticipated net gains from the transactions.

Potential new product and technology initiatives subject us to additional business, legal and competitive risks.

While we intend to focus in the short-term on the rationalization of our product portfolio, it is likely that any future growth will depend on the success of new products and technology initiatives yet to be identified. These potential initiatives subject us to additional risks, which could adversely affect our business, results of operations and financial condition. These risks include:

- certain of our new product initiatives have a subscription model and we may not be able to accurately predict subscription renewal rates or their impact on results;
- if customers do not adopt our new product or service offerings, we may be unable to recoup or realize a reasonable return on our investment in these new products and services;
- sales of existing products and service offerings may be delayed while customers are investigating our new offerings;
- competitive product and service offerings in emerging IT sectors may gain broad adoption before our products and services and, it may be difficult for us to displace such offerings regardless of the comparative technical merit, efficacy or cost of our products and services;
-

we may not be able to develop and implement effective go-to-market strategies and train our sales team and channel partners in order to effectively market offerings in product categories in which we have less experience than our competitors;

we may not be able to develop effective pricing strategies for our new products and services;

- hardware, software and cloud hosting vendors may not be able to ensure interoperability with our products and offer compatible products and services to end users;

our new initiatives may be hosted by third parties whom we do not control but whose failure to prevent service disruptions, or other failures or breaches may require us to compensate, indemnify or otherwise be liable to customers or third parties for business interruptions or damages that may occur; and



Our operating margins in our new initiatives may be lower than those we have achieved in our more mature products and services markets, and our new initiatives may not generate sufficient revenue to recoup our investments in them. A significant portion of our cash and cash equivalents are held overseas. If we are not able to generate sufficient cash domestically in order to fund our U.S. operations, stock repurchases and strategic opportunities, and to service our debt, we may incur a significant tax liability in order to repatriate the overseas cash balances, or we may need to raise additional capital in the future.

As of December 31, 2015, \$1.61 billion of our cash, cash equivalents and investments were held in foreign countries. These amounts are not freely available for dividend repatriation to the U.S. without triggering significant adverse tax consequences in the U.S. As a result, if the cash generated by our domestic operations is not sufficient to fund our domestic operations, our broader corporate initiatives such as stock repurchases, acquisitions, and other strategic opportunities, and to service our outstanding indebtedness, we may need to raise additional funds through public or private debt or equity financings, or we may need to obtain new credit facilities to the extent we choose not to repatriate our overseas cash. Such additional financing may not be available on terms favorable to us, or at all, and any new equity financings or offerings would dilute our current stockholders' ownership. Furthermore, lenders may not agree to extend us new, additional or continuing credit. If adequate funds are not available, or are not available on acceptable terms, we may be forced to repatriate our foreign sources of liquidity and incur a significant tax expense or we may not be able to take advantage of strategic opportunities, develop new products, respond to competitive pressures, repurchase outstanding stock or repay our outstanding indebtedness. In any such case, our business, operating results or financial condition could be adversely impacted. For further information, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

#### RISKS RELATED TO THE PROPOSED SPINOFF OF OUR GOTO FAMILY OF PRODUCTS

The proposed spinoff of our GoTo family of products is subject to various risks and uncertainties, and there is no assurance that the spinoff will be completed on the terms or timeline contemplated, if at all.

On November 17, 2015, we announced plans to spin off our GoTo family of products into a separate, publicly-traded company following a review of strategic alternatives for those products. As of the date of this report, we expect the spinoff to be completed during the second half of 2016. This process is time-consuming and involves significant costs and expenses and presents additional risks during the pendency of the separation and following its completion, including:

- diversion of management's and our employees' attention from other business concerns;
- disruption of our business;
- loss of customers and other business opportunities;
- challenges in attracting, retaining and motivating key employees;
- continued expenses as a result of any ongoing obligations to provide transition services to the new spinoff company; and
- difficulties associated with the separation of operations, services, products and personnel.

We may not be successful in managing these or any other significant risks that we encounter in working towards completion of the spinoff and following its completion, which could have a material adverse effect on our business, results of operations and financial condition.

Moreover, unanticipated developments could delay or prevent the completion of the spinoff, or cause the proposed separation to occur on terms and conditions that are different or less favorable than expected, including disruptions in the financial markets or possible problems or delays in obtaining various approvals. In addition, completion of the proposed spinoff will require final approval of our Board of Directors. Therefore, we cannot assure you that we will be able to complete the spinoff on the terms or on the timeline that we announced, if at all.

We may not achieve some or all of the expected benefits of the spinoff, and the spinoff could harm our business, financial condition and results of operations.

We may not be able to achieve some or all of the anticipated strategic, financial, operational, marketing or other benefits expected to result from the spinoff, or such benefits may be delayed. As independent, publicly-traded companies, Citrix and the new spinoff company will be smaller, less diversified companies with a narrower business focus and may be more vulnerable to changing market conditions, which could materially adversely affect their respective businesses, results of operations and financial condition. Separating the businesses may also eliminate or reduce certain synergies that existed prior to the spinoff, which could harm each business.

There can be no assurance that the combined value of the common stock of the two publicly-traded companies following completion of the proposed spinoff will be equal to or greater than what the market value of Citrix common stock would have been had the proposed spinoff not occurred, and may be higher or lower than the market value of Citrix common stock immediately prior to the spinoff. The combined value of the common stock of the two companies could be lower than anticipated for a variety of reasons, including, among others, the inability of the new spinoff company to operate and compete effectively as an independent company. Further, shares of our common stock will represent an investment in a smaller company with its business concentrated in the delivery of apps and data. These changes may not meet some shareholders' investment strategies, which could cause investors to sell their shares of our common stock. Excessive selling could cause the relative market price of our common stock to decrease following the consummation of the proposed spin-off.

If the spinoff, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, Citrix and its stockholders could be subject to significant tax liabilities.

We intend to obtain an opinion of outside counsel regarding the qualification of the distribution, together with certain related transactions, as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code. The opinion will be based on and rely on, among other things, certain facts and assumptions, as well as certain representations, statements and undertakings of Citrix and the new spinoff company, including those relating to the past and future conduct of Citrix and the new spinoff company. If any of these facts, assumptions, representations, statements or undertakings are, or become, inaccurate or incomplete, or if Citrix or the new spinoff company breach any of their respective covenants in the separation documents, the opinion of counsel may be invalid and the conclusions reached therein could be jeopardized. Notwithstanding the opinion of counsel, the IRS could determine on audit that the distribution, together with certain related transactions, is taxable for U.S. federal income tax purposes if it determines that any of these facts, assumptions, representations, statements or undertakings are incorrect or have been violated or if it disagrees with the conclusions in the opinion of counsel. An opinion of counsel is not binding on the IRS or any court and there can be no assurance that the IRS will not challenge the conclusions reached in the opinion. The IRS will not provide a ruling in advance of the separation that the proposed transaction will be tax-free. If the distribution, together with certain related transactions, is ultimately determined to be taxable, Citrix and its stockholders that are subject to U.S. federal income tax could incur significant U.S. federal income tax liabilities.

#### RISKS RELATED TO ACQUISITIONS, STRATEGIC RELATIONSHIPS AND DIVESTITURES

Acquisitions and divestitures present many risks, and we may not realize the financial and strategic goals we anticipate.

In recent years, we have addressed the development of new products and services and enhancements to existing products and services through acquisitions of other companies, product lines and/or technologies. However, acquisitions, including those of high-technology companies, are inherently risky. We cannot provide any assurance that any of our acquisitions or future acquisitions will be successful in helping us reach our financial and strategic goals. The risks we commonly encounter in undertaking, managing and integrating acquisitions are:

- an uncertain revenue and earnings stream from the acquired company, which could dilute our earnings;
- difficulties and delays integrating the personnel, operations, technologies, products and systems of the acquired companies;
- undetected errors or unauthorized use of a third-party's code in products of the acquired companies;
- our ongoing business may be disrupted and our management's attention may be diverted by acquisition, transition or integration activities;
- challenges with implementing adequate and appropriate controls, procedures and policies in the acquired business;
- difficulties managing or integrating an acquired company's technologies or lines of business;
- potential difficulties in completing projects associated with purchased in-process research and development;
- entry into markets in which we have no or limited direct prior experience and where competitors have stronger market positions and which are highly competitive;

the potential loss of key employees of the acquired company;  
potential difficulties integrating the acquired products and services into our sales channel;  
assuming pre-existing contractual relationships of an acquired company that we would not have otherwise entered into, the termination or modification of which may be costly or disruptive to our business;  
being subject to unfavorable revenue recognition or other accounting treatment as a result of an acquired company's practices; and  
intellectual property claims or disputes.

Our failure to successfully integrate acquired companies due to these or other factors could have a material adverse effect on our business, results of operations and financial condition.

Any future divestitures we make may also involve risks and uncertainties. Any such divestitures could result in disruption to other parts of our business, potential loss of employees or customers, exposure to unanticipated liabilities or result in ongoing obligations and liabilities to us following any such divestiture. For example, in connection with a divestiture, we may enter into transition services agreements or other strategic relationships, including long-term research and development arrangements, sales arrangements or agree to provide certain indemnities to the purchaser in any such transaction, which may result in additional expense. Further, if we do not realize the expected benefits or synergies of such transactions, our operating results and financial conditions could be adversely affected.

If we determine that any of our goodwill or intangible assets, including technology purchased in acquisitions, are impaired, we would be required to take a charge to earnings, which could have a material adverse effect on our results of operations.

We have a significant amount of goodwill and other intangible assets, such as product related intangible assets, from our acquisitions. We do not amortize goodwill and intangible assets that are deemed to have indefinite lives. However, we do amortize certain product related technologies, trademarks, patents and other intangibles and we periodically evaluate them for impairment. We review goodwill for impairment annually, or sooner if events or changes in circumstances indicate that the carrying amount could exceed fair value, at the reporting unit level, which for us also represents our operating segments. Significant judgments are required to estimate the fair value of our goodwill and intangible assets, including estimating future cash flows, determining appropriate discount rates, estimating the applicable tax rates, foreign exchange rates and interest rates, projecting the future industry trends and market conditions, and making other assumptions. Although we believe the assumptions, judgments and estimates we have made have been reasonable and appropriate, different assumptions, judgments and estimates, materially affect our results of operations. Changes in these estimates and assumptions, including changes in our reporting structure, could materially affect our determinations of fair value. In addition, due to uncertain market conditions and potential changes in our strategy and product portfolio, it is possible that the forecasts we use to support our goodwill and other intangible assets could change in the future, which could result in non-cash charges that would adversely affect our results of operations and financial condition. For example, in 2015, in connection with prior acquisitions, we recorded non-cash impairment charges of \$123.0 million. Also, we may make divestitures of businesses in the future. If we determine that any of the intangible assets associated with our acquisitions is impaired or goodwill is impaired, then we would be required to reduce the value of those assets or to write them off completely by taking a charge to current earnings. If we are required to write down or write off all or a portion of those assets, or if financial analysts or investors believe we may need to take such action in the future, our stock price and operating results could be materially and adversely affected.

Our inability to maintain or develop our strategic and technology relationships could adversely affect our business. We have several strategic and technology relationships with large and complex organizations, such as Microsoft and Cisco, and other companies with which we work to offer complementary products and services. We depend on the companies with which we have strategic relationships to successfully test our products, to incorporate our technology into their products and to market and sell those products. There can be no assurance we will realize the expected benefits from these strategic relationships or that they will continue in the future. If successful, these relationships may be mutually beneficial and result in industry growth. However, such relationships carry an element of risk because, in most cases, we must compete in some business areas with a company with which we have a strategic relationship and, at the same time, cooperate with that company in other business areas. Also, if these companies fail to perform or if these relationships fail to materialize as expected, we could suffer delays in product development, reduced sales or other operational difficulties and our business, results of operations and financial condition could be materially adversely affected.

#### RISKS RELATED TO INTELLECTUAL PROPERTY AND BRAND RECOGNITION

Our efforts to protect our intellectual property may not be successful, which could materially and adversely affect our business.

We rely primarily on a combination of copyright, trademark, patent and trade secret laws, confidentiality procedures and contractual provisions to protect our source code, innovations and other intellectual property, all of which offer

only limited protection. The loss of any material trade secret, trademark, tradename, patent or copyright could have a material adverse effect on our business. Despite our precautions, it could be possible for unauthorized third parties to infringe our intellectual property rights or misappropriate, copy, disclose or reverse engineer our proprietary information, including certain portions of our products or to otherwise obtain and use our proprietary source code. In addition, our ability to monitor and control such misappropriation or infringement is uncertain, particularly in countries outside of the United States. If we cannot protect our

intellectual property from infringement and our proprietary source code against unauthorized copying, disclosure or use, loss of our market share could result, including as a result of unauthorized third parties' development of products and technologies similar to or better than ours.

The scope of our patent protection may be affected by changes in legal precedent and patent office interpretation of these precedents. Further, any patents owned by us could be invalidated, circumvented or challenged. Any of our pending or future patent applications, whether or not being currently challenged, may not be issued with the scope of protection we seek, if at all; and if issued, may not provide any meaningful protection or competitive advantage.

Our ability to protect our proprietary rights could be affected by differences in international law and the enforceability of licenses. The laws of some foreign countries do not protect our intellectual property to the same extent as do the laws of the United States and Canada. For example, we derive a significant portion of our sales from licensing our products under "click-to-accept" license agreements that are not signed by licensees and through electronic enterprise customer licensing arrangements that are delivered electronically, all of which could be unenforceable under the laws of many foreign jurisdictions in which we license our products. Moreover, with respect to the various confidentiality, license or other agreements we utilize with third parties related to their use of our products and technologies, there is no guarantee that such parties will abide by the terms of such agreements.

Our products and services, including products obtained through acquisitions, could infringe third-party intellectual property rights, which could result in material litigation costs.

We are increasingly subject to patent infringement claims and may in the future be subject to an increased number of claims, including claims alleging the unauthorized use of a third-party's code in our products. This may occur for a variety of reasons, including:

- the expansion of our product lines, such as our Workspace Services and Delivery Networking products, and related technical services and expansion of our Mobility Apps products, through product development and acquisitions;
- the volume of patent infringement litigation commenced by non-practicing entities;
- an increase in the number of competitors in our industry segments and the resulting increase in the number of related products and services and the overlap in the functionality of those products and services;
- an increase in the number of our competitors and third parties that use their own intellectual property rights to limit our freedom to operate and exploit our products, or to otherwise block us from taking full advantage of our markets; our products and services may rely on the technology of others and, therefore, require us to obtain intellectual property licenses from third parties in order for us to commercialize our products or services and we may not be able to obtain or continue to obtain licenses from these third parties on reasonable terms; and
- the unauthorized or improperly licensed use of third-party code in our products.

Further, responding to any infringement claim, regardless of its validity or merit, could result in costly litigation.

Further, intellectual property litigation could compel us to do one or more of the following:

- pay damages (including the potential for treble damages), license fees or royalties (including royalties for past periods) to the party claiming infringement;
- stop licensing products or providing services that use the challenged intellectual property;
- obtain a license from the owner of the asserted intellectual property to sell or use the relevant technology, which license may not be available on reasonable terms, or at all; or
- redesign the challenged technology, which could be time consuming and costly, or not be accomplished.

If we were compelled to take any of these actions, our business, results of operations or financial condition may be impacted.

Our use of "open source" software could negatively impact our ability to sell our products and subject us to possible litigation.

The products or technologies acquired, licensed or developed by us may incorporate so-called "open source" software, and we may incorporate open source software into other products in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, "Apache-style" licenses, "Berkeley Software Distribution," "BSD-style" licenses, and other open source licenses. Even though we attempt to monitor our use of open source software in an effort to avoid subjecting our products to conditions we do not intend, it is possible that not all instances of our open source code usage are properly reviewed. Further, although we believe that we have complied

with our obligations under the various applicable licenses for

25

---



open source software that we use such that we have not triggered any of these conditions, there is little or no legal precedent governing the interpretation or enforcement of many of the terms of these types of licenses. If an author or other third party that distributes open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations. If our defenses were not successful, we could be subject to significant damages, enjoined from the distribution of our products that contained open source software, and required to comply with the terms of the applicable license, which could disrupt the distribution and sale of some of our products. In addition, if we combine our proprietary software with open source software in an unintended manner, under some open source licenses we could be required to publicly release the source code of our proprietary software, offer our products that use the open source software for no cost, make available source code for modifications or derivative works we create based upon incorporating or using the open source software, and/or license such modifications or derivative works under the terms of the particular open source license.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide technology support, maintenance, warranties or assurance of title or controls on the origin of the software.

Our business depends on maintaining and protecting the strength of our collection of brands.

The Citrix product and service brands that we have developed has significantly contributed to the success of our business. Maintaining and enhancing the Citrix product and service brands is critical to expanding our base of customers and partners. We may be subject to reputational risks and our brand loyalty may decline if others adopt the same or confusingly similar marks in an effort to misappropriate and profit on our brand name and do not provide the same level of quality as is delivered by our products and services. Additionally, we may be unable to use some of our brands in certain countries or unable to secure trademark rights in certain jurisdictions where we do business. In order to police, maintain, enhance and protect our brands, we may be required to make substantial investments that may not be successful. If we fail to police, maintain, enhance and protect the Citrix brands, if we incur excessive expenses in this effort or if customers or potential customers are confused by others' trademarks, our business, operating results, and financial condition may be materially and adversely affected.

If we lose access to third-party licenses, releases of our products could be delayed.

We believe that we will continue to rely, in part, on third-party licenses to enhance and differentiate our products.

Third-party licensing arrangements are subject to a number of risks and uncertainties, including:

- undetected errors or unauthorized use of another person's code in the third party's software;
- disagreement over the scope of the license and other key terms, such as royalties payable and indemnification protection;
- infringement actions brought by third-parties;
  - that third parties will create solutions that directly compete with our products;
  - and
  - termination or expiration of the license.

If we lose or are unable to maintain any of these third-party licenses or are required to modify software obtained under third-party licenses, it could delay the release of our products. Any delays could have a material adverse effect on our business, results of operations and financial condition.

#### **RISKS RELATED TO OUR COMMON STOCK, OUR DEBT AND EXTERNAL FACTORS**

Natural disasters or other unanticipated catastrophes that result in a disruption of our operations could negatively impact our results of operations.

Our worldwide operations are dependent on our network infrastructure, internal technology systems and website. Significant portions of our computer equipment, intellectual property resources and personnel, including critical resources dedicated to research and development and administrative support functions are presently located at our corporate headquarters in Fort Lauderdale, Florida, an area of the country that is particularly prone to hurricanes, and at our various locations in California, an area of the country that is particularly prone to earthquakes. We also have operations in various domestic and international locations that expose us to additional diverse risks. The occurrence of natural disasters, such as hurricanes, floods or earthquakes, or other unanticipated catastrophes, such as

telecommunications failures, cyber-attacks, fires or terrorist attacks, at any of the locations in which we or our key partners, suppliers and customers do business, could cause interruptions in our operations. For example, hurricanes have passed through southern Florida causing extensive damage to the region. In addition, even in the absence of direct damage to our operations, large disasters, terrorist attacks or other casualty events could have a significant impact on our partners', suppliers' and customers' businesses, which in turn could result in a negative impact on our

results of operations. Extensive or multiple disruptions in our operations, or our partners', suppliers' or customers' businesses, due to natural disasters or other unanticipated catastrophes could have a material adverse effect on our results of operations.

Servicing our debt will require a significant amount of cash, which could adversely affect our business, financial condition and results of operations.

We have aggregate indebtedness of approximately \$1.4 billion that we have incurred in connection with the issuance of our Convertible Notes and under our Credit Agreement, and we may incur additional indebtedness in the future.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our future indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates" and Notes 12 and 13 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for information regarding our Convertible Notes and our Credit Facility.

In addition, holders of the Convertible Notes will have the right to require us to repurchase their Convertible Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. Further, upon conversion of the Convertible Notes, we will be required to make cash payments for each \$1,000 in principal amount of Convertible Notes converted of at least the lesser of \$1,000 and the sum of the daily conversion values thereunder. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Notes surrendered therefor or Convertible Notes being converted. In addition, our ability to repurchase the Convertible Notes or to pay cash upon conversions of the Convertible Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase Convertible Notes at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the Convertible Notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under our Credit Agreements or agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Convertible Notes or make cash payments upon conversions of the Convertible Notes.

Further, the Credit Agreement requires us to maintain certain leverage and interest ratios and contains various affirmative and negative covenants, including covenants that limit or restrict our ability to grant liens, merge or consolidate, dispose of all or substantially all of our assets, change our business or incur subsidiary indebtedness. If we fail to comply with these covenants or any other provision of the Credit Agreement, we may be in default under the Credit Agreement, and we cannot assure you that we will be able to obtain the necessary waivers or amendments of such default. Upon an event of default under our Credit Agreement, if not otherwise amended or waived, the affected lenders could accelerate the repayment of any outstanding principal and accrued interest on their outstanding loans and terminate their commitments to lend additional funds, which may have a material adverse effect on our liquidity and financial position and, further, we may not have sufficient funds to repay such indebtedness.

In addition, our indebtedness, combined with our other financial obligations and contractual commitments, could have other important consequences. For example, it could:

- make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry and competitive conditions and adverse changes in government regulation;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a disadvantage compared to our competitors who have less debt; and
- limit our ability to borrow additional amounts to fund acquisitions, for working capital and for other general corporate purposes.

Any of these factors could materially and adversely affect our business, financial condition and results of operations. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service or repay our indebtedness would increase.

The accounting method for convertible debt securities that may be settled in cash, such as the Convertible Notes, could have a material effect on our reported financial results.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Convertible Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Convertible Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the Convertible Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the Convertible Notes to their face amount over the term of the Convertible Notes. We will report lower net income in our financial results as reported in accordance with U.S. GAAP because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results.

In addition, under certain circumstances, convertible debt instruments (such as the Convertible Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Convertible Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Convertible Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the Convertible Notes, then our diluted earnings per share would be adversely affected. Our portfolios of liquid securities and strategic investments may lose value or become impaired.

Our investment portfolio consists of agency securities, corporate securities, money market funds, municipal (including auction rate) securities, government securities and commercial paper. Although we follow an established investment policy and seek to minimize the credit risk associated with investments by investing primarily in investment grade, highly liquid securities and by limiting exposure to any one issuer depending on credit quality, we cannot give assurances that the assets in our investment portfolio will not lose value, become impaired, or suffer from illiquidity. Changes in our tax rates or our exposure to additional income tax liabilities could affect our operating results and financial condition.

Our future effective tax rates could be favorably or unfavorably affected by changes in the valuation of our deferred tax assets and liabilities, the geographic mix of our revenue, or by changes in tax laws or their interpretation. Significant judgment is required in determining our worldwide provision for income taxes. In addition, we are subject to the continuous examination of our income tax returns by tax authorities, including the Internal Revenue Service, or the IRS. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance, however, that the outcomes from these continuous examinations will not have an adverse effect on our operating results and financial condition. Additionally, due to the evolving nature of tax rules combined with the large number of jurisdictions in which we operate, it is possible that our estimates of our tax liability and the realizability of our deferred tax assets could change in the future, which may result in additional tax liabilities and adversely affect our results of operations, financial condition and cash flows.

Our stock price could be volatile, particularly during times of economic uncertainty and volatility in domestic and international stock markets, and you could lose the value of your investment.

Our stock price has been volatile and has fluctuated significantly in the past. The trading price of our stock is likely to continue to be volatile and subject to fluctuations in the future. Your investment in our stock could lose some or all of its value. Some of the factors that could significantly affect the market price of our stock include:

• actual or anticipated variations in operating and financial results; analyst reports or recommendations;  
• rumors, announcements, or press articles regarding our or our competitors' operations, management, organization,  
• financial condition, or financial statements; and  
• other events or factors, many of which are beyond our control.

The stock market in general, The NASDAQ Global Select Market, and the market for software companies and technology companies in particular, have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to operating performance. These fluctuations may continue in the future and this could materially and adversely affect the market price of our stock, regardless of operating performance.

Changes or modifications in financial accounting standards may have a material adverse impact on our reported results of operations or financial condition.

A change or modification in accounting policies can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective, including the potential impact of the adoption and implementation of the accounting standard update on revenue recognition issued in May 2014 by the Financial Accounting Standards Board. New pronouncements and varying interpretations of existing pronouncements have occurred with frequency and may occur in the future. Changes to existing rules, or changes to the interpretations of existing rules, could lead to changes in our accounting practices, and such changes could materially adversely affect our reported financial results or the way we conduct our business.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

We have received no written comments regarding our periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of our 2015 fiscal year that remain unresolved.

**ITEM 2. PROPERTIES**

We lease and sublease office space in the Americas, which is comprised of the United States, Canada and Latin America, EMEA, which is comprised of Europe, the Middle East and Africa, and Asia-Pacific. The following table presents the location and square footage of our leased office space by reporting segment as of December 31, 2015:

	Enterprise and Service Provider (square footage)	Mobility Apps
Americas	708,599	380,261
EMEA	245,381	100,994
Asia-Pacific	787,533	—
Total	1,741,513	481,255

In addition, we own land and buildings in Fort Lauderdale, Florida with approximately 314,000 square feet of office space used for our corporate headquarters, approximately 40,000 square feet of office space in Goleta, California related to our Mobility Apps business unit, and 41,000 square feet of office space in EMEA related to our Enterprise and Service Provider business unit.

We believe that our existing facilities are adequate for our current needs. As additional space is needed in the future, we believe that suitable space will be available in the required locations on commercially reasonable terms.

**ITEM 3. LEGAL PROCEEDINGS**

In April 2014, John Calma, ostensibly on behalf of Citrix, filed a shareholder derivative complaint against certain of our directors (and Citrix as a nominal defendant) in the Court of Chancery of the State of Delaware. The complaint alleges breach of fiduciary duty, waste of corporate assets and unjust enrichment related to stock awards that they received under our director compensation program. The complaint seeks the recovery of monetary damages and other relief for damages allegedly caused to Citrix. We believe that our directors and Citrix have meritorious defenses to these allegations and that it is not reasonably possible that the ultimate outcome of this suit will materially and adversely affect our business, financial condition, results of operations or cash flows.

Due to the nature of our business, we are subject to patent infringement claims, including current suits against us or one or more of our wholly-owned subsidiaries alleging infringement by various Citrix products and services. We believe that we have meritorious defenses to the allegations made in our pending cases and intend to vigorously defend these lawsuits; however, we are unable currently to determine the ultimate outcome of these or similar matters or the potential exposure to loss, if any. In addition, we are a defendant in various litigation matters generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcomes of these cases, we believe that it is not reasonably possible that the ultimate outcomes will materially and adversely affect our business, financial position, results of operations or cash flows.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

## Price Range of Common Stock and Dividend Policy

Our common stock is currently traded on The NASDAQ Global Select Market under the symbol CTXS. The following table sets forth the high and low sales prices for our common stock as reported on The NASDAQ Global Select Market for the periods indicated, as adjusted to the nearest cent.

	High	Low
Year Ended December 31, 2015:		
Fourth quarter	\$84.17	\$68.50
Third quarter	\$78.42	\$65.11
Second quarter	\$73.12	\$60.85
First quarter	\$64.99	\$56.47
Year Ended December 31, 2014:		
Fourth quarter	\$71.19	\$59.39
Third quarter	\$72.89	\$61.83
Second quarter	\$65.72	\$53.86
First quarter	\$63.20	\$51.18

On February 12, 2016, the last reported sale price of our common stock on The NASDAQ Global Select Market was \$64.31 per share. As of February 12, 2016, there were 586 holders of record of our common stock.

We currently intend to retain any earnings for use in our business, for investment in acquisitions and to repurchase shares of our common stock. We have not paid any cash dividends on our capital stock in the last two years and do not currently anticipate paying any cash dividends on our capital stock in the foreseeable future.

## Issuer Purchases of Equity Securities

Our Board of Directors has authorized an ongoing stock repurchase program with a total repurchase authority granted to us of \$6.3 billion, of which \$500.0 million was approved in September 2015 and \$400.0 million was approved in January 2016. We may use the approved dollar authority to repurchase stock at any time until the approved amount is exhausted. The objective of the stock repurchase program is to improve stockholders' returns. At December 31, 2015, approximately \$32.7 million was available to repurchase common stock pursuant to the stock repurchase program. All shares repurchased are recorded as treasury stock. The following table shows the monthly activity related to our stock repurchase program for the quarter ended December 31, 2015.

	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate dollar value of Shares that may yet be Purchased under the Plans or Programs (in thousands) <sup>(2)</sup>
October 1, 2015 through October 31, 2015	3,677,721	\$73.64	3,637,409	\$68,915
November 1, 2015 through November 30, 2015	551,718	\$74.75	490,658	\$32,695
December 1, 2015 through December 31, 2015	78,008	\$76.72	—	\$32,695
Total	4,307,447	\$73.84	4,128,067	\$32,695

Represents approximately 4.1 million shares acquired in open market purchases under the stock repurchase program and 179,380 shares withheld from stock units that vested in the fourth quarter of 2015 to satisfy minimum (1)tax withholding obligations that arose on the vesting of stock units. We expended approximately \$304.1 million during the quarter ended December 31, 2015 for repurchases of our common stock. For more information see Note 8 to our consolidated financial statements.

(2)

Shares withheld from stock units that vested to satisfy minimum tax withholding obligations that arose on the vesting of stock units do not deplete the dollar amount available for purchases under the repurchase program.

## ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data is derived from our consolidated financial statements. This data should be read in conjunction with the consolidated financial statements and notes thereto, and with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(In thousands, except per share data)				
Consolidated Statements of Income Data:					
Net revenues	\$3,275,594	\$3,142,856	\$2,918,434	\$2,586,123	\$2,206,392
Cost of net revenues <sup>(a)</sup>	614,364	620,219	502,795	404,137	293,599
Gross margin	2,661,230	2,522,637	2,415,639	2,181,986	1,912,793
Operating expenses	2,311,145	2,220,326	2,034,922	1,791,208	1,495,827
Income from operations	350,085	302,311	380,717	390,778	416,966
Interest income	11,675	9,421	8,194	10,152	13,819
Interest expense	44,153	28,332	128	312	62
Other (expense) income, net	(5,730)	(7,694)	(893)	9,611	(226)
Income before income taxes	311,877	275,706	387,890	410,229	430,497
Income tax (benefit) expense	(7,484)	23,983	48,367	57,682	74,867
Consolidated net income	319,361	251,723	339,523	352,547	355,630
Less: Net loss attributable to non-controlling interest	—	—	—	—	692
Net income attributable to Citrix Systems, Inc.	\$319,361	\$251,723	\$339,523	\$352,547	\$356,322
Net income per share attributable to Citrix Systems, Inc. stockholders - diluted	\$1.99	\$1.47	\$1.80	\$1.86	\$1.87
Weighted average shares outstanding - diluted	160,362	171,270	188,245	189,129	190,641

	December 31,				
	2015	2014	2013	2012	2011
	(In thousands)				
Consolidated Balance Sheet Data:					
Total assets	\$5,481,438	\$5,512,007	\$5,212,249	\$4,796,402	\$4,099,541
Total equity	1,973,446	2,173,645	3,319,807	3,121,777	2,730,490

<sup>(a)</sup> Cost of net revenues includes amortization and impairment of product related intangible assets of \$131.2 million, \$146.4 million, \$97.9 million, \$80.0 million, and \$54.7 million in 2015, 2014, 2013, 2012 and 2011, respectively.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

Citrix solutions power business mobility through secure, mobile workspaces that provide people with instant access to apps, desktops, data and communications on any device, over any network or cloud.

We market and license our products directly to customers, over the Web, and through systems integrators, or SIs, in addition to indirectly through value-added resellers, or VARs, value-added distributors, or VADs, original equipment manufacturers, or OEMs and service providers.

We are a Delaware corporation founded on April 17, 1989.

### Executive Summary

We develop and sell products and services that enable the secure and reliable delivery of applications and data over public, private or hybrid clouds or networks, to virtually any type of device. Our technologies mobilize desktops, apps, data, and people to help our customers drive value. We continue driving innovation in the datacenter with our unique technologies across both physical and software defined networking platforms while powering some of the world's largest clouds and giving enterprises the capabilities to combine best-in-class application networking services on a single, consolidated footprint. Our work with Citrix Service Providers, or CSPs, and our cloud-based offerings in XenApp and XenMobile are how we're meeting customer demand for subscription-based services for the delivery of apps - from Windows to web to mobile.

In January 2015, we announced the implementation of a restructuring program designed to increase strategic focus and operational efficiency and began to execute against the program in February 2015. As a result, we eliminated approximately 700 full-time positions in the first half of 2015. During the year ended December 31, 2015, we incurred costs of \$68.9 million, primarily related to employee severance arrangements and the consolidation of leased facilities. The majority of the activities related to the 2015 Restructuring Program were substantially completed by the end of 2015.

In the first quarter of 2015, we saw a greater than anticipated impact on our execution as a result of the implementation of our 2015 Restructuring Program, organizational and leadership evolution and changes to our field and channel strategies. We made progress during the second half of 2015 in absorbing and adjusting to these changes, which is reflected in our improved results from operations during the second half of 2015.

In July 2015, we announced that our Board formed an Operations Committee to work with our management team on a comprehensive operational review, including, among other things, a review of our operating margins, profitability and capital. In November 2015, we announced key conclusions and initial plans from our operational review, which included plans to increase emphasis and resources to core enterprise products for secure and reliable application and data delivery, including XenApp, XenDesktop, XenMobile, ShareFile and NetScaler. To achieve this focus, the company will end investment in certain other products and programs, in some cases moving technologies that are currently stand alone products to features of strategic products, in other cases providing an orderly end-of-life to non-core products.

Also announced in November 2015, was a plan to spinoff our GoTo family of products into a separate, publicly traded company. The company established as a result of the spinoff will be made up of the following products and services: GoToAssist, GoToMeeting, GoToMyPC, GoToTraining, GoToWebinar, Grasshopper and OpenVoice. The proposed separation, which is intended to be a tax-free spinoff to our stockholders, is expected to be completed in the second half of 2016. Upon completion of the separation, Chris Hysten, who currently serves as our Senior Vice President and General Manager of our Mobility Apps business unit, will serve as Chief Executive Officer of the new spinoff company. The proposed spinoff is subject to customary closing conditions and final approval by our Board of Directors.

We expect to incur significant costs in connection with our planned separation of our GoTo business. These costs relate primarily to third-party advisory and consulting services, retention payments to certain employees, incremental stock-based compensation and other costs directly related to the separation. Costs related to employees for retention or stock-based compensation are classified on a basis consistent with their regular compensation charges and included within Cost of net revenues, Research and development, Sales, marketing and services, or General and administrative expense in our consolidated statements of income as applicable. Costs other than those paid to employees are included

within General and administrative expense in our consolidated statements of income. During 2015, we incurred approximately \$6.4 million related to separation costs. We expect to incur additional separation costs in 2016 until we complete the separation of our GoTo business. We currently expect to record in the aggregate approximately \$100.0 million to \$110.0 million in separation costs, although that estimate is subject to a number of assumptions and uncertainties.

Further, we also announced the implementation of a restructuring program that will focus on simplification of our enterprise go-to-market motion and roles while improving coverage, reflect changes in our product focus, and balance resources with demand across our marketing, general and administration areas. The 2015 Other Restructuring Program calls for the elimination of approximately 700 full-time positions, of which 350 were communicated in 2015. During the year ended December 31, 2015, we incurred costs of \$29.7 million primarily related to employee severance arrangements. We currently expect to record in the aggregate approximately \$55.0 million to \$60.0 million in pre-tax restructuring charges associated with this program. The majority of these charges are related to employee severance, outplacement, professional service fees, and facility closing costs. We currently anticipate completing the activities related to the 2015 Other Restructuring Program during the first half of fiscal year 2016.

In October 2015, we announced that Mark B. Templeton retired as our Chief Executive Officer and President and as a member of the Board of Directors, and that Robert M. Calderoni, our Executive Chairman, was appointed interim Chief Executive Officer and President. In January 2016, we announced that Kirill Tatarinov has been appointed President and Chief Executive Officer, effective January 25, 2016. Mr. Tatarinov also joined our Board of Directors as a director at that time. Mr. Calderoni, will continue his role as Executive Chairman on our Board of Directors, focused on driving execution of our strategic plan, including operational efficiency, capital structure and portfolio simplification.

#### Summary of Results

For the year ended December 31, 2015 compared to the year ended December 31, 2014, we delivered the following financial performance:

- Product and license revenue decreased (2.7)% to \$875.8 million;
- Software as a service revenue increased 12.2% to \$731.3 million;
- License updates and maintenance revenue increased 7.4% to \$1.5 billion;
- Professional services revenue decreased (16.0)% to \$147.5 million;
- Gross margin as a percentage of revenue increased 0.9% to 81.2%;
- Operating income increased 15.8% to \$350.1 million; and
- Diluted earnings per share increased 35.4% to \$1.99.

The decrease in our Product and licenses revenue was primarily driven by lower sales of our Workspace Services solutions and certain Delivery Networking products, primarily ByteMobile Smart Capacity and CloudBridge, partially offset by an increase in sales of NetScaler. Our Software as a service revenues increased due to increased sales of our Communications Cloud products, led by GoToMeeting and Grasshopper, and our Workflow Cloud products, primarily ShareFile. The increase in License updates and maintenance revenue was primarily due to increased sales of maintenance revenues across our Workspace Services and Delivery Networking products, partially offset by a decrease in our Subscription Advantage product. The decrease in Professional services revenue was primarily due to decreased product training and certification and implementation services related to our Workspace Services products. We currently target total revenue to increase when comparing the first quarter of 2016 to the first quarter of 2015. In addition, when comparing the 2016 fiscal year to the 2015 fiscal year, we target total revenue to increase. The increase in 2015 in gross margin as a percentage of net revenue was not significant. The increase in operating income and diluted earnings per share when comparing the 2015 to 2014 was primarily due to an increase in revenues and gross margin. In addition, 2014 included a charge related to a patent lawsuit, partially offset by higher charges incurred related to our restructuring programs. When comparing the first quarter of 2016 to the fourth quarter of 2015, we are targeting operating margin as a percentage of revenue to increase due to the strategic initiatives discussed above. Also contributing to the increase in diluted earnings per share was a decrease in our effective tax rate and the impact of share repurchases during 2015, which reduced our weighted-average shares outstanding.

## 2015 Acquisitions

### Sanbolic

On January 8, 2015, we acquired all of the issued and outstanding securities of Sanbolic, Inc., or Sanbolic. We expected the Sanbolic technology, combined with XenDesktop, XenApp, and XenMobile products, would enable us to develop a range of differentiated solutions that would have reduced the complexity of Microsoft Windows application delivery and desktop virtualization deployments. Sanbolic became part of our Enterprise and Service Provider segment. The total cash consideration for this transaction was approximately \$89.4 million, net of \$0.2 million cash acquired. Transaction costs associated with the acquisition were \$0.5 million, of which we expensed \$0.3 million during the year ended December 31, 2015 and are included in General and administrative expense in the accompanying consolidated statements of income. In addition, in connection with the acquisition, we assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 37,057 shares of our common stock, for which the vesting period began on the closing of the transaction. During the fourth quarter of 2015, management performed a comprehensive operational review which included an evaluation of all our products. In connection with this review, management determined that the Sanbolic technology was a non-core solution and that the related product offerings will no longer be developed. As a result, we impaired the intangible assets related to this acquisition. Refer to Note 2 for further information about intangible assets.

### Grasshopper

On May 18, 2015, we acquired all of the membership interests of Grasshopper Group, LLC ("Grasshopper"), a leading provider of cloud-based phone solutions for small businesses. With the acquisition, we will expand our breadth of communication and collaboration solutions for small businesses, including GoToMeeting, GoToTraining, GoToWebinar, OpenVoice and ShareFile. Grasshopper became part of our Mobility Apps segment. Total cash consideration for this transaction was approximately \$161.5 million, net of \$3.6 million cash acquired. Transaction costs associated with the acquisition were \$0.3 million, all of which we expensed during the year ended December 31, 2015 and which are included in General and administrative expense in the accompanying consolidated statements of income. In addition, in connection with the acquisition, we assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 105,765 shares of our common stock, for which the vesting period began on the closing of the transaction.

We have included the effects of all of the companies acquired in 2015 in our results of operations prospectively from the date of each acquisition.

### Subsequent Event

On January 8, 2016, we acquired certain monitoring technology from a privately-held company for total cash consideration of \$23.6 million. The acquisition provides a monitoring solution for Citrix's products as it relates to Microsoft Windows applications and desktop delivery. In connection with this transaction, we entered into a three-year contract for outsourced development for the maintenance and roadmap updates of the acquired monitoring technology.

## 2014 Acquisitions

### Framehawk

On January 8, 2014, we acquired all of the issued and outstanding securities of Framehawk, Inc., or Framehawk. The Framehawk solution, which optimizes the delivery of virtual desktops and applications to mobile devices, was combined with HDX technology in the Citrix XenApp and XenDesktop products to deliver an improved user experience under adverse network conditions. Framehawk became part of our Enterprise and Service Provider segment. The total consideration for this transaction was approximately \$24.2 million, net of \$0.2 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately \$0.1 million, all of which we expensed during the year ended December 31, 2014 and are included in General and administrative expense in the accompanying consolidated statements of income.

### RightSignature

In October 2014, we acquired all of the membership interests of RightSignature, LLC, or RightSignature. The RightSignature technology expands the Workflow Cloud beyond storage and file transfer to supporting e-signature and approval workflows. RightSignature became part of our Mobility Apps segment. The total consideration for this transaction was approximately \$37.8 million, net of \$1.1 million of cash acquired. Transaction costs associated with

the acquisition were approximately \$0.2 million, all of which we expensed during the year ended December 31, 2014 and are included in General and administrative expense in the accompanying consolidated statements of income. In addition, in connection with the acquisition, we assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 67,500 of our common stock, for which the vesting period began on the closing of the transaction.

35

---



#### 2014 Other Acquisitions

During the second quarter of 2014, we acquired all of the issued and outstanding securities of a privately-held company. The total cash consideration for this transaction was approximately \$17.2 million, net of \$0.8 million of cash acquired. This business became part of our Enterprise and Service Provider segment. Transaction costs associated with the acquisition were approximately \$0.1 million, all of which we expensed during the year ended December 31, 2014 and are included in General and administrative expense in the accompanying consolidated statements of income.

In the fourth quarter of 2014, we acquired all of the issued and outstanding securities of two privately-held companies for total cash consideration of approximately \$19.9 million, net of \$0.2 million of cash acquired. The businesses became part of our Enterprise and Service Provider segment. In addition, in connection with one of the acquisitions, we assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 23,430 shares of our common stock, for which the vesting period began on the closing of the transaction. Transaction costs associated with the acquisitions were not significant.

#### Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. We base these estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances, and these estimates form the basis for our judgments concerning the carrying values of assets and liabilities that are not readily apparent from other sources. We periodically evaluate these estimates and judgments based on available information and experience. Actual results could differ from our estimates under different assumptions and conditions. If actual results significantly differ from our estimates, our financial condition and results of operations could be materially impacted.

We believe that the accounting policies described below are critical to understanding our business, results of operations and financial condition because they involve more significant judgments and estimates used in the preparation of our consolidated financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. We have discussed the development, selection and application of our critical accounting policies with the Audit Committee of our Board of Directors and our independent auditors, and our Audit Committee has reviewed our disclosure relating to our critical accounting policies and estimates in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 describes the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements.

#### Revenue Recognition

We recognize revenue when it is earned and when all of the following criteria are met: persuasive evidence of the arrangement exists; delivery has occurred or the service has been provided and we have no remaining obligations; the fee is fixed or determinable; and collectability is probable. We define these four criteria as follows:

Persuasive evidence of the arrangement exists. Evidence of an arrangement generally consists of a purchase order issued pursuant to the terms and conditions of a distributor, reseller or end user agreement. For SaaS, we generally require the customer or the reseller to electronically accept the terms of an online services agreement or execute a contract.

Delivery has occurred and we have no remaining obligations. We consider delivery of licenses under electronic licensing agreements to have occurred when the related products are shipped and the end-user has been electronically provided the software activation keys that allow the end-user to take immediate possession of the product. For hardware appliance sales, our standard delivery method is free-on-board shipping point. Consequently, we consider delivery of appliances to have occurred when the products are shipped pursuant to an agreement and purchase order.

For SaaS, delivery occurs upon providing the users with their login id and password. For product training and consulting services, we fulfill our obligation when the services are performed. For license updates and maintenance, we assume that our obligation is satisfied ratably over the respective terms of the agreements, which are typically 12 to 24 months. For SaaS, we assume that our obligation is satisfied ratably over the respective terms of the agreements, which are typically 12 months.

The fee is fixed or determinable. In the normal course of business, we do not provide customers with the right to a refund of any portion of their license fees or extended payment terms. The fees are considered fixed or determinable upon establishment of an arrangement that contains the final terms of the sale including description, quantity and price of each product or service purchased. For SaaS, the fee is considered fixed or determinable if it is not subject to refund or adjustment.

Collectability is probable. We assess collectability based primarily on the creditworthiness of the customer.

Management's judgment is required in assessing the probability of collection, which is generally based on an evaluation of customer specific information, historical experience and economic market conditions. If we determine from the outset of an arrangement that collectability is not probable, revenue recognition is deferred until customer payment is received and the other parameters of revenue recognition described above have been achieved.

The majority of our product and license revenue consists of revenue from the sale of software products. Software sales generally include a perpetual license to our software and are subject to the industry specific software revenue recognition guidance. In accordance with this guidance, we allocate revenue to license updates related to our software and any other undelivered elements of the arrangement based on VSOE of fair value of each element and such amounts are deferred until the applicable delivery criteria and other revenue recognition criteria described above have been met. The balance of the revenues, net of any discounts inherent in the arrangement, is recognized at the outset of the arrangement using the residual method as the product licenses are delivered. If management cannot objectively determine the fair value of each undelivered element based on VSOE of fair value, revenue recognition is deferred until all elements are delivered, all services have been performed, or until fair value can be objectively determined. We also make certain judgments to record estimated reductions to revenue for customer programs and incentive offerings including volume-based incentives, at the time sales are recorded.

For hardware appliance and software transactions, the arrangement consideration is allocated to stand-alone software deliverables as a group and the non-software deliverables based on the relative selling prices of using the selling price hierarchy in the revenue recognition guidance. The selling price hierarchy for a deliverable is based on its VSOE if available, third-party evidence, or TPE, if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available. We then recognize revenue on each deliverable in accordance with our policies for product and service revenue recognition. VSOE of selling price is based on the price charged when the element is sold separately. In determining VSOE, we require that a substantial majority of the selling prices fall within a reasonable range based on historical discounting trends for specific products and services. TPE of selling price is established by evaluating competitor products or services in stand-alone sales to similarly situated customers. However, as our products contain a significant element of proprietary technology and our solutions offer substantially different features and functionality, the comparable pricing of products with similar functionality typically cannot be obtained. Additionally, as we are unable to reliably determine what competitors products' selling prices are on a stand-alone basis, we are not typically able to determine TPE. The estimate of selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies and through different sales channels and competitor pricing strategies.

For our non-software transactions we allocate the arrangement consideration based on the relative selling price of the deliverables. For our hardware appliances we use ESP as our selling price. For our support and services, we generally use VSOE as our selling price. When we are unable to establish selling price using VSOE for our support and services, we use ESP in our allocation of arrangement consideration.

Our Mobility Apps products are considered hosted service arrangements per the authoritative guidance; accordingly, fees related to online service agreements are recognized ratably over the contract term. In addition, SaaS revenues may also include set-up fees, which are recognized ratably over the contract term or the expected customer life, whichever is longer. Generally, our Mobility Apps products are sold separately and not bundled with Enterprise and Service Provider products and services. See Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for further information on our revenue recognition.

#### Valuation and Classification of Investments

The authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Our available-for-sale investments are measured to fair value on a recurring basis. In addition, we hold investments that

are accounted for based on the cost method. These investments are periodically reviewed for impairment and when indicators of impairment exist, are measured to fair value as appropriate on a non-recurring basis. In determining the fair value of our investments we are sometimes required to use various alternative valuation techniques. The authoritative guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: Level 1, observable inputs such as quoted prices in active markets for identical assets or liabilities, Level 2, inputs, other than quoted prices in active markets, that are observable either directly or indirectly, and Level 3, unobservable inputs in which there is little or no market data, which requires us to develop our own assumptions. Observable inputs are those that market participants would use in pricing the asset or liability that are based on market data obtained from independent sources, such as market quoted prices. When Level 1 observable inputs for our investments are not available to determine their fair value, we must then use other inputs which may include indicative pricing for securities from the same issuer with similar terms, yield curve information, benchmark data, prepayment speeds and credit quality or unobservable inputs that reflect our estimates of the assumptions market participants would use in pricing the investments based on the best information available in the circumstances. When valuation techniques, other than those described as Level 1 are utilized, management must make estimations and judgments in determining the fair value for its investments. The degree to which management's estimation and judgment is required is generally dependent upon the market pricing available for the investments, the availability of observable inputs, the frequency of trading in the investments and the investment's complexity. If we make different judgments regarding unobservable inputs we could potentially reach different conclusions regarding the fair value of our investments.

After we have determined the fair value of our investments, for those that are in an unrealized loss position, we must then determine if the investment is other-than-temporarily impaired. We review our investments quarterly for indicators of other-than-temporary impairment. This determination requires significant judgment and if different judgments are used the classification of the losses related to our investments could differ. In making this judgment, we employ a systematic methodology that considers available quantitative and qualitative evidence in evaluating potential impairment of our investments. If the carrying value of an available-for-sale investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than carrying value our intent to retain or sell the investment and whether it is more likely than not that we will not be required to sell the investment before the recovery of its amortized cost basis, which may not be until maturity. We also consider specific adverse conditions related to the financial health of and business outlook for the issuer, including industry and sector performance, rating agency actions and changes in credit default swap levels. For our cost method investments, our quarterly review of impairment indicators encompasses the analysis of specific criteria of the entity, such as cash position, financing needs, operational performance, management changes, competition and turnaround potential. If any of the above impairment indicators are present, we further evaluate whether an other-than-temporary impairment should be recorded. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. See Notes 4 and 5 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 and "Liquidity and Capital Resources" for more information on our investments and fair value measurements.

#### Intangible Assets

We have acquired product related technology assets and other intangible assets from acquisitions and other third party agreements. We allocate the purchase price of acquired intangible assets acquired through third party agreements based on their estimated relative fair values. We allocate a portion of purchase price of acquired companies to the product related technology assets and other intangible assets acquired based on their estimated fair values. We typically engage third party appraisal firms to assist us in determining the fair values and useful lives of product related technology assets and other intangible assets acquired. Such valuations and useful life determinations require us to make significant estimates and assumptions. These estimates are based on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in determining the fair value and useful lives of the product related technology assets include but are not limited to future expected cash flows earned from the product related technology and discount rates applied in determining the present value of those cash flows. Critical estimates in valuing certain other intangible assets include but are not limited to future expected cash flows from customer contracts, customer lists, distribution agreements, patents, brand awareness and market position, as well as discount rates.

Management's estimates of fair value are based upon assumptions believed to be reasonable. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results. We monitor acquired intangible assets for impairment on a periodic basis by reviewing for indicators of impairment. If an indicator exists we compare the estimated net realizable value to the unamortized cost of the intangible asset. The recoverability of the intangible assets is primarily dependent upon our ability to commercialize products utilizing the acquired technologies, retain existing customers and customer contracts, and maintain brand awareness. The estimated net realizable value of the acquired intangible assets is based on the estimated undiscounted future cash flows derived from such intangible assets. Our assumptions about future revenues and expenses require significant judgment associated with the forecast of the performance of our products, customer retention rates and ability to secure and maintain our market position. Actual revenues and costs could vary significantly from these forecasted amounts. If these products are not ultimately accepted by our customers and distributors, and there is no alternative future use for the technology; or if we fail to retain acquired customers or

successfully market acquired brands, we could determine that some or all of the remaining \$283.4 million carrying value of our acquired intangible assets is impaired. In the event of impairment, we would record an impairment charge to earnings that could have a material adverse effect on our results of operations. During the year ended December 31, 2015, we tested certain intangible assets for recoverability due to changes in facts and circumstances associated with the shift in strategic focus and reduced profitability expectations. As a result, we identified certain definite-lived intangible assets that were impaired within our Enterprise and Service Provider business unit, primarily customer relationships and product technologies from the acquisition of ByteMobile and Sanbolic, and recorded non-cash impairment charges of \$123.0 million to write down the intangible assets to their estimated fair value of \$26.8 million. Of the impairment charge, \$67.1 million is included in Amortization and impairment of other intangible assets and \$55.9 million is included in Amortization and impairment of product related intangible assets in the accompanying consolidated statements of income.

#### Goodwill

The excess of the fair value of purchase price over the fair values of the identifiable assets and liabilities from our acquisitions is recorded as goodwill. At December 31, 2015, we had \$1.96 billion in goodwill related to our acquisitions. The goodwill related to the Sanbolic acquisition and the other 2015 acquisition is not deductible for tax purposes whereas the goodwill related to the Grasshopper acquisition is deductible for tax purposes. Our revenues are derived from sales of our Enterprise and Service Provider business unit's products, which include our Workspace Services solutions, Delivery Networking products and related license updates and maintenance and from sales of our Mobility Apps business unit's Communications Cloud and Workflow Cloud products. The Enterprise and Service Provider and the Mobility Apps business units constitute our two reportable segments. See Note 11 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for additional information regarding our reportable segments. We evaluate goodwill between these segments, which represent our reporting units. As part of our continued transformation, effective January 1, 2016, we reorganized a part of our business by creating a new Cloud Services business unit that will include our ShareFile product line. The ShareFile product line is currently included within our Workflow Cloud products under the Mobility Apps segment. We are currently evaluating our segment reporting and goodwill reporting units for 2016 as a result of these changes. We account for goodwill in accordance with FASB's authoritative guidance, which requires that goodwill and certain intangible assets are not amortized, but are subject to an annual impairment test. We complete our goodwill and certain intangible assets impairment test on an annual basis, during the fourth quarter of our fiscal year, or more frequently, if changes in facts and circumstances indicate that an impairment in the value of goodwill and certain intangible assets recorded on our balance sheet may exist.

In the fourth quarter of 2015, we performed a qualitative assessment to determine whether further quantitative impairment testing for goodwill and certain intangible assets is necessary, which we refer to this assessment as the Qualitative Screen. In performing the Qualitative Screen, we are required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to our business, industry and market trends, and the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If after performing the Qualitative Screen impairment indicators are present, we would perform a quantitative impairment test to estimate the fair value of goodwill and certain intangible assets. In doing so, we would estimate future revenue, consider market factors and estimate our future cash flows. Based on these key assumptions, judgments and estimates, we determine whether we need to record an impairment charge to reduce the value of the goodwill and certain intangible assets carried on our balance sheet to its estimated fair value. Assumptions, judgments and estimates about future values are complex and often subjective and can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy or our internal forecasts. Although we believe the assumptions, judgments and estimates we have made have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect our results of operations. As a result of the Qualitative Screen, no further quantitative impairment test was deemed necessary. There was no impairment of goodwill as a result of the annual impairment tests completed during the fourth quarters of 2015 and 2014.

#### Income Taxes

We are required to estimate our income taxes in each of the jurisdictions in which we operate as part of the process of preparing our consolidated financial statements. At December 31, 2015, we had approximately \$211.3 million in net deferred tax assets. The authoritative guidance requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. We review deferred tax assets periodically for recoverability and make estimates and judgments regarding the expected geographic sources of taxable income and gains from investments, as well as tax planning strategies in assessing the need for a valuation allowance. At December 31, 2015, we determined that a \$16.7 million valuation allowance relating to deferred tax assets for



net operating losses and tax credits was necessary. If the estimates and assumptions used in our determination change in the future, we could be required to revise our estimates of the valuation allowances against our deferred tax assets and adjust our provisions for additional income taxes.

In the ordinary course of global business, there are transactions for which the ultimate tax outcome is uncertain, thus judgment is required in determining the worldwide provision for income taxes. We provide for income taxes on transactions based on our estimate of the probable liability. We adjust our provision as appropriate for changes that impact our underlying judgments. Changes that impact provision estimates include such items as jurisdictional interpretations on tax filing positions based on the results of tax audits and general tax authority rulings. Due to the evolving nature of tax rules combined with the large number of jurisdictions in which we operate, it is possible that our estimates of our tax liability and the realizability of our deferred tax assets could change in the future, which may result in additional tax liabilities and adversely affect our results of operations, financial condition and cash flows. The following discussion relating to the individual financial statement captions, our overall financial performance, operations and financial position should be read in conjunction with the factors and events described in “— Overview” and Part 1 – Item 1A entitled “Risk Factors,” included in this Annual Report on Form 10-K for the year ended December 31, 2015, which could impact our future performance and financial position.

#### Convertible Senior Notes

In April 2014, we completed a private placement of our Convertible Notes due 2019 with a net share settlement feature, meaning that upon conversion, the principal amount will be settled in cash and the remaining amount, if any, will be settled in shares of our common stock or a combination of cash and shares of our common stock, at our election. In accordance with accounting guidance for convertible debt instruments that may be settled in cash or other assets on conversion, we first determine the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. Then we determine the carrying amount of the equity component represented by the embedded conversion option by deducting the fair value of the liability component from the initial proceeds ascribed to the convertible debt instrument as a whole. Debt discount and debt issuance costs are amortized to interest expense using the effective interest method.

## Results of Operations

The following table sets forth our consolidated statements of income data and presentation of that data as a percentage of change from year-to-year (in thousands other than percentages):

	Year Ended December 31,			2015		2014	
	2015	2014	2013	Compared to 2014	Compared to 2013		
Revenues:							
Product and licenses	\$875,807	\$899,736	\$891,630	(2.7	)%	0.9	%
Software as a service	731,292	651,562	582,872	12.2		11.8	
License updates and maintenance	1,521,007	1,416,017	1,305,053	7.4		8.5	
Professional services	147,488	175,541	138,879	(16.0	)	26.4	
Total net revenues	3,275,594	3,142,856	2,918,434	4.2		7.7	
Cost of net revenues:							
Cost of product and license revenues	118,265	124,110	114,932	(4.7	)	8.0	
Cost of services and maintenance revenues	364,916	349,683	289,990	4.4		20.6	
Amortization and impairment of product related intangible assets	131,183	146,426	97,873	(10.4	)	49.6	
Total cost of net revenues	614,364	620,219	502,795	(0.9	)	23.4	
Gross margin	2,661,230	2,522,637	2,415,639	5.5		4.4	
Operating expenses:							
Research and development	563,975	553,817	516,338	1.8		7.3	
Sales, marketing and services	1,195,362	1,280,265	1,216,680	(6.6	)	5.2	
General and administrative	342,665	319,922	260,236	7.1		22.9	
Amortization and impairment of other intangible assets	108,732	45,898	41,668	136.9		10.2	
Restructuring	100,411	20,424	—	391.6		*	
Total operating expenses	2,311,145	2,220,326	2,034,922	4.1		9.1	
Income from operations	350,085	302,311	380,717	15.8		(20.6	)
Interest income	11,675	9,421	8,194	23.9		15.0	
Interest expense	44,153	28,332	128	55.8		*	
Other expense, net	(5,730	) (7,694	) (893	) (25.5	)	761.6	
Income before income taxes	311,877	275,706	387,890	13.1		(28.9	)
Income tax (benefit) expense	(7,484	) 23,983	48,367	(131.2	)	(50.4	)
Net income	\$319,361	\$251,723	\$339,523	26.9		(25.9	)

\* not meaningful

## Revenues by Segment

Net revenues of our Enterprise and Service Provider business unit include Product and licenses, License updates and maintenance, and Professional services. Product and licenses primarily represent fees related to the licensing of the following major products:

Workspace Services is primarily comprised of our Windows App Delivery products, which include XenDesktop and XenApp, our Mobile App Delivery products which include XenMobile products and Workspace Suite; and Delivery Networking primarily includes NetScaler, ByteMobile Smart Capacity, and CloudBridge; and Our CSP program provides subscription-based services in which the CSP partners host software services to their end users. The fees from the CSP program are recognized based on usage and as the CSP services are provided to their end users.

In addition, we offer incentive programs to our VADs and VARs to stimulate demand for our products. Product and license revenues associated with these programs are partially offset by these incentives to our VADs and VARs.



License updates and maintenance consists of:

Our Subscription Advantage program, an annual renewable program that provides subscribers with automatic delivery of unspecified software upgrades, enhancements and maintenance releases when and if they become available during the term of the subscription, for which fees are recognized ratably over the term of the contract, which is typically 12 to 24 months; and

Our maintenance fees, which include technical support and hardware and software maintenance, and which are recognized ratably over the contract term.

Professional services revenues are comprised of:

Fees from consulting services related to implementation of our products, which are recognized as the services are provided; and

Fees from product training and certification, which are recognized as the services are provided.

Our SaaS revenues, which are recognized ratably over the contractual term, primarily consist of fees related to our Mobility Apps products including:

Communications Cloud products, which primarily include GoToMeeting, GoToWebinar, GoToTraining and Grasshopper; and

Workflow Cloud products, which primarily include GoToMyPC, GoToAssist and ShareFile.

	Year Ended December 31,			2015	2014
	2015	2014	2013	Compared to 2014	Compared to 2013
	(In thousands)				
Revenues:					
Product and licenses	\$875,807	\$899,736	\$891,630	\$(23,929)	\$8,106
Software as a Service	731,292	651,562	582,872	79,730	68,690
License updates and maintenance	1,521,007	1,416,017	1,305,053	104,990	110,964
Professional Services	147,488	175,541	138,879	(28,053)	36,662
Total net revenues	\$3,275,594	\$3,142,856	\$2,918,434	\$132,738	\$224,422

Product and licenses

Product and licenses revenue decreased during 2015 when compared to 2014 primarily due to lower overall sales of our Workspace Services solutions of \$21.2 million. The overall change in our Delivery Networking products was not significant as decreases of \$25.1 million, primarily from ByteMobile Smart Capacity and CloudBridge were offset by an increase in NetScaler of \$25.1 million. The decreases in ByteMobile Smart Capacity and CloudBridge were a result of our product portfolio rationalization as discussed in the Executive Summary Overview above. These Product and licenses revenue results were primarily due to the impact from the implementation of our 2015 Restructuring Program, organizational and leadership evolution and changes to our field and channel strategies as discussed in the Executive Summary above. Product and licenses revenue increased during 2014 when compared to 2013 primarily due to increased sales of our Delivery Networking products of \$48.2 million, led by NetScaler, partially offset by a decrease in sales of our Workspace Services solutions of \$40.8 million, primarily XenDesktop and XenApp. We currently target Product and licenses revenue to decrease when comparing the first quarter of 2016 to the first quarter of 2015 as a result of our product portfolio rationalization as discussed in the Executive Summary above.

Software as a Service

Software as a service revenue increased during 2015 compared to 2014 primarily due to increased sales of our Communications Cloud products of \$55.6 million, led by GoToMeeting and Grasshopper, and increased sales of our Workflow Cloud products of \$20.7 million, led by ShareFile. Software as a Service revenue increased during 2014 when compared to 2013 primarily due to increased sales of our Communications Cloud products of \$45.2 million, led by GoToMeeting, and due to increased sales of our Workflow Cloud products of \$18.5 million, led by ShareFile. We currently target our Software as a Service revenue to increase when comparing the first quarter of 2016 to the first quarter of 2015.

#### License updates and maintenance

Effective February 16, 2015, we introduced Software Maintenance across all Citrix software products and discontinued our existing Premier Support offering. As a result, we have experienced declines in Subscription Advantage and Premier Support revenues, with a corresponding increase in sales of our software maintenance offerings as customers adopt the new solution.

License updates and maintenance revenue increased during 2015 compared to 2014 primarily due to an increase in hardware and software maintenance revenues of \$155.5 million, primarily driven by increased sales of maintenance revenues across our Workspace Services and Delivery Networking products, partially offset by a decrease in our Subscription Advantage product of \$44.0 million as a result of our new Software Maintenance offering discussed above. License updates and maintenance revenue increased during 2014 when compared to 2013 primarily due to an increase in maintenance revenues of \$68.9 million, primarily driven by increased sales of maintenance and support contracts across all of our Enterprise and Service Provider business unit's products and an increase in renewals of our Subscription Advantage product of \$42.0 million. We currently are targeting that License updates and maintenance revenue will increase when comparing the first quarter of 2016 to the first quarter of 2015.

#### Professional services

The decrease in Professional services revenue when comparing 2015 to 2014 was primarily due to decreased product training and certification and implementation services related to our Workspace Services products due to changes to our field and channel strategies as discussed in the Executive Summary above. Professional services revenue increased during 2014 when compared to 2013 primarily due to increases in product training and certification and consulting revenues related to increased implementation sales of our Workspace Services products. We currently target Professional services revenue to decrease when comparing the first quarter of 2016 to the first quarter of 2015 due to changes to our field and channel strategies as discussed in the Executive Summary above.

#### Deferred Revenue

Deferred revenues are primarily comprised of License updates and maintenance revenue from our Subscription Advantage program as well as maintenance fees, which include software and hardware maintenance and technical support. Deferred revenues also include SaaS revenue from annual service agreements for our online services and Professional services revenue primarily related to our consulting contracts.

Deferred revenues increased approximately \$106.2 million as of December 31, 2015 compared to December 31, 2014 primarily due to a net increase in sales of our software maintenance offerings of \$65.9 million and an increase in sales of our hardware maintenance offerings of \$19.7 million. These changes were primarily related to our new Software Maintenance offering discussed in the license updates and maintenance revenue section above. We currently target deferred revenue to remain consistent in 2016.

While it is generally our practice to promptly ship our products upon receipt of properly finalized purchase orders, we sometimes have product license orders that have not shipped. Although the amount of such product license orders may vary, the amount, if any, of such product license orders at the end of a particular period has not been material to total revenue at the end of any reporting period. We do not believe that backlog, as of any particular date, is a reliable indicator of future performance.

#### International Revenues

International revenues (sales outside the United States) accounted for approximately 43.1% of our net revenues for the year ended December 31, 2015, 45.2% of our net revenues for the year ended December 31, 2014 and 45.4% of our net revenues for the year ended December 31, 2013. For detailed information on international revenues, please refer to Note 11 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015.

#### Segment Revenues

Our revenues are derived from sales of Enterprise and Service Provider products which include Workspace Services solutions, Delivery Networking products and related License updates and maintenance and Professional services and from our Mobility Apps business unit's Communications Cloud and Workflow Cloud products. The Enterprise and Service Provider and the Mobility Apps business units constitute our two reportable segments. As part of our continued transformation, effective January 1, 2016, we reorganized a part of our business by creating a new Cloud Services business unit that will include our ShareFile product line. The ShareFile product line is currently included

within our Workflow Cloud products under the Mobility Apps segment. We are currently evaluating our segment reporting and goodwill reporting units for 2016 as a result of these changes.

An analysis of our reportable segment net revenue is presented below:

	Year Ended December 31,			Revenue	Revenue	
	2015	2014	2013	Growth	Growth	
	(In thousands)			2015 to 2014	2014 to 2013	
Enterprise and Service Provider	\$2,544,302	\$2,491,294	\$2,335,562	2.1	% 6.7	%
Mobility Apps	731,292	651,562	582,872	12.2	% 11.8	%
Consolidated net revenues	\$3,275,594	\$3,142,856	\$2,918,434	4.2	% 7.7	%

With respect to our segment revenues, the increase in net revenues for the comparative periods presented was due primarily to the factors previously discussed above. See Note 11 of our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for additional information on our segment revenues.

#### Cost of Net Revenues

	Year Ended December 31,			2015	2014	
	2015	2014	2013	Compared to	Compared to	
	(In thousands)			2014	2013	
Cost of product and license revenues	\$118,265	\$124,110	\$114,932	\$(5,845)	) \$9,178	
Cost of services and maintenance revenues	364,916	349,683	289,990	15,233	59,693	
Amortization and impairment of product related intangible assets	131,183	146,426	97,873	(15,243)	) 48,553	
Total cost of net revenues	\$614,364	\$620,219	\$502,795	\$(5,855)	) \$117,424	

Cost of product and license revenues consists primarily of hardware, shipping expense, royalties, product media and duplication, manuals and packaging materials. Cost of services and maintenance revenues consists primarily of compensation and other personnel-related costs of providing technical support and consulting, as well as the costs related to providing our Mobility Apps, which includes the cost to support the voice and video offerings in our Communications Cloud products. Also included in Cost of net revenues is amortization and impairment of product related intangible assets.

Cost of product and license revenues decreased during 2015 when compared to 2014 primarily due to lower sales of our Delivery Networking products, primarily ByteMobile Smart Capacity, which contains hardware components that have a higher cost than our other products. Cost of product and license revenues increased during 2014 when compared to 2013 primarily due to increased sales of our Delivery Networking products, many of which contain hardware components that have a higher cost than our other software products. We currently are targeting cost of product and license revenues will remain consistent when comparing the first quarter of 2016 to the first quarter of 2015.

Cost of services and maintenance revenues increased during 2015 compared to 2014 primarily due to an increase in sales of our Communications and Workflow Cloud products of \$27.5 million and support and maintenance costs related to our Workspace Services and Delivery Networking products of \$2.9 million, partially offset by a decrease in implementation services and product training and certification costs of \$15.6 million related to our Workspace Services products. Cost of services and maintenance revenues increased during 2014 compared to 2013 consistent with the increase in sales of our Communications Cloud products and cost for infrastructure to support the voice and video offerings in our Communications Cloud products of \$26.6 million. Also contributing to the increase in Cost of services and maintenance revenues is an increase in education costs of \$14.8 million related to the increase in product training and certification programs and maintenance and support costs of \$16.2 million related to increased sales of our Enterprise and Service Provider business unit's products. We currently are targeting cost of services and maintenance revenues will increase when comparing the first quarter of 2016 to the first quarter of 2015 consistent with the increase in Software as a Service revenues as discussed above.

Amortization and impairment of product related intangible assets decreased during 2015 as compared to 2014 primarily due to lower amortization of certain intangible assets becoming fully amortized as a result of impairments during 2015 and 2014. Amortization and impairment of product related intangible assets increased during 2014

compared to 2013 primarily due to the impairment of certain intangible assets related to our Enterprise and Service Provider business unit, partially offset by certain intangible assets becoming fully amortized during 2014.



### Gross Margin

Gross margin as a percent of revenue was 81.2% for 2015, 80.3% for 2014 and 82.8% for 2013. The increase in gross margin as a percentage of net revenue was not significant.

### Operating Expenses

#### Foreign Currency Impact on Operating Expenses

The functional currency for all of our wholly-owned foreign subsidiaries is the U.S. dollar. A substantial majority of our overseas operating expenses and capital purchasing activities are transacted in local currencies and are therefore subject to fluctuations in foreign currency exchange rates. In order to minimize the impact on our operating results, we generally initiate our hedging of currency exchange risks up to 12 months in advance of anticipated foreign currency expenses. When the dollar is weak, the resulting increase to foreign currency denominated expenses will be partially offset by the gain in our hedging contracts. When the dollar is strong, the resulting decrease to foreign currency denominated expenses will be partially offset by the loss in our hedging contracts. There is a risk that there will be fluctuations in foreign currency exchange rates beyond the timeframe for which we hedge our risk. Effective in January 2015, the functional currency of our wholly-owned foreign subsidiaries of our Mobility Apps business unit became the U.S. dollar as a result of a reorganization in the foreign subsidiaries' operations.

#### Research and Development Expenses

	Year Ended December 31,			2015	2014
	2015	2014	2013	Compared to 2014	Compared to 2013
	(In thousands)				
Research and development	\$563,975	\$553,817	\$516,338	\$10,158	\$37,479

Research and development expenses consisted primarily of personnel related costs and facility and equipment costs directly related to our research and development activities. We expensed substantially all development costs included in the research and development of our products.

Research and development expenses increased during 2015 as compared to 2014 primarily due to an increase in compensation and employee-related costs of \$20.6 million primarily related to a net increase in headcount driven by our acquisition activity and continued investments in product development and design research, partially offset by a decrease in stock-based compensation of \$7.8 million resulting from restructuring initiatives.

Research and development expenses increased during 2014 as compared to 2013 primarily due to an increase in compensation, including stock-based compensation and employee-related costs, primarily related to increased headcount from strategic hiring and acquisitions.

#### Sales, Marketing and Services Expenses

	Year Ended December 31,			2015	2014
	2015	2014	2013	Compared to 2014	Compared to 2013
	(In thousands)				
Sales, marketing and services	\$1,195,362	\$1,280,265	\$1,216,680	\$(84,903 )	\$63,585

Sales, marketing and services expenses consisted primarily of personnel related costs, including sales commissions, pre-sales support, the costs of marketing programs aimed at increasing revenue, such as brand development, advertising, trade shows, public relations and other market development programs and costs related to our facilities, equipment and information systems that are directly related to our sales, marketing and services activities.

Sales, marketing and services expenses decreased during 2015 compared to 2014 primarily due to a decrease in compensation and other employee-related costs of \$58.5 million and stock-based compensation of \$12.6 million as a result of restructuring initiatives.

Sales, marketing and services expenses increased during 2014 compared to 2013 primarily due to a \$33.3 million increase in compensation, including variable compensation and employee-related costs due to additional headcount in our sales force and professional services group, as well as from our acquisitions. Also contributing to the increase in Sales, marketing



and services expense when comparing 2014 to 2013 is a \$12.0 million increase in professional fees related to strategic initiatives and a \$10.9 million increase in marketing program costs related to various marketing campaigns and events.

#### General and Administrative Expenses

	Year Ended December 31,			2015	2014
	2015	2014	2013	Compared to 2014	Compared to 2013

(In thousands)

General and administrative	\$342,665	\$319,922	\$260,236	\$22,743	\$59,686
----------------------------	-----------	-----------	-----------	----------	----------

General and administrative expenses consisted primarily of personnel related costs and expenses related to outside consultants assisting with information systems, as well as accounting and legal fees.

General and administrative expenses increased during 2015 compared to 2014 primarily due to an increase in professional fees of \$21.8 million incurred in connection with the operational and strategic review of the business and the planned spinoff of our GoTo business as discussed in the Executive Summary above, an increase in certain facility and depreciation costs of \$14.7 million and costs associated with the departure of our CEO of \$5.2 million. Partially offsetting these increases is a charge related to a patent lawsuit of \$20.7 million during 2014.

General and administrative expenses increased during 2014 compared to 2013 primarily due to a charge related to a previously disclosed patent lawsuit of \$20.7 million, an increase in compensation and employee related costs of \$20.2 million due to additional headcount primarily in information technology and facilities, as well as from our acquisitions and an increase in professional fees of \$19.0 million primarily related to projects to support business growth.

#### Amortization and Impairment of Other Intangible Assets

	Year Ended December 31,			2015	2014
	2015	2014	2013	Compared to 2014	Compared to 2013

(In thousands)

Amortization and impairment of other intangible assets	\$108,732	\$45,898	\$41,668	\$62,834	\$4,230
--	-----------	----------	----------	----------	---------

Amortization and impairment of other intangible assets consists of amortization of customer relationships, trade names and covenants not to compete primarily related to our acquisitions and impairment charges.

The increase in Amortization and impairment of other intangible assets when comparing 2015 to 2014 was primarily due to impairments of certain intangible assets within the Enterprise and Service Provider segment related to ByteMobile during the third quarter of 2015 and amortization of other intangible assets acquired in conjunction with our 2015 acquisitions.

The increase in Amortization and impairment of other intangible assets when comparing 2014 to 2013 was primarily due to impairments of certain intangible assets within the Enterprise and Service Provider segment during the fourth quarter of 2014 and amortization of other intangible assets acquired in conjunction with our 2014 acquisitions.

As of December 31, 2015, we had unamortized other identified intangible assets with estimable useful lives in the net amount of \$169.7 million. For more information regarding our acquisitions see, “— Overview” and Note 3 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015.

#### Restructuring Expenses

	Year Ended December 31,			2015	2014
	2015	2014	2013	Compared to 2014	Compared to 2013

(In thousands)

Restructuring	\$100,411	\$20,424	\$—	\$79,987	\$20,424
---------------	-----------	----------	-----	----------	----------

On November 17, 2015, we announced the implementation of a restructuring program that will focus on simplification of our enterprise go-to-market motion and roles while improving coverage, reflect changes in our product focus, and balance resources with demand across our marketing, general and administration areas. The 2015 Other Restructuring Program calls for the elimination of approximately 700 full-time positions, of which 350 were communicated in 2015. During the year ended December 31, 2015, we incurred costs of \$29.7 million primarily related to employee severance

arrangements. We currently anticipate completing the activities related to the 2015 Other Restructuring Program during the first half of fiscal year 2016.

46

---

On January 28, 2015, we announced the implementation of a restructuring program designed to increase strategic focus and operational efficiency and began to execute against the program in February 2015. As a result, we eliminated approximately 700 full-time positions in the first half of 2015. During the year ended December 31, 2015, we incurred costs of \$68.9 million primarily related to employee severance arrangements and the consolidation of leased facilities. The majority of the activities related to the 2015 Restructuring Program were substantially completed by the end of 2015.

Additionally, in March 2014, we implemented the 2014 Restructuring Program, which included the reduction of our headcount by approximately 325 full-time positions. The pre-tax charges we incurred were primarily related to severance and other costs directly related to the reduction of our workforce. The activities under the 2014 Restructuring Program were substantially completed as of the three months ended March 31, 2015. For more information, see “—Executive Summary— Overview” and Note 17 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015.

#### 2016 Operating Expense Outlook

When comparing the first quarter of 2016 to the fourth quarter of 2015, we are targeting operating expenses to decrease in General and administrative as the fourth quarter of 2015 included higher professional fees in connection with the operational and strategic review of the business, while remaining at consistent levels across the other functional areas. We also expect to incur charges in the first quarter of 2016 related to the planned spinoff of our GoTo business as well as charges related to our restructuring programs.

#### Interest Expense

	Year Ended December 31,			2015	2014
	2015	2014	2013	Compared to 2014	Compared to 2013
	(In thousands)				
Interest expense	\$44,153	\$28,332	\$128	\$15,821	\$28,204

Interest expense consists primarily of interest on our convertible senior notes and credit facility. The increase was primarily due to interest expense associated with the issuance of our convertible senior notes we entered into in April 2014 and amounts that were outstanding under our credit facility during the year ended December 31, 2015.

#### Other expense, net

	Year Ended December 31,			2015	2014
	2015	2014	2013	Compared to 2014	Compared to 2013
	(In thousands)				
Other expense, net	\$(5,730 )	\$(7,694 )	\$(893 )	\$1,964	\$(6,801 )

Other expense, net is primarily comprised of remeasurement of foreign currency transaction gains (losses), realized losses related to changes in the fair value of our investments that have a decline in fair value considered other-than-temporary and recognized gains (losses) related to our investments, which was not material for all periods presented.

The change in Other expense, net when comparing 2015 to 2014 is primarily driven by an impairment charge of \$5.2 million recognized on cost method investments during 2014 and an increase in gains recognized on cost method investments of \$3.6 million, partially offset by an increase in losses on the remeasurement and settlements of foreign currency transactions of \$5.8 million.

The change in Other expense, net when comparing 2014 to 2013 is primarily driven by is primarily driven by losses on the remeasurement of foreign currency transactions.

#### Income Taxes

As of December 31, 2015, our net unrecognized tax benefits totaled approximately \$54.6 million as compared to \$66.9 million as of December 31, 2014. All amounts included in this balance affect the annual effective tax rate. Amounts accrued for the payment of interest and penalties as of December 31, 2015 were immaterial.

We and certain of our subsidiaries are subject to U.S. federal income taxes, as well as income taxes of multiple state and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S., income tax examinations by tax authorities for years prior to 2012.



During the quarter ended June 30, 2015, the Internal Revenue Service, or IRS, concluded its field examination of the 2011 and 2012 tax years and issued proposed adjustments primarily related to transfer pricing and the research and development tax credit. In June 2015, we finalized its tax deficiency calculations and formally closed the audit with the IRS for the 2011 and 2012 tax years. As a result, we recognized a net tax benefit of \$20.3 million during the second quarter of 2015 related to the settlement.

In the ordinary course of global business, there are transactions for which the ultimate tax outcome is uncertain and judgment is required in determining the worldwide provision for income taxes. We provide for income taxes on transactions based on our estimate of the probable liability. We adjust our provision as appropriate for changes that impact our underlying judgments. Changes that impact provision estimates include such items as jurisdictional interpretations on tax filing positions based on the results of tax audits and general tax authority rulings. Due to the evolving nature of tax rules combined with the large number of jurisdictions in which we operate, it is possible that our estimates of our tax liability and the realizability of our deferred tax assets could change in the future, which may result in additional tax liabilities and adversely affect our results of operations, financial condition and cash flows. We are required to estimate our income taxes in each of the jurisdictions in which we operate as part of the process of preparing our consolidated financial statements. At December 31, 2015, we had approximately \$211.3 million in net deferred tax assets. The authoritative guidance requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. We review deferred tax assets periodically for recoverability and make estimates and judgments regarding the expected geographic sources of taxable income and gains from investments, as well as tax planning strategies in assessing the need for a valuation allowance. At December 31, 2015, we determined that \$16.7 million valuation allowance relating to deferred tax assets for net operating losses and tax credits was necessary. If the estimates and assumptions used in our determination change in the future, we could be required to revise our estimates of the valuation allowances against our deferred tax assets and adjust our provisions for additional income taxes. We maintain certain strategic management and operational activities in overseas subsidiaries and our foreign earnings are taxed at rates that are generally lower than in the United States. We do not expect to remit earnings from our foreign subsidiaries.

Our effective tax rate was approximately (2.4)% and 8.7% for the year ended December 31, 2015 and 2014, respectively. The decrease in the effective tax rate when comparing the year ended December 31, 2015 to the year ended December 31, 2014 was primarily due to a change in the combination of income between our U.S. and foreign operations, the decline in reserve for uncertain tax positions, as well as the impact of discrete tax benefits related to the extension of the 2015 federal research and development tax credit. We anticipate our effective tax rate to increase in 2016 as compared to 2015 due to non recurring discrete tax benefits.

Our effective tax rate generally differs from the U.S. federal statutory rate of 35% due primarily to lower tax rates on earnings generated by our foreign operations that are taxed primarily in Switzerland. We have not provided for U.S. taxes for those earnings because we plan to reinvest all of those earnings indefinitely outside the United States. Our effective tax rate will fluctuate based on the mix of earnings from our U.S. and foreign jurisdictions. Accordingly, earnings from the production and distribution of our products and services through our foreign headquarters in Switzerland are currently taxed at lower income tax rates than earnings from our U.S. operations.

The federal research and development credit expired on December 31, 2013. On December 19, 2014, the Tax Increase Prevention Act of 2014 was signed into law. Under this act, the federal research and development credit was retroactively extended for amounts paid or incurred after December 31, 2013 and before January 1, 2015. The effects of these changes in the tax law result in net tax benefits of approximately \$12.3 million, which was recognized in the fourth quarter of 2014, the quarter in which the law was enacted. The Protecting Americans from Tax Hikes Act of 2015 was signed into law on December 18, 2015, permanently extending the research credit under Section 41 for amounts paid or incurred after December 31, 2014. Accordingly, we recognized \$19.2 million of federal research and development credit in the fourth quarter of 2015.

#### Liquidity and Capital Resources

During 2015, we generated operating cash flows of \$1.03 billion. These operating cash flows related primarily to net income of \$319.4 million, adjusted for, among other things, non-cash charges, including depreciation, amortization and impairment expenses of \$392.9 million and an aggregate increase in operating assets and liabilities of \$212.0

million, net of effects of acquisitions. Also contributing to these cash inflows was stock-based compensation expense of \$147.4 million. Our investing activities used \$224.4 million of cash consisting primarily of cash paid for acquisitions of \$256.9 million and cash paid for the purchase of property and equipment of \$160.8 million. This investing outflow was partially offset by net proceeds from investments of \$199.5 million. Our financing activities used cash of \$691.5 million primarily due to stock repurchases of \$755.7 million and cash paid for tax withholding on vested stock awards of \$46.3 million. This financing cash outflow was



partially offset by proceeds from the issuance of common stock under our employee stock-based compensation plans of \$112.3 million.

During 2014, we generated operating cash flows of \$846.0 million. These operating cash flows related primarily to net income of \$251.7 million, adjusted for, among other things, non-cash charges including depreciation, amortization and impairment expenses of \$330.3 million and stock-based compensation expense of \$169.3 million. Also contributing to these cash inflows was an aggregate increase in operating assets and liabilities of \$96.9 million, net of the effects of acquisitions. Our investing activities used \$569.5 million of cash consisting primarily of net purchases of investments of \$289.7 million, cash paid for the purchase of property and equipment of \$165.4 million and cash paid for acquisitions of \$101.1 million. Our financing activities used cash of \$292.7 million primarily due to stock repurchases of \$1.6 billion, the purchase of hedges on the convertible senior notes of \$184.3 million and cash paid for tax withholding on vested stock awards of \$33.7 million. This financing cash outflow was partially offset by proceeds from the issuance of convertible senior notes of \$1.4 billion, proceeds from the issuance of warrants of \$101.8 million and the issuance of common stock under our employee stock-based compensation plans of \$46.6 million.

#### Credit Facility

On January 7, 2015, we entered into a credit agreement, or Credit Agreement with Bank of America, N.A., as Administrative Agent, and the other lenders party thereto from time to time collectively, the Lenders. The Credit Agreement provides for a \$250 million unsecured revolving credit facility for a term of five years, of which we have drawn and repaid \$95 million during the year ended December 31, 2015. We may elect to increase the revolving credit facility by up to \$250 million if existing or new lenders provide additional revolving commitments in accordance with the terms of the Credit Agreement. The proceeds of borrowings under the Credit Agreement may be used for working capital and general corporate purposes, including acquisitions. Borrowings under the Credit Agreement will bear interest at a rate equal to either (a) a customary London interbank offered rate formula or (b) a customary base rate formula, plus the applicable margin with respect thereto, in each case as set forth in the Credit Agreement.

The Credit Agreement requires us to maintain a consolidated leverage ratio of not more than 3.5:1.0 and a consolidated interest coverage ratio of not less than 3.0:1.0. The Credit Agreement includes customary events of default, with corresponding grace periods in certain circumstances, including, without limitation, payment defaults, cross-defaults, the occurrence of a change of control and bankruptcy-related defaults. The Lenders are entitled to accelerate repayment of the loans under the Credit Agreement upon the occurrence of any of the events of default. In addition, the Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our ability to grant liens, merge or consolidate, dispose of all or substantially all of its assets, change our business and incur subsidiary indebtedness, in each case subject to customary exceptions for a credit facility of this size and type. In addition, the Credit Agreement contains customary representations and warranties. Please see Note 13 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for additional details on our Credit Agreement.

#### Convertible Senior Notes

In April 2014, we completed a private placement of \$1.44 billion principal amount of 0.500% Convertible Senior Notes due 2019, or the Convertible Notes. The net proceeds from this offering were approximately \$1.42 billion (including the proceeds from the Over-Allotment Option), after deducting the initial purchasers' discounts and commissions and the offering expenses payable by us. We used approximately \$82.6 million of the net proceeds to pay the cost of certain bond hedges entered into in connection with the offering (after such cost was partially offset by the proceeds to us from certain warrant transactions). Please see Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for additional details on the Convertible Notes offering and the related bond hedges and warrant transactions.

We used the remainder of the net proceeds from the offering and a portion of our existing cash and investments to purchase an aggregate of approximately \$1.5 billion of our common stock under our share repurchase program. We used approximately \$101.0 million to purchase shares of our common stock from certain purchasers of the Convertible Notes in privately negotiated transactions concurrently with the closing of the offering, and the remaining \$1.4 billion to purchase additional shares of our common stock through an accelerated share repurchase transaction, or the ASR, which we entered into with Citibank, N.A., or Citibank, on April 25, 2014, and which is discussed in further detail in Note 8 to our consolidated financial statements. We intend to use the remaining net proceeds resulting from

the exercise of the Over-Allotment Option for working capital and general corporate purposes. Historically, significant portions of our cash inflows were generated by our operations. We currently expect this trend to continue throughout 2016. We believe that our existing cash and investments together with cash flows expected from operations will be sufficient to meet expected operating and capital expenditure requirements for the next 12 months. We

49

---

continue to search for suitable acquisition candidates and could acquire or make investments in companies we believe are related to our strategic objectives. We could from time to time continue to seek to raise additional funds through the issuance of debt or equity securities for larger acquisitions and general corporate purposes.

Cash, Cash Equivalents and Investments

	December 31,		2015
	2015	2014	Compared to 2014
	(In thousands)		
Cash, cash equivalents and investments	\$1,763,334	\$1,862,519	\$(99,185 )

The decrease in cash, cash equivalents and investments at December 31, 2015 as compared to December 31, 2014, is primarily due to cash paid for stock repurchases of \$755.7 million, cash paid for acquisitions, net of cash acquired, of \$256.9 million, purchases of property and equipment of \$160.8 million, and cash paid for tax withholding on vested stock awards of \$46.3 million, partially offset by cash provided by our operating activities of \$1.0 billion and proceeds from the issuance of common stock under our employee stock-based compensation plans of \$112.3 million. As of December 31, 2015, \$1.61 billion of the \$1.76 billion of cash, cash equivalents and investments was held by our foreign subsidiaries. If these funds are needed for our operations in the United States, we would be required to accrue and pay U.S. taxes to repatriate these funds. Our current plans are not expected to require repatriation of cash and investments to fund our U.S. operations and, as a result, we intend to permanently reinvest our foreign earnings. See “Liquidity and Capital Resources.” We generally invest our cash and cash equivalents in investment grade, highly liquid securities to allow for flexibility in the event of immediate cash needs. Our short-term and long-term investments primarily consist of interest-bearing securities.

Fair Value Measurements

The authoritative guidance defines fair value as an exit price, representing the amount that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Available-for-sale securities included in Level 2 are valued utilizing inputs obtained from an independent pricing service, or the Service, which uses quoted market prices for identical or comparable instruments rather than direct observations of quoted prices in active markets. The Service gathers observable inputs for all of our fixed income securities from a variety of industry data providers including, for example, large custodial institutions and other third-party sources. Once the observable inputs are gathered by the Service, all data points are considered and an average price is determined. The Service’s providers utilize a variety of inputs to determine their quoted prices. These inputs may include interest rates, known historical trades, yield curve information, benchmark data, prepayment speeds, credit quality and broker/dealer quotes. Substantially all of our available-for-sale investments are valued utilizing inputs obtained from the Service and accordingly are categorized as Level 2 in the table below. We periodically independently assess the pricing obtained from the Service and historically have not adjusted the Service's pricing as a result of this assessment. Available-for-sale securities are included in Level 3 when relevant observable inputs for a security are not available.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. In certain instances, the inputs used to measure fair value may meet the definition of more than one level of the fair value hierarchy. The input with the lowest level priority is used to determine the applicable level in the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our fixed income available-for-sale security portfolio generally consists of high quality, investment grade securities from diverse issuers with a minimum credit rating of A-/A3 and a minimum weighted-average credit rating of

AA-/Aa3. We value these securities based on pricing from the Service, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value, and accordingly, we classify all of our fixed income available-for-sale securities as Level 2. See Note 4

to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for more information regarding our available-for-sale investments.

We measure our cash flow hedges, which are classified as Prepaid expenses and other current assets and Accrued expenses and other current liabilities, at fair value based on indicative prices in active markets (Level 2 inputs).

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

We have invested in convertible debt securities of certain early-stage entities that are classified as available-for-sale investments. As quoted prices in active markets or other observable inputs were not available for these investments, in order to measure them at fair value, we utilized a discounted cash flow model using a discount rate reflecting the market risk inherent in holding securities of an early-stage enterprise, adjusted by the probability-weighted exit possibilities associated with the convertible debt securities. This methodology required us to make assumptions that were not directly or indirectly observable regarding the fair value of the convertible debt securities; accordingly they are a Level 3 valuation and included in the table below.

	Investments (in thousands)	
Balance at December 31, 2014	\$6,073	
Purchases of Level 3 securities	1,775	
Proceeds received on Level 3 securities	(501	)
Transfers out of Level 3	(4,947	)
Total net realized losses included in earnings	(838	)
Balance at December 31, 2015	\$ 1,562	

Transfers out of Level 3 relate to certain of our investments in convertible debt securities of early-stage entities that were reclassified from available-for-sale investments to cost method investments upon conversion to equity ownership. These amounts are included in Other assets in the accompanying consolidated balance sheets. Realized losses included in earnings for the period are reported in Other expense, net in the accompanying consolidated statements of income.

Assets Measured at Fair Value on a Non-recurring Basis Using Significant Unobservable Inputs (Level 3)

During 2015, certain cost method investments with a combined carrying value of \$3.4 million were determined to be impaired and have been written down to their fair values of \$0.1 million, resulting in impairment charges of \$3.3 million. During 2014, certain cost method investments with a combined carrying value of \$8.3 million were determined to be impaired and have been written down to their fair values of zero resulting in impairment charges of \$8.3 million. The impairment charges are included in Other expense, net in the accompanying consolidated financial statements for the years ended December 31, 2015 and 2014. In determining the fair value of cost method investments, we consider many factors including but not limited to operating performance of the investee, the amount of cash that the investee has on-hand, the ability to obtain additional financing and the overall market conditions in which the investee operates. The fair value of the cost method investment represents a Level 3 valuation as the assumptions used in valuing this investment were not directly or indirectly observable. See Note 4 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for further information regarding cost method investments.

For certain intangible assets where the unamortized balances exceeded the undiscounted future net cash flows, we measure the amount of the impairment by calculating the amount by which the carrying values exceed the estimated fair values, which are based on projected discounted future net cash flows. These non-recurring fair value measurements are categorized as Level 3 significant unobservable inputs. See Note 2 to our consolidated financial statements for detailed information related to Goodwill and Intangible Assets.

Additional Disclosures Regarding Fair Value Measurements

As of December 31, 2015, the fair value of the Convertible Notes, which was determined based on inputs that are observable in the market (Level 2) based on the closing trading price per \$100 as of the last day of trading for the year ended December 31, 2015, and carrying value of debt instruments (carrying value excludes the equity component of our Convertible Notes classified in equity) was as follows (in thousands):

	Fair Value	Carrying Value
Convertible Senior Notes	\$1,567,364	\$1,324,992



The carrying value of accounts receivable, accounts payable and accrued expenses and other current liabilities approximate their fair value due to the short maturity of these items.

Accounts Receivable, Net

	December 31,		2015
	2015	2014	Compared to 2014
	(In thousands)		
Accounts receivable	\$676,995	\$680,377	\$(3,382 )
Allowance for returns	(1,438 )	(2,185 )	747
Allowance for doubtful accounts	(6,281 )	(3,791 )	(2,490 )
Accounts receivable, net	\$669,276	\$674,401	\$(5,125 )

The decrease in accounts receivable at December 31, 2015 compared to December 31, 2014 was not significant. The activity in our allowance for returns was comprised primarily of \$4.0 million in credits issued for returns, partially offset by \$3.3 million of provisions for returns recorded during 2015. The activity in our allowance for doubtful accounts was comprised primarily of \$5.7 million in provisions for doubtful accounts, partially offset by \$3.2 million of uncollectible accounts written off, net of recoveries.

From time to time, we could maintain individually significant accounts receivable balances from our distributors or customers, which are comprised of large business enterprises, governments and small and medium-sized businesses. If the financial condition of our distributors or customers deteriorates, our operating results could be adversely affected. At December 31, 2015, there was no individual distributor that accounted for over 10% of gross accounts receivable. At December 31, 2014, two distributors, the Arrow Group and Ingram Micro, accounted for 11% and 10% of gross accounts receivable, respectively. For more information regarding significant customers see Note 11 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015.

Stock Repurchase Program

Our Board of Directors authorized an ongoing stock repurchase program with a total repurchase authority granted to us of \$6.3 billion, of which \$500.0 million was approved in September 2015 and an additional \$400.0 million was approved in January 2016. We may use the approved dollar authority to repurchase stock at any time until the approved amounts are exhausted. The objective of our stock repurchase program is to improve stockholders' returns. At December 31, 2015, approximately \$32.7 million was available to repurchase common stock pursuant to the stock repurchase program. All shares repurchased are recorded as treasury stock in our consolidated balance sheets included in this Annual Report on Form 10-K for the year ended December 31, 2015. A portion of the funds used to repurchase stock over the course of the program was provided by net proceeds from the Convertible Notes offering, as well as proceeds from employee stock option exercises and the related tax benefit.

We are authorized to make open market purchases of our common stock using general corporate funds through open market purchases or pursuant to a Rule 10b5-1 plan.

During the year ended December 31, 2015, we expended approximately \$755.7 million on open market purchases under the stock repurchase program, repurchasing 10,716,850 shares of outstanding common stock at an average price of \$70.52.

In April 2014, in connection with the \$1.5 billion increase in repurchase authority granted to us under our ongoing stock repurchase program, we used approximately \$101.0 million to purchase 1.7 million shares of our common stock from certain purchasers of the Convertible Notes in privately negotiated transactions concurrently with the closing of the Convertible Notes offering discussed above, and an additional \$1.4 billion to purchase additional shares of our common stock through our ASR with Citibank. On April 30, 2014, under the ASR agreement, we paid approximately \$1.4 billion to Citibank and received approximately 21.8 million shares of our common stock, including approximately 2.6 million shares delivered in October 2014 in final settlement in connection with Citibank's election to accelerate the ASR. The total number of shares of our common stock that we repurchased under the ASR Agreement was based on the average of the daily volume-weighted average prices of our common stock during the term of the ASR Agreement, less a discount.

See Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for detailed information on our Convertible Notes offering and the transactions related thereto and Note 8 to our consolidated financial statement for detailed information on the ASR.

During the year ended December 31, 2014, we expended approximately \$139.9 million on open market purchases, repurchasing 2,046,400 shares of outstanding common stock at an average price of \$68.36.



During the year ended December 31, 2013, we expended approximately \$406.3 million on open market purchases, repurchasing 6,563,986 shares of outstanding common stock at an average price of \$61.90.

#### Shares for Tax Withholding

During the years ended December 31, 2015, we withheld 679,694 shares, in 2014 we withheld 560,239 shares and in 2013, we withheld 444,657 shares from stock awards that vested. Amounts withheld to satisfy minimum tax withholding obligations that arose on the vesting of stock awards was \$46.3 million for 2015, \$33.7 million for 2014 and \$31.0 million for 2013. These shares are reflected as treasury stock in our consolidated balance sheets included in this Annual Report on Form 10-K for the year ended December 31, 2015.

#### Contractual Obligations and Off-Balance Sheet Arrangement

##### Contractual Obligations

We have certain contractual obligations that are recorded as liabilities in our consolidated financial statements. Other items, such as operating lease obligations, are not recognized as liabilities in our consolidated financial statements, but are required to be disclosed in the notes to our consolidated financial statements.

The following table summarizes our significant contractual obligations at December 31, 2015 and the future periods in which such obligations are expected to be settled in cash. Additional details regarding these obligations are provided in the notes to our consolidated financial statements (in thousands):

	Payments due by period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease obligations <sup>(1)</sup>	\$394,602	\$64,539	\$98,442	\$78,482	\$ 153,139
Convertible senior notes <sup>(2)</sup>	1,437,500	—	—	1,437,500	—
Purchase obligations <sup>(3)</sup>	30,100	30,100	—	—	—
Total contractual obligations <sup>(4)</sup>	\$1,862,202	\$94,639	\$98,442	\$1,515,982	\$ 153,139

<sup>(1)</sup> The amounts in the table above include \$89.1 million in exited facility costs related to restructuring activities.

During the second quarter of 2014, we completed a private placement of \$1.44 billion principal amount of 0.500%

<sup>(2)</sup> Convertible Senior Notes due 2019. The amount above represents the principal balance to be repaid. See Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for detailed information on the Convertible Notes offering and the transactions related thereto. Purchase obligations represent non-cancelable commitments to purchase inventory ordered before year-end 2016

<sup>(3)</sup> of approximately \$11.4 million and a contingent obligation to purchase inventory, which is based on amount of usage, of approximately \$18.7 million.

Total contractual obligations do not include agreements where our commitment is variable in nature or where cancellations without payment provisions exist and excludes \$54.6 million of liabilities related to uncertain tax

<sup>(4)</sup> positions recorded in accordance with authoritative guidance, because we could not make reasonably reliable estimates of the period or amount of cash settlement with the respective taxing authorities. See Note 10 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015 for further information.

As of December 31, 2015, we did not have any individually material capital lease obligations or other material long-term commitments reflected on our consolidated balance sheets.

##### Off-Balance Sheet Arrangements

We do not have any special purpose entities or off-balance sheet financing arrangements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our market risk includes “forward-looking statements” that involve risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. The analysis methods we used to assess and mitigate risk discussed below should not be considered projections of future events, gains or losses.

We are exposed to financial market risks, including changes in foreign currency exchange rates and interest rates that could adversely affect our results of operations or financial condition. To mitigate foreign currency risk, we utilize derivative financial instruments. The counterparties to our derivative instruments are major financial institutions. All of the potential changes noted below are based on sensitivity analyses performed on our financial position as of December 31, 2015. Actual results could differ materially.

Discussions of our accounting policies for derivatives and hedging activities are included in Notes 2 and 14 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015.

### Exposure to Exchange Rates

A substantial majority of our overseas expense and capital purchasing activities are transacted in local currencies, including Euros, British pounds sterling, Japanese yen, Australian dollars, Swiss francs, Indian rupees, Hong Kong dollars, Canadian dollars, Singapore dollars and Chinese renminbi. To reduce the volatility of future cash flows caused by changes in currency exchange rates, we have established a hedging program. We use foreign currency forward contracts to hedge certain forecasted foreign currency expenditures. Our hedging program significantly reduces, but does not entirely eliminate, the impact of currency exchange rate movements.

At December 31, 2015 and 2014, we had in place foreign currency forward sale contracts with a notional amount of \$85.3 million and \$60.9 million, respectively, and foreign currency forward purchase contracts with a notional amount of \$169.9 million and \$209.2 million, respectively. At December 31, 2015, these contracts had an aggregate fair value liability of \$2.6 million and at December 31, 2014, these contracts had an aggregate fair value liability of \$8.5 million. Based on a hypothetical 10% appreciation of the U.S. dollar from December 31, 2015 market rates, the fair value of our foreign currency forward contracts would decrease by \$8.2 million. Conversely, a hypothetical 10% depreciation of the U.S. dollar from December 31, 2015 market rates would increase the fair value of our foreign currency forward contracts by \$8.2 million, resulting in a net asset position. In these hypothetical movements, foreign operating costs would move in the opposite direction. This calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. In addition to the direct effects of changes in exchange rates quantified above, changes in exchange rates could also change the dollar value of sales and affect the volume of sales as the prices of our competitors’ products become more or less attractive. We do not anticipate any material adverse impact to our consolidated financial position, results of operations, or cash flows as a result of these foreign exchange forward contracts.

### Exposure to Interest Rates

We have interest rate exposures resulting from our interest-based available-for-sale investments. We maintain available-for-sale investments in debt securities and we limit the amount of credit exposure to any one issuer or type of instrument. The securities in our investment portfolio are not leveraged. The securities classified as available-for-sale are subject to interest rate risk. The modeling technique used measures the change in fair values arising from an immediate hypothetical shift in market interest rates and assumes that ending fair values include principal plus accrued interest and reinvestment income. If market interest rates were to increase by 100 basis points from December 31, 2015 and 2014 levels, the fair value of the available-for-sale portfolio would decline by approximately \$14.4 million and \$15.9 million, respectively. If market interest rates were to decrease by 100 basis points from December 31, 2015 and 2014 levels, the fair value of the available-for-sale portfolio would increase by approximately \$12.2 million and \$11.0 million, respectively. These amounts are determined by considering the impact of the hypothetical interest rate movements on our available-for-sale and trading investment portfolios. This analysis does not consider the effect of credit risk as a result of the changes in overall economic activity that could exist in such an environment.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and related financial statement schedule, together with the report of independent registered public accounting firm, appear at pages F-1 through F-42 of this Annual Report on Form 10-K for the year ended December 31, 2015.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with our independent registered public accountants on accounting or financial disclosure matters during our two most recent fiscal years.

### ITEM 9A. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

As of December 31, 2015, our management, with the participation of our President and Chief Executive Officer and our Executive Vice President, Chief Operating Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President, Chief Operating Officer and Chief Financial Officer concluded that, as of December 31, 2015, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our President and Chief Executive Officer and our Executive Vice President, Chief Operating Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a – 15(f). Our internal control system was designed to provide reasonable assurance to our management and the Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, or the COSO criteria. Based on our assessment we believe that, as of December 31, 2015, our internal control over financial reporting is effective based on those criteria. The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears below.

Report of Independent Registered Public Accounting Firm  
The Board of Directors and Stockholders of Citrix Systems, Inc.

We have audited Citrix Systems, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Citrix Systems, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Citrix Systems, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Citrix Systems, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2015 and our report dated February 18, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Certified Public Accountants

Boca Raton, Florida  
February 18, 2016



**ITEM 9B. OTHER INFORMATION**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2015.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2015.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2015.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2015.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended December 31, 2015.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Consolidated Financial Statements.

For a list of the consolidated financial information included herein, see page F-1.

2. Financial Statement Schedules.

The following consolidated financial statement schedule is included in Item 8:

Valuation and Qualifying Accounts

3. List of Exhibits.

Exhibit No. Description

- |        |   |
|--------|---|
| 3.1    | Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 29, 2013)  |
| 3.2    | Amended and Restated By-laws of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 31, 2015)  |
| 4.1    | Specimen certificate representing Common Stock (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 33-98542), as amended)  |
| 4.2    | Indenture, dated as of April 30, 2014, between Citrix Systems, Inc. and Wilmington Trust, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 30, 2014)  |
| 4.3    | Form of 0.500% Convertible Senior Notes due 2019 (included in Exhibit 4.2)  |
| 10.1*  | Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010)  |
| 10.2*  | First Amendment to Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 28, 2010)   |
| 10.3*  | Second Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of June 2, 2011)  |
| 10.4*  | Third Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of June 2, 2011)   |
| 10.5*  | Fourth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 31, 2012)  |
| 10.6*  | Fifth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013)   |
| 10.7*  | Sixth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 29, 2013)  |
| 10.8*  | Form of Global Stock Option Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)                                     |
| 10.9*  | Form of Restricted Stock Unit Agreement For Non-Employee Directors under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)        |
| 10.10* | Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Performance Based Awards) (incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011) |
| 10.11* | Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Time Based Awards) (incorporated herein by reference to Exhibit 10.4 of  |



10.12\* the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)  
Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated  
2005 Equity Incentive Plan (Long Term Incentive) (incorporated by reference to Exhibit 10.1 of the  
Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)

58

---

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

- 10.13\* Form of Long Term Incentive Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014)
- 10.14\* Amended and Restated 2005 Employee Stock Purchase Plan (incorporated by reference herein to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011)
- 10.15\* Amendment to Amended and Restated 2005 Employee Stock Purchase Plan (incorporated by reference herein to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)
- 10.16\* Citrix Systems, Inc. Executive Bonus Plan (incorporated by reference herein to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
- 10.17\* Change in Control Agreement dated as of August 4, 2005 by and between the Company and Mark B. Templeton (incorporated by reference herein to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)
- 10.18\* Form of Change in Control Agreement by and between the Company and each of David J. Henshall, David R. Freidman and Alvaro J. Monserrat (incorporated by reference herein to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)
- 10.19\* Form of First Amendment to Change of Control Agreement (Chief Executive Officer) between the Company and Mark Templeton (incorporated by reference herein to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
- 10.20\* Form of First Amendment to Change of Control Agreement between the Company and each of David J. Henshall, David R. Friedman and Alvaro J. Monserrat (incorporated by reference herein to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
- 10.21\* Form of Amendment to Change in Control Agreements by and between the Company and each of David J. Henshall, David R. Freidman and Alvaro J. Monserrat (incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011)
- 10.22\* Form of Indemnification Agreement by and between the Company and each of its Directors and executive officers (incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011)
- 10.23\* Form of Change in Control Agreement by and between the Company and each of William Burley Catherine Courage, Sudhakar Ramakrishna, Christopher Hylen, Timothy Minahan, Klaus Oestermann, Geir Ramleth, Robson Grieve and Carlos Sartorius (incorporated by reference herein to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)
- 10.24\* Citrix Systems, Inc. 2014 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 28, 2014)
- 10.25 Form of Call Option Transaction Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 30, 2014)
- 10.26 Form of Warrants Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 30, 2014)
- 10.27 Form of Additional Call Option Transaction Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2014)
- 10.28 Form of Additional Warrants Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2014)

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

- 10.29 Master Confirmation between Citibank, N.A. and Citrix Systems, Inc., dated April 25, 2014  
(incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 30, 2014)
- 10.30 Credit Agreement, dated as of January 7, 2015, by and among Citrix Systems, Inc., the initial lenders named therein and Bank of America, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 8, 2015)
- 10.31\* Mutual Separation and Release Agreement, dated as of February 25, 2015, by and between the Company and Sudhakar Ramakrishna (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2015)

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

10.32*	Mutual Separation and Release Agreement, dated as of January 12, 2015, by and between the Company and Al Monserrat (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2015)
10.33	Cooperation Agreement, by and among Citrix Systems, Inc., Elliott Associates, L.P., Elliott International, L.P. and Elliott International Capital Advisors Inc., dated July 28, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 28, 2015)
10.34*	2015 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 7, 2015)
10.35*	Retention Agreement, dated October 12, 2015, by and between Citrix Systems, Inc. and Mark B. Templeton (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 16, 2015)
10.36*	Employment Agreement, dated October 20, 2015, by and between Citrix Systems, Inc. and Robert M. Calderoni (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 26, 2015)
10.37*	Form of Incentive Agreement by and between the Citrix Systems, Inc. and each of William Burley, David R. Friedman, David J. Henshall, Christopher Hylen, Jesse Lipson, Timothy Minahan, Klaus Oestermann, T. Geir Ramleth and Carlos Sartorius (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.38	First Amendment to Credit Agreement, dated as of August 7, 2015, by and among Citrix Systems, Inc., the lenders named therein and Bank of America, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.39*	Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan for Robert Calderoni granted August 1, 2015 (Time Based Awards) (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.40*	Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan for Robert Calderoni granted August 1, 2015 (Performance Based Awards) (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.41*	Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan for Robert Calderoni granted August 1, 2015 (Performance Based Awards) (incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.42*	Form of Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan for each of William Burley, David J. Henshall, Christopher Hylen, Jesse Lipson, Timothy Minahan, Klaus Oestermann, Carlos Sartorius and T. Geir Ramleth (Performance Based Awards) (incorporated herein by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
21.1†	List of Subsidiaries
23.1†	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (included in signature page)
31.1†	Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer
Exhibit No.	Description
31.2†	Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer
32.1††	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

\* Indicates a management contract or a compensatory plan, contract or arrangement.

† Filed herewith.

†† Furnished herewith.  
(b) Exhibits.

60

---

The Company hereby files as part of this Annual Report on Form 10-K for the year ended December 31, 2015, the exhibits listed in Item 15(a)(3) above. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C., 20549 and at the Commission's regional offices at 175 W. Jackson Boulevard, Suite 900, Chicago, IL 60604 and 3 World Financial Center, Suite 400, New York, NY 10281-1022.

(c) Financial Statement Schedule.

The Company hereby files as part of this Annual Report on Form 10-K for the year ended December 31, 2015 the consolidated financial statement schedule listed in Item 15(a)(2) above, which is attached hereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Fort Lauderdale, Florida on the 18<sup>th</sup> day of February, 2016.

CITRIX SYSTEMS, INC.

By:

/s/ KIRILL TATARINOV  
Kirill Tatarinov  
President and Chief Executive Officer

POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Citrix Systems, Inc., hereby severally constitute and appoint Kirill Tatarinov and David J. Henshall, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below, all amendments to this report, and generally to do all things in our names and on our behalf in such capacities to enable Citrix Systems, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the 18<sup>th</sup> day of February, 2016.

Signature	Title(s)
/S/ KIRILL TATARINOV Kirill Tatarinov	President, Chief Executive Officer and Director (Principal Executive Officer)
/S/ DAVID J. HENSHALL David J. Henshall	Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)
/S/ DAVID ZALEWSKI David Zalewski	Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)
/S/ ROBERT M. CALDERONI Robert M. Calderoni	Executive Chairman of the Board of Directors
/S/ THOMAS F. BOGAN Thomas F. Bogan	Director
/S/ NANCI CALDWELL Nanci Caldwell	Director
/S/ JESSE COHN Jesse Cohn	Director
/S/ ROBERT D. DALEO Robert D. Daleo	Director
/S/ MURRAY J. DEMO Murray J. Demo	Director
/S/ FRANCIS A. DESOUZA Francis A. deSouza	Director
/S/ GODFREY R. SULLIVAN Godfrey R. Sullivan	Director
/S/ PETER J. SACRIPANTI	Director



Peter J. Sacripanti

/S/ GRAHAM V. SMITH  
Graham V. Smith

Director

63

---

CITRIX SYSTEMS, INC.

List of Financial Statements and Financial Statement Schedule

The following consolidated financial statements of Citrix Systems, Inc. are included in Item 8:

Report of Independent Registered Public Accounting Firm	F- <u>2</u>
<u>Consolidated</u> Balance Sheets — December 31, 2015 and 2014	F- <u>3</u>
<u>Consolidated</u> Statements of Income — Years ended December 31, 2015, 2014 and 2013	F- <u>4</u>
<u>Consolidated</u> Statements of Comprehensive Income — Years ended December 31, 2015, 2014 and 2013	F- <u>5</u>
<u>Consolidated</u> Statements of Equity — Years ended December 31, 2015, 2014 and 2013	F- <u>6</u>
<u>Consolidated</u> Statements of Cash Flows — Years ended December 31, 2015, 2014 and 2013	F- <u>7</u>
<u>Notes to Consolidated Financial Statements</u>	F- <u>8</u>

The following consolidated financial statement schedule of Citrix Systems, Inc. is included in Item 15(a):

Schedule II Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

Report of Independent Registered Public Accounting Firm  
The Board of Directors and Stockholders of Citrix Systems, Inc.

We have audited the accompanying consolidated balance sheets of Citrix Systems, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Citrix Systems, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Citrix Systems Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 18, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Certified Public Accountants

Boca Raton, Florida  
February 18, 2016

CITRIX SYSTEMS, INC.  
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
	(In thousands, except par value)	
Assets		
Current assets:		
Cash and cash equivalents	\$368,518	\$260,149
Short-term investments, available-for-sale	502,852	529,260
Accounts receivable, net of allowances of \$7,719 and \$5,976 at December 31, 2015 and 2014, respectively	669,276	674,401
Inventories, net	10,521	12,617
Prepaid expenses and other current assets	132,784	166,005
Current portion of deferred tax assets, net	—	45,892
Total current assets	1,683,951	1,688,324
Long-term investments, available-for-sale	891,964	1,073,110
Property and equipment, net	373,817	367,779
Goodwill	1,962,722	1,796,851
Other intangible assets, net	283,418	390,717
Long-term portion of deferred tax assets, net	215,196	128,198
Other assets	70,370	67,028
Total assets	\$5,481,438	\$5,512,007
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$95,396	\$79,884
Accrued expenses and other current liabilities	317,468	298,079
Income taxes payable	18,351	12,053
Current portion of deferred revenues	1,249,754	1,200,093
Total current liabilities	1,680,969	1,590,109
Long-term portion of deferred revenues	414,314	357,771
Convertible notes	1,324,992	1,292,953
Other liabilities	87,717	97,529
Commitments and contingencies		
Stockholders' equity:		
Preferred stock at \$.01 par value: 5,000 shares authorized, none issued and outstanding	—	—
Common stock at \$.001 par value: 1,000,000 shares authorized; 299,113 and 294,674 shares issued and outstanding at December 31, 2015 and 2014, respectively	299	295
Additional paid-in capital	4,566,919	4,292,706
Retained earnings	3,474,625	3,155,264
Accumulated other comprehensive loss	(28,527)	(36,790)
	8,013,316	7,411,475
Less - common stock in treasury, at cost (145,296 and 133,898 shares at December 31, 2015 and 2014, respectively)	(6,039,870)	(5,237,830)
Total stockholders' equity	1,973,446	2,173,645
Total liabilities and stockholders' equity	\$5,481,438	\$5,512,007
See accompanying notes.		



CITRIX SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2015	2014	2013
	(In thousands, except per share information)		
Revenues:			
Product and licenses	\$875,807	\$899,736	\$891,630
Software as a service	731,292	651,562	582,872
License updates and maintenance	1,521,007	1,416,017	1,305,053
Professional services	147,488	175,541	138,879
Total net revenues	3,275,594	3,142,856	2,918,434
Cost of net revenues:			
Cost of product and license revenues	118,265	124,110	114,932
Cost of services and maintenance revenues	364,916	349,683	289,990
Amortization and impairment of product related intangible assets	131,183	146,426	97,873
Total cost of net revenues	614,364	620,219	502,795
Gross margin	2,661,230	2,522,637	2,415,639
Operating expenses:			
Research and development	563,975	553,817	516,338
Sales, marketing and services	1,195,362	1,280,265	1,216,680
General and administrative	342,665	319,922	260,236
Amortization and impairment of other intangible assets	108,732	45,898	41,668
Restructuring	100,411	20,424	—
Total operating expenses	2,311,145	2,220,326	2,034,922
Income from operations	350,085	302,311	380,717
Interest income	11,675	9,421	8,194
Interest expense	44,153	28,332	128
Other expense, net	(5,730)	) (7,694	) (893
Income before income taxes	311,877	275,706	387,890
Income tax (benefit) expense	(7,484)	) 23,983	48,367
Net income	\$319,361	\$251,723	\$339,523
Earnings per share:			
Basic	\$2.01	\$1.48	\$1.82
Diluted	\$1.99	\$1.47	\$1.80
Weighted average shares outstanding:			
Basic	158,874	169,879	186,672
Diluted	160,362	171,270	188,245
See accompanying notes.			

CITRIX SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Net income	\$319,361	\$251,723	\$339,523
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	—	(21,804)	) 8,482
Available for sale securities:			
Change in net unrealized losses	(2,080)	) (911)	) (985)
Less: reclassification adjustment for net losses (gains) included in net income	170	(1,317)	) (203)
Net change (net of tax effect)	(1,910)	) (2,228)	) (1,188)
Gain (loss) on pension liability	4,083	(6,512)	) 2,500
Cash flow hedges:			
Change in unrealized losses	(6,937)	) (9,074)	) (67)
Less: reclassification adjustment for net losses (gains) included in net income	13,027	(2,123)	) 2,929
Net change (net of tax effect)	6,090	(11,197)	) 2,862
Other comprehensive income (loss)	8,263	(41,741)	) 12,656
Comprehensive income	\$327,624	\$209,982	\$352,179
See accompanying notes.			

CITRIX SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF EQUITY  
(In thousands)

	Common Stock		Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive (loss) income	Common Stock in Treasury		Total Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2012	287,123	\$287	\$3,691,111	\$2,564,018	\$(7,705)	(100,781)	\$(3,125,934)	\$3,121,777
Shares issued under stock-based compensation plans	3,545	3	73,655	—	—	—	—	73,658
Stock-based compensation expense	—	—	179,098	—	—	—	—	179,098
Common stock issued under employee stock purchase plan	410	1	30,141	—	—	—	—	30,142
Tax deficiency from employer stock plans	—	—	(620)	—	—	—	—	(620)
Stock repurchases, net	—	—	—	—	—	(6,564)	(406,326)	(406,326)
Restricted shares turned in for tax withholding	—	—	—	—	—	(444)	(31,013)	(31,013)
Other	—	—	912	—	—	—	—	912
Other comprehensive income, net of tax	—	—	—	—	12,656	—	—	12,656
Net income	—	—	—	339,523	—	—	—	339,523
Balance at December 31, 2013	291,078	291	3,974,297	2,903,541	4,951	(107,789)	(3,563,273)	3,319,807
Shares issued under stock-based compensation plans	3,031	3	46,618	—	—	—	—	46,621
Stock-based compensation expense	—	—	164,040	—	—	—	—	164,040
Common stock issued under employee stock purchase plan	565	1	33,908	—	—	—	—	33,909
Tax deficiency from employer stock plans, net	—	—	(14,679)	—	—	—	—	(14,679)



Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

Stock repurchases, net	—	—	—	—	—	(25,549 )	(1,640,885 )	(1,640,885 )
Restricted shares turned in for tax withholding	—	—	—	—	—	(560 )	(33,672 )	(33,672 )
Other comprehensive loss, net of tax	—	—	—	—	(41,741 )	—	—	(41,741 )
Convertible note tax impact	—	—	8,166	—	—	—	—	8,166
Equity component of convertible note issuance	—	—	162,869	—	—	—	—	162,869
Purchase of convertible note hedges	—	—	(184,288 )	—	—	—	—	(184,288 )
Issuance of warrants	—	—	101,775	—	—	—	—	101,775
Net income	—	—	—	251,723	—	—	—	251,723
Balance at December 31, 2014	294,674	\$ 295	\$ 4,292,706	\$ 3,155,264	\$ (36,790 )	(133,898)	\$ (5,237,830)	2,173,645
Shares issued under stock-based compensation plans	3,878	3	112,282	—	—	—	—	112,285
Stock-based compensation expense	—	—	139,816	—	—	—	—	139,816
Common stock issued under employee stock purchase plan	561	1	37,228	—	—	—	—	37,229
Tax deficiency from employer stock plans, net	—	—	(15,013 )	—	—	—	—	(15,013 )
Stock repurchases, net	—	—	—	—	—	(10,717 )	(755,704 )	(755,704 )
Restricted shares turned in for tax withholding	—	—	—	—	—	(681 )	(46,336 )	(46,336 )
Other	—	—	(100 )	—	—	—	—	(100 )
Other comprehensive income, net of tax	—	—	—	—	8,263	—	—	8,263
Net income	—	—	—	319,361	—	—	—	319,361
Balance at December 31, 2015	299,113	\$ 299	\$ 4,566,919	\$ 3,474,625	\$ (28,527 )	(145,296)	\$ (6,039,870)	\$ 1,973,446

See accompanying notes.



CITRIX SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Operating Activities			
Net income	\$319,361	\$251,723	\$339,523
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and impairment of intangible assets	239,915	192,325	139,541
Depreciation and amortization of property and equipment	152,964	137,945	127,959
Amortization of debt discount and transaction costs	36,013	23,293	—
Stock-based compensation expense	147,368	169,287	183,941
Deferred income tax benefit	(89,378)	(36,982)	(51,848)
Excess tax benefit from stock-based compensation	(5,873)	(6,132)	(12,552)
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	13,416	5,233	5,888
Other non-cash items	8,740	12,419	5,417
Total adjustments to reconcile net income to net cash provided by operating activities	503,165	497,388	398,346
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable	(7,226)	(30,962)	(22,951)
Inventories	703	(1,167)	(5,591)
Prepaid expenses and other current assets	(8,057)	(8,133)	(7,928)
Other assets	(2,550)	1,498	5,076
Income taxes, net	51,994	(79,119)	(7,374)
Accounts payable	10,959	40	3,092
Accrued expenses and other current liabilities	49,586	62,195	23,028
Deferred revenues	107,150	146,123	201,455
Other liabilities	9,463	6,395	1,667
Total changes in operating assets and liabilities, net of the effects of acquisitions	212,022	96,870	190,474
Net cash provided by operating activities	1,034,548	845,981	928,343
Investing Activities			
Purchases of available-for-sale investments	(2,182,831)	(2,390,950)	(1,703,976)
Proceeds from sales of available-for-sale investments	1,745,290	1,694,886	766,192
Proceeds from maturities of available-for-sale investments	637,052	406,334	504,314
Proceeds (purchases) from cost method investments, net	6,476	425	5,243
Purchases of property and equipment	(160,825)	(165,417)	(162,889)
Cash paid for acquisitions, net of cash acquired	(256,907)	(101,059)	(334,881)
Cash paid for licensing agreements and product related intangible assets	(11,403)	(13,676)	(12,153)
Other	(1,267)	—	—
Net cash used in investing activities	(224,415)	(569,457)	(938,150)
Financing Activities			
Proceeds from issuance of common stock under stock-based compensation plans	112,285	46,618	73,655
Proceeds from issuance of convertible notes, net of issuance costs	—	1,415,717	—
Purchase of convertible note hedges	—	(184,288)	—
Proceeds from issuance of warrants	—	101,775	—

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

Proceeds from revolving credit facility	95,000	—	—
Repayments on credit facility	(95,000	) —	—
Repayment of acquired debt	(7,569	) (4,065	) (2,061 )
Excess tax benefit from stock-based compensation	5,873	6,132	12,552
Stock repurchases, net	(755,704	) (1,640,885	) (406,326 )
Cash paid for tax withholding on vested stock awards	(46,336	) (33,672	) (31,013 )
Other	—	—	912
Net cash used in financing activities	(691,451	) (292,668	) (352,281 )
Effect of exchange rate changes on cash and cash equivalents	(10,313	) (4,447	) (781 )
Change in cash and cash equivalents	108,369	(20,591	) (362,869 )
Cash and cash equivalents at beginning of period	260,149	280,740	643,609
Cash and cash equivalents at end of period	\$368,518	\$260,149	\$280,740
Supplemental Cash Flow Information			
Cash paid for income taxes	\$45,827	\$130,502	\$92,672
Cash paid for interest	\$8,215	\$5,027	\$127
See accompanying notes.			

F- 7

---

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. ORGANIZATION

Citrix Systems, Inc. ("Citrix" or the "Company"), is a Delaware corporation founded on April 17, 1989. Citrix develops and sells products and services that enable the secure and reliable delivery of applications and data over public, private or hybrid clouds or networks, to virtually any type of device.

Citrix markets and licenses its products directly to customers, over the Web, and through systems integrators ("SIs"), in addition to indirectly through value-added resellers ("VARs"), value-added distributors ("VADs"), original equipment manufacturers ("OEMs"), and service providers.

The Company's revenues are derived from its Enterprise and Service Provider products, which primarily include its Workspace Services products, Delivery Networking products and related license updates and maintenance and professional services and from its Mobility Apps products, which primarily include Communications Cloud and Workflow Cloud products. Enterprise and Service Provider and Mobility Apps constitute the Company's two reportable segments.

As part of the Company's continued transformation, effective January 1, 2016, the Company reorganized a part of its business by creating a new Cloud Services business unit that will include the ShareFile product line. The ShareFile product line is currently included within the Company's Workflow Cloud products under the Mobility Apps segment. The Company is currently evaluating its segment reporting and goodwill reporting units for 2016 as a result of these changes. See Note 11 for more information regarding the Company's segments.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Consolidation Policy

The consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries in the Americas, Europe, the Middle East and Africa ("EMEA") and Asia-Pacific. All significant transactions and balances between the Company and its subsidiaries have been eliminated in consolidation.

### Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2015 and 2014 include marketable securities, which are primarily money market funds, commercial paper, agency, and government securities, municipal securities and corporate securities with initial or remaining contractual maturities when purchased of three months or less.

### Investments

Short-term and long-term investments at December 31, 2015 and 2014 primarily consist of agency securities, corporate securities, municipal securities and government securities. Investments classified as available-for-sale are stated at fair value with unrealized gains and losses, net of taxes, reported in Accumulated other comprehensive loss. The Company classifies its available-for-sale investments as current and non-current based on their actual remaining time to maturity. The Company does not recognize changes in the fair value of its available-for-sale investments in income unless a decline in value is considered other-than-temporary in accordance with the authoritative guidance. The Company's investment policy is designed to limit exposure to any one issuer depending on credit quality. The Company uses information provided by third parties to adjust the carrying value of certain of its investments to fair value at the end of each period. Fair values are based on a variety of inputs and may include interest rates, known historical trades, yield curve information, benchmark data, prepayment speeds, credit quality and broker/dealer quotes. See Note 4 for investment information.

### Accounts Receivable

The Company's accounts receivable are attributable primarily to VARs, VADs and end customers. Collateral is generally not required. The Company also maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company's customers to make payments which includes both general and specific reserves. The Company periodically reviews these estimated allowances by conducting an analysis of the customer's payment history and creditworthiness, the age of the trade receivable balances and current economic conditions that may affect a customer's ability to make payments. Based on this review, the Company specifically reserves for those accounts deemed uncollectible. When receivables are determined to be uncollectible, principal amounts of such receivables outstanding are deducted from the allowance. The allowance for doubtful accounts was \$6.3 million and \$3.8 million

as of December 31, 2015 and 2014, respectively. If the financial condition of a significant distributor or customer were to deteriorate, the Company's operating results could be adversely affected. As of December 31, 2015, there was no individual distributor that accounted for over 10% of gross accounts receivable. As of

F- 8

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014, two distributors, the Arrow Group and Ingram Micro, accounted for 11% and 10% of gross accounts receivable, respectively.

## Inventory

Inventories are stated at the lower of cost or market on a standard cost basis, which approximates actual cost. The Company's inventories primarily consist of finished goods as of December 31, 2015 and 2014.

## Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally three years for computer equipment and software, the lesser of the lease term or ten years for leasehold improvements, which is the estimated useful life, seven years for office equipment and furniture and the Company's enterprise resource planning system and 40 years for buildings.

During 2015 and 2014, the Company retired \$25.8 million and \$11.4 million, respectively, in property and equipment that were no longer in use. At the time of retirement, the remaining net book value of the assets retired was not material and no material asset retirement obligations were associated with them.

Property and equipment consist of the following:

	December 31,	
	2015	2014
	(In thousands)	
Buildings	\$85,092	\$85,092
Computer equipment	271,461	237,709
Software	487,191	392,009
Equipment and furniture	123,649	117,555
Leasehold improvements	217,200	211,625
	1,184,593	1,043,990
Less accumulated depreciation and amortization	(852,460 )	(722,691 )
Assets under construction	14,097	18,893
Land	27,587	27,587
Total	\$373,817	\$367,779

## Long-Lived Assets

The Company reviews for impairment of long-lived assets and certain identifiable intangible assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss is based on the fair value of the asset compared to its carrying value. Long-lived assets and certain identifiable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

For the years ended December 31, 2015 and 2014, the Company identified certain intangible assets that were impaired within our Enterprise and Service Provider segment and recorded non-cash impairment charges of \$123.0 million and \$59.3 million, respectively. These non-recurring fair value measurements were categorized as Level 3, as significant unobservable inputs were used in the valuation analysis. The impairment charges are included in Amortization and impairment of product related intangible assets and Amortization and impairment of other intangible assets in the accompanying consolidated statements of income. See Note 3 for more information regarding the Company's acquisitions and Note 5 for more information regarding fair value measurements.

## Goodwill

The Company accounts for goodwill in accordance with the authoritative guidance, which requires that goodwill and certain intangible assets are not amortized, but are subject to an annual impairment test. There was no impairment of goodwill or indefinite lived intangible assets as a result of the annual impairment tests analyses completed during the fourth quarters of 2015 and 2014, respectively. The authoritative guidance provides entities with an option to perform a qualitative assessment to determine whether further quantitative impairment testing is necessary. The Company

performed the qualitative assessment when it performed its goodwill impairment test in the fourth quarter of 2015. As a result of the qualitative analysis, no further quantitative impairment test was deemed necessary. In-process R&D acquired in connection with the Company's acquisitions

F- 9

---



CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

was not significant. See Note 3 for more information regarding the Company's acquisitions and Note 11 for more information regarding the Company's segments.

The following table presents the change in goodwill allocated to the Company's reportable segments during 2015 and 2014 (in thousands):

	Balance at January 1, 2015	Additions	Other	Balance at December 31, 2015	Balance at January 1, 2014	Additions	Other	Balance at December 31, 2014
Enterprise and Service Provider	\$1,434,369	\$61,641	\$(740 )	(2) \$1,495,270	\$1,402,156	\$30,317	\$1,896	(4) \$1,434,369
Mobility Apps	362,482	104,970	—	467,452	366,793	10,694	(15,005 )	(3) 362,482
Consolidated	\$1,796,851	\$166,611	(1) \$(740 )	\$1,962,722	\$1,768,949	\$41,011	(1) \$(13,109)	\$1,796,851

(1) Amount primarily relates to 2015 acquisitions. See Note 3 for more information regarding the Company's acquisitions.

(2) Amount primarily relates to adjustments to purchase price allocations for certain 2014 Acquisitions.

(3) Amount primarily relates to foreign currency translation. Refer to Foreign Currency discussion below for additional information.

(4) Amount primarily relates to adjustments to purchase price allocations for certain 2013 Acquisitions.

#### Intangible Assets

The Company has intangible assets which were primarily acquired in conjunction with business combinations and technology purchases. Intangible assets with finite lives are recorded at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets, generally three to seven years, except for patents, which are amortized over the lesser of their remaining life or ten years. In-process R&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When in-process R&D projects are completed, the corresponding amount is reclassified as an amortizable intangible asset and is amortized over the asset's estimated useful life.

Intangible assets consist of the following (in thousands):

	December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Life (Years)
Product related intangible assets	\$589,847	\$476,141	5.67
Other	447,816	278,104	6.48
Total	\$1,037,663	\$754,245	6.27
	December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Life (Years)
Product related intangible assets	\$618,336	\$454,830	5.58
Other	492,960	265,749	7.58
Total	\$1,111,296	\$720,579	6.47

Amortization and impairment of product related intangible assets, which consists primarily of product-related technologies and patents, was \$131.2 million and \$146.4 million for the year ended December 31, 2015 and 2014, respectively, and is classified as a component of Cost of net revenues in the accompanying consolidated statements of income. Amortization and impairment of other intangible assets, which consist primarily of customer relationships, trade names and covenants not to compete was \$108.8 million and \$45.9 million for the year ended December 31, 2015 and 2014, respectively, and is classified as a component of Operating expenses in the accompanying consolidated statements of income.

The Company monitors its intangible assets for indicators of impairment. If the Company determines that an impairment has occurred, it will write-down the intangible asset to its fair value. For certain intangible assets where the unamortized balances exceed the undiscounted future net cash flows, the Company measures the amount of the impairment by calculating the amount by which the carrying values exceed the estimated fair values, which are based on projected discounted future net cash flows. During the year ended December 31, 2015, the Company tested certain intangible assets for recoverability due to

F- 10

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

changes in facts and circumstances associated with the shift in strategic focus and reduced profitability expectations. As a result, the Company identified certain definite-lived intangible assets that were impaired within our Enterprise and Service Provider business unit, primarily customer relationships and product technologies from the acquisition of ByteMobile and Sanbolic, and recorded non-cash impairment charges of \$123.0 million to write down the intangible assets to their estimated fair value of \$26.8 million. Of the impairment charge, \$67.1 million is included in Amortization and impairment of other intangible assets and \$55.9 million is included in Amortization and impairment of product related intangible assets in the accompanying consolidated statements of income. This non-recurring fair value measurement was categorized as Level 3, as significant unobservable inputs were used in the valuation analysis. Key assumptions used in the valuation include forecasts of revenue and expenses over an extended period of time, customer retention rates, tax rates, and estimated costs of debt and equity capital to discount the projected cash flows. Certain of these assumptions involve significant judgment, are based on management's estimate of current and forecasted market conditions and are sensitive and susceptible to change, therefore, further disruptions in the business could potentially result in additional amounts becoming impaired.

Estimated future amortization expense of intangible assets with finite lives as of December 31, 2015 is as follows (in thousands):

Year ending December 31,	
2016	\$81,687
2017	60,013
2018	52,003
2019	36,047
2020	21,792
Thereafter	31,876
Total	\$283,418

## Software Development Costs

The authoritative guidance requires certain internal software development costs related to software to be sold to be capitalized upon the establishment of technological feasibility. The Company's software development costs incurred subsequent to achieving technological feasibility have not been significant and substantially all software development costs have been expensed as incurred.

## Internal Use Software

In accordance with the authoritative guidance, the Company capitalizes external direct costs of materials and services and internal costs such as payroll and benefits of those employees directly associated with the development of new functionality in internal use software and software developed related to its Mobility Apps products. The amount of costs capitalized in 2015 and 2014 relating to internal use software was \$93.9 million and \$79.1 million, respectively. These costs are being amortized over the estimated useful life of the software, which is generally three to seven years, and are included in property and equipment in the accompanying consolidated balance sheets. The total amounts charged to expense relating to internal use software was approximately \$81.8 million, \$66.8 million and \$58.6 million, during the years ended December 31, 2015, 2014 and 2013, respectively.

## Revenue Recognition

Net revenues include the following categories: Product and licenses, SaaS, License updates and maintenance and Professional services. Product and licenses revenues primarily represent fees related to the licensing of the Company's software and hardware appliances. These revenues are reflected net of sales allowances, cooperative advertising agreements, partner incentive programs and provisions for returns. SaaS revenues consist primarily of fees related to online service agreements, which are recognized ratably over the contract term, which is typically 12 months. In addition, SaaS revenues may also include set-up fees, which are recognized ratably over the contract term or the expected customer life, whichever is longer. License updates and maintenance revenues consist of fees related to the Subscription Advantage program and maintenance fees, which include technical support and hardware and software maintenance. Subscription Advantage is a renewable program that provides subscribers with immediate access to software upgrades, enhancements and maintenance releases when and if they become available during the term of the

contract. Subscription Advantage and maintenance fees are recognized ratably over the term of the contract, which is typically 12 to 24 months. The Company capitalizes certain third-party commissions related to Subscription Advantage, maintenance and support renewals. The capitalized commissions are amortized to Sales, marketing and services expense at the time the related deferred revenue is recognized as revenue. Hardware and software maintenance and support contracts are typically sold separately. Hardware maintenance includes technical support, the latest software upgrades and replacement of malfunctioning appliances. Dedicated account management is available as an add-on to the program for a

F- 11

---

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

higher level of service. Software maintenance includes unlimited technical support, immediate access to software upgrades, enhancements and maintenance releases when and if they become available during the term of the contract. Professional services revenues are comprised of fees from consulting services related to the implementation of the Company's products and fees from product training and certification, which are recognized as the services are provided.

The Company recognizes revenue when it is earned and when all of the following criteria are met: persuasive evidence of the arrangement exists; delivery has occurred or the service has been provided and the Company has no remaining obligations; the fee is fixed or determinable; and collectability is probable. The Company defines these four criteria as follows:

Persuasive evidence of the arrangement exists. Evidence of an arrangement generally consists of a purchase order issued pursuant to the terms and conditions of a distributor, reseller or end user agreement. For SaaS, the Company generally requires the customer or the reseller to electronically accept the terms of an online services agreement or execute a contract.

Delivery has occurred and the Company has no remaining obligations. The Company considers delivery of licenses under electronic licensing agreements to have occurred when the related products are shipped and the end-user has been electronically provided the software activation keys that allow the end-user to take immediate possession of the product. For hardware appliance sales, the Company's standard delivery method is free-on-board shipping point. Consequently, it considers delivery of appliances to have occurred when they are shipped pursuant to an agreement and purchase order. For SaaS, delivery occurs upon providing the users with their login id and password. For product training and consulting services, the Company fulfills its obligation when the services are performed. For license updates and maintenance, the Company assumes that its obligation is satisfied ratably over the respective terms of the agreements, which are typically 12 to 24 months. For SaaS, the Company assumes that its obligation is satisfied ratably over the respective terms of the agreements, which are typically 12 months.

The fee is fixed or determinable. In the normal course of business, the Company does not provide customers the right to a refund of any portion of their license fees or extended payment terms. The fees are considered fixed or determinable upon establishment of an arrangement that contains the final terms of the sale including description, quantity and price of each product or service purchased. For SaaS, the fee is considered fixed or determinable if it is not subject to refund or adjustment.

Collectability is probable. The Company assesses collectability based primarily on the creditworthiness of the customer. Management's judgment is required in assessing the probability of collection, which is generally based on an evaluation of customer specific information, historical experience and economic market conditions. If the Company determines from the outset of an arrangement that collectability is not probable, revenue recognition is deferred until customer payment is received and the other parameters of revenue recognition described above have been achieved.

The majority of the Company's product and license revenue consists of revenue from the sale of software products. Software sales generally include a perpetual license to the Company's software and is subject to the industry specific software revenue recognition guidance. In accordance with this guidance, the Company allocates revenue to license updates related to its stand-alone software and any other undelivered elements of the arrangement based on vendor specific objective evidence ("VSOE") of fair value of each element and such amounts are deferred until the applicable delivery criteria and other revenue recognition criteria described above have been met. The balance of the revenues, net of any discounts inherent in the arrangement, is recognized at the outset of the arrangement using the residual method as the product licenses are delivered. If management cannot objectively determine the fair value of each undelivered element based on VSOE of fair value, revenue recognition is deferred until all elements are delivered, all services have been performed, or until fair value can be objectively determined.

For hardware appliance and software transactions, the arrangement consideration is allocated to stand-alone software deliverables as a group and the non-software deliverables based on the relative selling prices using the selling price hierarchy in the revenue recognition guidance. The selling price hierarchy for a deliverable is based on its VSOE if

available, third-party evidence of selling price ("TPE") if VSOE is not available, or estimated selling price ("ESP") if neither VSOE nor TPE is available. The Company then recognizes revenue on each deliverable in accordance with its policies for product and service revenue recognition. VSOE of selling price is based on the price charged when the element is sold separately. In determining VSOE, the Company requires that a substantial majority of the selling prices fall within a reasonable range based on historical discounting trends for specific products and services. TPE of selling price is established by evaluating competitor products or services in stand-alone sales to similarly situated customers. However, as the Company's products contain a significant element of proprietary technology and its solutions offer substantially different features and functionality, the comparable pricing of products with similar functionality typically cannot be obtained. Additionally, as the Company is unable to reliably determine what competitors products' selling prices are on a stand-alone basis, the Company is not typically able to determine TPE. The

F- 12

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

estimate of selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies and through different sales channels and competitor pricing strategies.

Our Citrix Service Provider ("CSP") program provides subscription-based services in which the CSP partners host software services to their end users. The fees from the CSP program are recognized based on usage and as the CSP services are provided to their end users.

For the Company's non-software transactions, it allocates the arrangement consideration based on the relative selling price of the deliverables. For the Company's hardware appliances, it uses ESP as its selling price. For the Company's support and services, it generally uses VSOE as its selling price. When the Company is unable to establish selling price using VSOE for its support and services, the Company uses ESP in its allocation of arrangement consideration. The Company's Mobility Apps products are considered hosted service arrangements per the authoritative guidance, or SaaS. Generally, the Company's Mobility Apps products are sold separately and not bundled with the Enterprise and Service Provider business unit's products and services.

In the normal course of business, the Company is not obligated to accept product returns from its distributors under any conditions, unless the product item is defective in manufacture. The Company establishes provisions for estimated returns, as well as other sales allowances, concurrently with the recognition of revenue. The provisions are established based upon consideration of a variety of factors, including, among other things, recent and historical return rates for both specific products and distributors and the impact of any new product releases and projected economic conditions. Product returns are provided for in the consolidated financial statements and have historically been within management's expectations. Allowances for estimated product returns amounted to approximately \$1.4 million and \$2.2 million at December 31, 2015 and December 31, 2014, respectively. The Company also records estimated reductions to revenue for customer programs and incentive offerings including volume-based incentives. The Company could take actions to increase its customer incentive offerings, which could result in an incremental reduction to revenue at the time the incentive is offered.

#### Product Concentration

The Company derives a substantial portion of its revenues from its Workspace Services solutions, which include its XenDesktop and XenApp products and related services, and anticipates that these products and future derivative products and product lines based upon this technology will continue to constitute a majority of its revenue. The Company has recently experienced declines in sales and could continue to experience declines in demand for its Workspace Services solutions and other products, whether as a result of general economic conditions, the delay or reduction in technology purchases, new competitive product releases, price competition, lack of success of its strategic partners, technological change or other factors.

#### Cost of Net Revenues

Cost of product and license revenues consists primarily of hardware, product media and duplication, manuals, packaging materials, shipping expense and server capacity costs. In addition, the Company is a party to licensing agreements with various entities, which give the Company the right to use certain software code in its products or in the development of future products in exchange for the payment of fixed fees or amounts based upon the sales of the related product. The licensing agreements generally have terms ranging from one to five years, and generally include renewal options. However, some agreements are perpetual unless expressly terminated. Royalties and other costs related to these agreements are included in cost of net revenues. Cost of services and maintenance revenue consists primarily of compensation and other personnel-related costs of providing technical support and consulting, as well as costs of hosting the Company's Mobility Apps products. Also included in cost of net revenues is amortization and impairment of product related intangible assets which includes acquired core and product technology and associated patents.

#### Foreign Currency

The functional currency for all of the Company's wholly-owned foreign subsidiaries is the U.S. dollar. Monetary assets and liabilities of such subsidiaries are remeasured into U.S. dollars at exchange rates in effect at the balance sheet date, and revenues and expenses are remeasured at average rates prevailing during the year. Effective January 1, 2015, the functional currency of the Company's wholly-owned foreign subsidiaries of its Mobility Apps business unit

became the U.S. dollar as a result of a reorganization in the foreign subsidiaries' operations. Prior to January 1, 2015, the functional currency of the Company's wholly-owned foreign subsidiaries of its Mobility Apps business unit was the currency of the country in which each subsidiary is located. The Company translated assets and liabilities of these foreign subsidiaries at exchange rates in effect at the balance sheet date and included accumulated net translation adjustments in equity as a component of Accumulated other comprehensive loss. The change in functional currency is applied on a prospective basis, therefore any gains and losses that were previously recorded in Accumulated other comprehensive loss remain unchanged from January 1, 2015. Foreign currency transaction gains and losses are the result of exchange rate changes on transactions denominated in currencies other than the

F- 13

---



CITRIX SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

functional currency, including U.S. dollars. The remeasurement of those foreign currency transactions is included in determining net income or loss for the period of exchange. See Note 11 for information on the Company's Enterprise and Service Provider and Mobility Apps business units.

Derivatives and Hedging Activities

In accordance with the authoritative guidance, the Company records derivatives at fair value as either assets or liabilities on the balance sheet. For derivatives that are designated as and qualify as effective cash flow hedges, the portion of gain or loss on the derivative instrument effective at offsetting changes in the hedged item is reported as a component of Accumulated other comprehensive loss and reclassified into earnings as operating expense, net, when the hedged transaction affects earnings. Derivatives not designated as hedging instruments are adjusted to fair value through earnings as Other expense, net, in the period during which changes in fair value occur. The application of the authoritative guidance could impact the volatility of earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes attributing all derivatives that are designated as cash flow hedges to floating rate assets or liabilities or forecasted transactions. The Company also formally assesses, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in cash flows of the hedged item. Fluctuations in the value of the derivative instruments are generally offset by changes in the hedged item; however, if it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively for the affected derivative.

The Company is exposed to risk of default by its hedging counterparties. Although this risk is concentrated among a limited number of counterparties, the Company's foreign exchange hedging policy attempts to minimize this risk by placing limits on the amount of exposure that may exist with any single financial institution at a time.

Pension Liability

The Company provides retirement benefits to certain employees who are not U.S. based. Generally, benefits under these programs are based on an employee's length of service and level of compensation. The majority of these programs are commonly referred to as termination indemnities, which provide retirement benefits in accordance with programs mandated by the governments of the countries in which such employees work.

The Company had accrued \$13.8 million and \$15.6 million for these pension liabilities at December 31, 2015 and 2014, respectively. Expenses for the programs for 2015, 2014 and 2013 amounted to \$3.8 million, \$3.2 million and \$3.5 million, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. The Company has advertising agreements with, and purchases advertising from, online media providers to advertise its products. The Company also has cooperative advertising agreements with certain distributors and resellers whereby the Company will reimburse distributors and resellers for qualified advertising of Company products. Reimbursement is made once the distributor, reseller or provider provides substantiation of qualified expenses. The Company estimates the impact of these expenses and recognizes them at the time of product sales as a reduction of net revenue in the accompanying consolidated statements of income. The total costs the Company recognized related to advertising were approximately \$144.1 million, \$150.1 million and \$146.5 million, during the years ended December 31, 2015, 2014 and 2013, respectively.

Income Taxes

The Company and one or more of its subsidiaries is subject to United States federal income taxes, as well as income taxes of multiple state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2012.

In the ordinary course of global business, there are transactions for which the ultimate tax outcome is uncertain; thus, judgment is required in determining the worldwide provision for income taxes. The Company provides for income taxes on transactions based on its estimate of the probable liability. The Company adjusts its provision as appropriate for changes that impact its underlying judgments. Changes that impact provision estimates include such items as jurisdictional interpretations on tax filing positions based on the results of tax audits and general tax authority rulings.

Due to the evolving nature of tax rules combined with the large number of jurisdictions in which the Company operates, estimates of its tax liability and the realizability of its deferred tax assets could change in the future, which may result in additional tax liabilities and adversely affect the Company's results of operations, financial condition and cash flows.

F- 14

---

CITRIX SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to estimate its income taxes in each of the jurisdictions in which it operates as part of the process of preparing its consolidated financial statements. The authoritative guidance requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company reviews deferred tax assets periodically for recoverability and makes estimates and judgments regarding the expected geographic sources of taxable income and gains from investments, as well as tax planning strategies in assessing the need for a valuation allowance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates made by management include the provision for doubtful accounts receivable, the provision to reduce obsolete or excess inventory to market, the provision for estimated returns, as well as sales allowances, the assumptions used in the valuation of stock-based awards, the assumptions used in the discounted cash flows to mark certain of its investments to market, the valuation of the Company's goodwill, net realizable value of product related and other intangible assets, the fair value of convertible senior notes, the provision for lease losses, the provision for income taxes and the amortization and depreciation periods for intangible and long-lived assets. While the Company believes that such estimates are fair when considered in conjunction with the consolidated financial position and results of operations taken as a whole, the actual amounts of such items, when known, will vary from these estimates.

Accounting for Stock-Based Compensation Plans

The Company has various stock-based compensation plans for its employees and outside directors and accounts for stock-based compensation arrangements in accordance with the authoritative guidance, which requires the Company to measure and record compensation expense in its consolidated financial statements using a fair value method. See Note 7 for further information regarding the Company's stock-based compensation plans.

Earnings per Share

Basic earnings per share is calculated by dividing income available to stockholders by the weighted-average number of common shares outstanding during each period. Diluted earnings per share is computed using the weighted average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon the vesting or exercise of stock awards (calculated using the treasury stock method) during the period they were outstanding. Certain shares under the Company's stock-based compensation programs were excluded from the computation of diluted earnings per share due to their anti-dilutive effect for the respective periods in which they were outstanding. Additionally, the computation of diluted earnings per share does not include the effect of the potential outstanding common stock from the Company's convertible senior notes and warrants because the effect would have been anti-dilutive. The reconciliation of the numerator and denominator of the earnings per share calculation is presented in Note 15.

Reclassifications

Certain reclassifications of the prior years' amounts have been made to conform to the current year's presentation.

3. ACQUISITIONS

2015 Acquisitions

Sanbolic

On January 8, 2015, the Company acquired all of the issued and outstanding securities of Sanbolic, Inc. ("Sanbolic"). The Company expected the Sanbolic technology, combined with XenDesktop, XenApp, and XenMobile products, would enable it to develop a range of differentiated solutions that would have reduced the complexity of Microsoft Windows application delivery and desktop virtualization deployments. Sanbolic became part of the Company's Enterprise and Service Provider segment. The total cash consideration for this transaction was approximately \$89.4 million, net of \$0.2 million cash acquired. Transaction costs associated with the acquisition were \$0.5 million, of which the Company expensed \$0.3 million during the year ended December 31, 2015 and are included in General and administrative expense in the accompanying consolidated statements of income. In addition, in connection with the acquisition, the Company assumed non-vested stock units which were converted into the right to receive, in the

aggregate, up to 37,057 shares of the Company's common stock, for which the vesting period began on the closing of the transaction. During 2015, the Company's management performed a comprehensive operational review which included an evaluation of all its products. In connection with this review, the Company determined that the Sanbolic technology was a non-core solution and that the related product offerings will no longer be developed by the Company. As a result, the Company impaired the intangible assets related to this acquisition. Refer to Note 2 for further information about intangible assets.

F- 15

---

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Grasshopper

On May 18, 2015, the Company acquired all of the membership interests of Grasshopper Group, LLC (“Grasshopper”), a leading provider of cloud-based phone solutions for small businesses. With the acquisition, the Company will expand its breadth of communication and collaboration solutions for small businesses, including GoToMeeting, GoToTraining, GoToWebinar, OpenVoice and ShareFile. Grasshopper became part of the Mobility Apps segment. Total cash consideration for this transaction was approximately \$161.5 million, net of \$3.6 million cash acquired. Transaction costs associated with the acquisition were \$0.3 million, all of which the Company expensed during the year ended December 31, 2015 and are included in General and administrative expense in the accompanying consolidated statements of income. In addition, in connection with the acquisition, the Company assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 105,765 shares of the Company's common stock, for which the vesting period commenced on the closing of the transaction.

Purchase Accounting for the 2015 Acquisitions

The purchase prices for companies acquired during the year ended December 31, 2015, which include Sanbolic, Grasshopper, and another 2015 acquisition (collectively, the "2015 Acquisitions"), were allocated to the acquired net tangible and intangible assets based on estimated fair values as of the date of each acquisition. The allocation of the total purchase prices is summarized below (in thousands):

	Sanbolic Purchase Price	Asset Life	Grasshopper Purchase Price	Asset Life	Other 2015 Acquisition Purchase Price	Asset Life
Current assets	\$581		\$4,818		\$205	
Property and equipment	—		467	Various	—	
Intangible assets	45,300	Various	71,400	Various	980	5 years
Goodwill	61,641	Indefinite	99,686	Indefinite	5,285	Indefinite
Other assets	—		80		—	
Assets acquired	107,522		176,451		6,470	
Current liabilities assumed	1,454		11,181		42	
Long-term liabilities assumed	3,175		158		—	
Deferred tax liabilities, non-current	13,297		—		306	
Net assets acquired	\$89,596		\$165,112		\$6,122	

Current assets acquired in connection with the 2015 Acquisitions consisted primarily of cash, accounts receivable, deferred tax assets and other short term assets. Current liabilities assumed in connection with the 2015 Acquisitions consisted primarily of accounts payable, other accrued expenses and short-term debt. Long-term liabilities assumed in connection with the Sanbolic and Grasshopper acquisitions consisted of long-term debt and other long-term liabilities. Both short-term and long-term debt were paid in full subsequent to the Sanbolic and Grasshopper acquisition dates. Goodwill from the Sanbolic acquisition was assigned to the Enterprise and Service Provider segment whereas goodwill from the Grasshopper acquisition and the other 2015 acquisition was assigned to the Mobility Apps segment. The goodwill related to the Sanbolic acquisition and the other 2015 acquisition is not deductible for tax purposes whereas the goodwill related to the Grasshopper acquisition is deductible for tax purposes. See Note 11 for segment information. The goodwill amount from the 2015 Acquisitions is comprised primarily of expected synergies from combining operations and other intangible assets that do not qualify for separate recognition.

Revenue from the Sanbolic acquisition is included in the Enterprise and Service Provider segment and revenue from the Grasshopper acquisition and the other 2015 acquisition is included in the Mobility Apps segment. The Company has included the effect of the 2015 Acquisitions in its results of operations prospectively from the respective dates of acquisitions.

Identifiable intangible assets acquired in connection with the 2015 Acquisitions (in thousands) and the weighted-average lives are as follows:



## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Sanbolic	Asset Life	Grasshopper	Asset Life	Other 2015 Acquisition	Asset Life
Core and product technologies	\$43,800	5 and 6 years	\$25,000	7 years	\$980	5 years
Customer relationships	1,500	2 years	37,900	5 years	—	
Telecommunication carrier relationships	—		7,900	2 years	—	
Tradename	—		600	2 years	—	
Total	\$45,300		\$71,400		\$980	

The following unaudited pro-forma information combines the consolidated results of the operations of the Company and the 2015 Acquisitions as if the acquisitions had occurred on January 1, 2014, the first day of the Company's fiscal year 2014 (in thousands, except per share data):

	Twelve Months Ended December 31,	
	2015	2014
Revenues	\$3,289,264	\$3,170,128
Income from operations	349,577	276,344
Net income	318,794	234,957
Per share - basic	2.01	1.38
Per share - diluted	1.99	1.37

## 2014 Acquisitions

## Framehawk

In January 2014, the Company acquired all of the issued and outstanding securities of Framehawk, Inc. ("Framehawk"). The Framehawk solution, which optimizes the delivery of virtual desktops and applications to mobile devices, was combined with HDX technology in the Citrix XenApp and XenDesktop products to deliver an improved user experience under adverse network conditions. Framehawk became part of the Company's Enterprise and Service Provider segment. The total cash consideration for this transaction was approximately \$24.2 million, net of \$0.2 million of cash acquired. Transaction costs associated with the acquisition were approximately \$0.1 million, all of which the Company expensed during the year ended December 31, 2014 and are included in General and administrative expense in the accompanying consolidated statements of income.

## RightSignature

In October 2014, the Company acquired all of the membership interests of RightSignature, LLC. ("RightSignature"). The RightSignature technology expands the Workflow Cloud beyond storage and file transfer to supporting e-signature and approval workflows. RightSignature became a part of the Company's Mobility Apps segment. The total cash consideration for this transaction was approximately \$37.8 million, net of \$1.1 million of cash acquired. Transaction costs associated with the acquisition were approximately \$0.2 million, all of which the Company expensed during the year ended December 31, 2014 and are included in General and administrative expense in the accompanying consolidated statements of income. In addition, in connection with the acquisition, the Company assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 67,500 of the Company's common stock, for which the vesting period began on the closing of the transaction.

## 2014 Other Acquisitions

During the second quarter of 2014, the Company acquired all of the issued and outstanding securities of a privately-held company. The total cash consideration for this transaction was approximately \$17.2 million, net of \$0.8 million of cash acquired. This business became part of the Company's Enterprise and Service Provider segment. Transaction costs associated with the acquisition were approximately \$0.1 million, all of which the Company expensed during the year ended December 31, 2014 and are included in General and administrative expense in the accompanying consolidated statements of income.

In the fourth quarter of 2014 the Company acquired all of the issued and outstanding securities of two privately-held companies for total cash consideration of approximately \$19.9 million, net of \$0.2 million of cash acquired. The businesses became part of the Company's Enterprise and Service Provider segment. In addition, in connection with one of the acquisitions,

F- 17

---



CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the Company assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 23,430 shares of the Company's common stock, for which the vesting period began on the closing of the transaction. Transaction costs associated with the acquisitions were not significant.

#### Subsequent Event

On January 8, 2016, the Company acquired certain monitoring technology from a privately-held company for total cash consideration of \$23.6 million. The acquisition provides a monitoring solution for Citrix's products as it relates to Microsoft Windows applications and desktop delivery. In connection with this transaction, the Company entered into a three-year contract for outsourced development for the maintenance and roadmap updates of the acquired monitoring technology.

#### 4. INVESTMENTS

##### Available-for-sale Investments

Investments in available-for-sale securities at fair value were as follows for the periods ended (in thousands):

Description of the Securities	December 31, 2015				December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Agency securities	\$530,981	\$757	\$(1,216)	\$530,522	\$637,474	\$1,296	\$(457)	\$638,313
Corporate securities	699,210	90	(1,929)	697,371	795,255	232	(1,372)	794,115
Municipal securities	14,872	14	(8)	14,878	48,744	17	(31)	48,730
Government securities	152,376	9	(340)	152,045	121,431	37	(256)	121,212
Total	\$1,397,439	\$870	\$(3,493)	\$1,394,816	\$1,602,904	\$1,582	\$(2,116)	\$1,602,370

The change in net unrealized (losses) gains on available-for-sale securities recorded in Other comprehensive (loss) income includes unrealized (losses) gains that arose from changes in market value of specifically identified securities that were held during the period, gains (losses) that were previously unrealized, but have been recognized in current period net income due to sales, as well as prepayments of available-for-sale investments purchased at a premium. This reclassification has no effect on total comprehensive income or equity and was not material for all periods presented. See Note 16 for more information related to comprehensive income.

The average remaining maturities of the Company's short-term and long-term available-for-sale investments at December 31, 2015 were approximately six months and three years, respectively.

##### Realized Gains and Losses on Available-for-sale Investments

For the years ended December 31, 2015 and 2014, the Company had realized gains on the sales of available-for-sale investments of \$0.8 million and \$1.9 million, respectively. For the years ended December 31, 2015 and 2014, the Company had realized losses on available-for-sale investments of \$1.0 million and \$0.5 million, respectively, primarily related to prepayments at par of securities purchased at a premium. All realized gains and losses related to the sales of available-for-sale investments are included in Other expense, net, in the accompanying consolidated statements of income.

The Company continues to monitor its overall investment portfolio and if the credit ratings of the issuers of its investments deteriorate or if the issuers experience financial difficulty, including bankruptcy, the Company may be required to make adjustments to the carrying value of the securities in its investment portfolio and recognize impairment charges for declines in fair value that are determined to be other-than-temporary.

##### Unrealized Losses on Available-for-Sale Investments

The gross unrealized losses on the Company's available-for-sale investments that are not deemed to be other-than-temporarily impaired were \$3.5 million and \$2.1 million as of December 31, 2015 and 2014, respectively. Because the Company does not intend to sell any of its investments in an unrealized loss position and it is more likely than not that it will not be required to sell the securities before the recovery of its amortized cost basis, which may not occur until maturity, it does not consider the securities to be other-than-temporarily impaired.

Cost Method Investments

The Company held direct investments in privately-held companies of approximately \$19.9 million and \$16.6 million as of December 31, 2015 and 2014, respectively, which are accounted for based on the cost method and are included in Other

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

assets in the accompanying consolidated balance sheets. The Company periodically reviews these investments for impairment. If the Company determines that an other-than-temporary impairment has occurred, it will write-down the investment to its fair value. During 2015 and 2014, certain companies in which the Company held direct investments were acquired by third parties and as a result of these sales transactions the Company recorded gains of \$8.7 million and \$2.9 million, respectively, which was included in Other expense, net in the accompanying consolidated statements of income. The Company determined that certain cost method investments were impaired during 2015, 2014 and 2013 and recorded a total charge of \$3.3 million, \$8.3 million, and \$3.7 million, respectively, which is included in Other expense, net in the accompanying consolidated statements of income. See Note 5 for more information.

#### 5. FAIR VALUE MEASUREMENTS

The authoritative guidance defines fair value as an exit price, representing the amount that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Available-for-sale securities included in Level 2 are valued utilizing inputs obtained from an independent pricing service (the "Service") which uses quoted market prices for identical or comparable instruments rather than direct observations of quoted prices in active markets. The Service gathers observable inputs for all of the Company's fixed income securities from a variety of industry data providers including, for example, large custodial institutions and other third-party sources. Once the observable inputs are gathered by the Service, all data points are considered and an average price is determined. The Service's providers utilize a variety of inputs to determine their quoted prices. These inputs may include interest rates, known historical trades, yield curve information, benchmark data, prepayment speeds, credit quality and broker/dealer quotes. Substantially all of the Company's available-for-sale investments are valued utilizing inputs obtained from the Service and accordingly are categorized as Level 2 in the table below. The Company periodically independently assesses the pricing obtained from the Service and historically has not adjusted the Service's pricing as a result of this assessment. Available-for-sale securities are included in Level 3 when relevant observable inputs for a security are not available.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. In certain instances, the inputs used to measure fair value may meet the definition of more than one level of the fair value hierarchy. The input with the lowest level priority is used to determine the applicable level in the fair value hierarchy.

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Assets and Liabilities Measured at Fair Value on a Recurring Basis

	As of December 31, 2015	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash and cash equivalents:				
Cash	\$261,962	\$ 261,962	\$ —	\$ —
Money market funds	102,968	102,968	—	—
Corporate securities	3,588	—	3,588	—
Available-for-sale securities:				
Agency securities	530,522	—	530,522	—
Corporate securities	697,371	—	695,809	1,562
Municipal securities	14,878	—	14,878	—
Government securities	152,045	—	152,045	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	1,063	—	1,063	—
Total assets	\$1,764,397	\$ 364,930	\$ 1,397,905	\$ 1,562
Accrued expenses and other current liabilities:				
Foreign currency derivatives	3,678	—	3,678	—
Total liabilities	\$3,678	\$ —	\$ 3,678	\$ —
	As of December 31, 2014	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash and cash equivalents:				
Cash	\$230,370	\$ 230,370	\$ —	\$ —
Money market funds	29,512	29,512	—	—
Corporate securities	267	—	267	—
Available-for-sale securities:				
Agency securities	638,313	—	638,313	—
Corporate securities	794,115	—	788,042	6,073
Municipal securities	48,730	—	48,730	—
Government securities	121,212	—	121,212	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	1,206	—	1,206	—
Total assets	\$1,863,725	\$ 259,882	\$ 1,597,770	\$ 6,073
Accrued expenses and other current liabilities:				
Foreign currency derivatives	9,692	—	9,692	—
Total liabilities	\$9,692	\$ —	\$ 9,692	\$ —

The Company's fixed income available-for-sale security portfolio generally consists of high quality, investment grade securities from diverse issuers with a minimum credit rating of A-/A3 and a weighted-average credit rating of

AA-/Aa3. The Company values these securities based on pricing from the Service, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value, and accordingly, the Company classifies all of its fixed income available-for-sale securities as Level 2.

F- 20

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company measures its cash flow hedges, which are classified as Prepaid expenses and other current assets and Accrued expenses and other current liabilities, at fair value based on indicative prices in active markets (Level 2 inputs).

#### Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The Company has invested in convertible debt securities of certain early-stage entities that are classified as available-for-sale investments. As quoted prices in active markets or other observable inputs were not available for these investments, in order to measure them at fair value, the Company utilized a discounted cash flow model using a discount rate reflecting the market risk inherent in holding securities of an early-stage enterprise, adjusted by the probability-weighted exit possibilities associated with the convertible debt securities. This methodology required the Company to make assumptions that were not directly or indirectly observable regarding the fair value of the convertible debt securities; accordingly they are a Level 3 valuation and included in the table below.

	Investments (in thousands)
Balance at December 31, 2014	\$6,073
Purchases of Level 3 securities	1,775
Proceeds received on Level 3 securities	(501 )
Total net realized losses included in earnings	(838 )
Transfers out of Level 3	(4,947 )
Balance at December 31, 2015	\$1,562

Transfers out of Level 3 relate to certain of the Company's investments in convertible debt securities of early-stage entities that were reclassified from available-for-sale investments to cost method investments upon conversion to equity ownership. These amounts are included in Other assets in the accompanying consolidated balance sheets. Realized losses included in earnings for the period are reported in Other expense, net in the accompanying consolidated statements of income.

#### Assets Measured at Fair Value on a Non-recurring Basis Using Significant Unobservable Inputs (Level 3)

During 2015, certain cost method investments with a combined carrying value of \$3.4 million were determined to be impaired and have been written down to their fair values of \$0.1 million, resulting in impairment charges of \$3.3 million. During 2014, certain cost method investments with a combined carrying value of \$8.3 million were determined to be impaired and have been written down to their fair values of zero resulting in impairment charges of \$8.3 million. The impairment charges are included in Other expense, net in the accompanying consolidated financial statements for the years ended December 31, 2015 and 2014. In determining the fair value of cost method investments, the Company considers many factors including but not limited to operating performance of the investee, the amount of cash that the investee has on-hand, the ability to obtain additional financing and the overall market conditions in which the investee operates. The fair value of the cost method investment represents a Level 3 valuation as the assumptions used in valuing these investments were not directly or indirectly observable. See Note 4 for more information regarding cost method investments.

For certain intangible assets where the unamortized balances exceeded the undiscounted future net cash flows, the Company measures the amount of the impairment by calculating the amount by which the carrying values exceed the estimated fair values, which are based on projected discounted future net cash flows. These non-recurring fair value measurements are categorized as Level 3 significant unobservable inputs. See Note 2 to the Company's consolidated financial statements for detailed information related to Goodwill and Intangible Assets.

#### Additional Disclosures Regarding Fair Value Measurements

The carrying value of accounts receivable, accounts payable and accrued expenses and other current liabilities approximate their fair value due to the short maturity of these items.

As of December 31, 2015, the fair value of the Convertible Notes, which was determined based on inputs that are observable in the market (Level 2) based on the closing trading price per \$100 as of the last day of trading for the year ended December 31, 2015, and carrying value of debt instruments (carrying value excludes the equity component of

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

the Company's Convertible Notes classified in equity) was as follows (in thousands):

	Fair Value	Carrying Value
Convertible Senior Notes	\$1,567,364	\$1,324,992

F- 21

---

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

See Note 12 for more information on the Convertible Notes.

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses consist of the following:

	December 31, 2015	2014
	(In thousands)	
Accrued compensation and employee benefits	\$ 184,286	\$ 158,142
Other accrued expenses	133,182	139,937
Total	\$ 317,468	\$ 298,079

7. EMPLOYEE STOCK-BASED COMPENSATION AND BENEFIT PLANS

Plans

The Company's stock-based compensation program is a long-term retention program that is intended to attract and reward talented employees and align stockholder and employee interests. As of December 31, 2015, the Company had one stock-based compensation plan under which it was granting equity awards. The Company is currently granting stock-based awards from its 2014 Equity Incentive Plan (the "2014 Plan"). In December 2014, the Company's Board of Directors approved the 2015 Employee Stock Purchase Plan (the "2015 ESPP"), which was approved by stockholders at the Company's Annual Meeting of Stockholders held on May 28, 2015. The 2015 ESPP has replaced the Company's Amended and Restated 2005 Employee Stock Purchase Plan (as amended, the "2005 ESPP"). In connection with certain of the Company's acquisitions, the Company has assumed certain plans from acquired companies. The Company's Board of Directors has provided that no new awards will be granted under the Company's acquired stock plans. Awards previously granted under the Company's superseded and expired stock plans that are still outstanding typically expire between five and ten years from the date of grant and will continue to be subject to all the terms and conditions of such plans, as applicable. The Company's superseded and expired stock plan includes the Amended and Restated 2005 Equity Incentive Plan.

Under the terms of the 2014 Plan, the Company is authorized to grant incentive stock options ("ISOs"), non-qualified stock options ("NSOs"), non-vested stock, non-vested stock units, stock appreciation rights ("SARs"), and performance units and to make stock-based awards to full and part-time employees of the Company and its subsidiaries or affiliates, where legally eligible to participate, as well as to consultants and non-employee directors of the Company. SARs and ISOs are not currently being granted. Currently, the 2014 Plan provides for the issuance of a maximum of 29,000,000 shares of common stock. In addition, shares of common stock underlying any awards granted under the Company's Amended and Restated 2005 Equity Incentive Plan, as amended, that are forfeited, canceled or otherwise terminated (other than by exercise) are added to its shares of common stock available for issuance under the 2014 Plan. Under the 2014 Plan, NSOs must be granted at exercise prices no less than fair market value on the date of grant. Non-vested stock awards may be granted for such consideration in cash, other property or services, or a combination thereof, as determined by the Company's Compensation Committee of its Board of Directors. Stock-based awards are generally exercisable or issuable upon vesting. The Company's policy is to recognize compensation cost for awards with only service conditions and a graded vesting schedule on a straight-line basis over the requisite service period for the entire award. As of December 31, 2015, there were 26,917,012 shares of common stock reserved for issuance pursuant to the Company's stock-based compensation plans, and the Company had authorization under its 2014 Plan to grant stock-based awards covering 20,271,829 shares of common stock.

Under the 2015 ESPP, all full-time and certain part-time employees of the Company are eligible to purchase common stock of the Company twice per year at the end of a six-month payment period (a "Payment Period"). During each Payment Period, eligible employees who so elect may authorize payroll deductions in an amount no less than 1% nor greater than 10% of his or her base pay for each payroll period in the Payment Period. At the end of each Payment Period, the accumulated deductions are used to purchase shares of common stock from the Company up to a maximum of 12,000 shares for any one employee during a Payment Period. Shares are purchased at a price equal to 85% of the fair market value of the Company's common stock on the last business day of a Payment Period. Employees who, after exercising their rights to purchase shares of common stock in the 2015 ESPP, would own shares



representing 5% or more of the voting power of the Company's common stock, are ineligible to participate under the 2015 ESPP. The 2015 ESPP provides for the issuance of a maximum of 16,000,000 shares of common stock. As of December 31, 2015, 3,872,661 shares had been issued under the 2005 ESPP. As of December 31, 2015, 245,029 shares have been issued under the 2015 ESPP. The Company recorded stock-based compensation costs related to its employee stock purchase plans of \$7.6 million, \$5.2 million and \$4.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. Effective with the Payment Period beginning in July 2015, the purchase price to participating employees will be 85% of the fair market value of the Company's common stock, on either the first business day of the Payment Period or the last business day of the Payment Period, whichever is lower.

F- 22

---

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company used the Black-Scholes model to estimate the fair value of its Employee Stock Purchase Plan awards with the following weighted-average assumptions:

	Year Ended	
	December 31, 2015	
Expected volatility factor	0.35	
Risk free interest rate	0.25	%
Expected dividend yield	0	%
Expected life (in years)	0.5	

Expense Information under the Authoritative Guidance

As required by the authoritative guidance, the Company estimates forfeitures of stock awards and recognizes compensation costs only for those awards expected to vest. Forfeiture rates are determined based on historical experience. The Company also considers whether there have been any significant changes in facts and circumstances that would affect its forfeiture rate quarterly. Estimated forfeitures are adjusted to actual forfeiture experience as needed. The Company recorded stock-based compensation costs, related deferred tax assets and tax benefits of \$147.4 million, \$46.1 million and \$52.7 million, respectively, in 2015, \$169.3 million, \$46.9 million and \$43.9 million, respectively, in 2014 and \$183.9 million, \$57.1 million and \$55.7 million, respectively, in 2013.

The detail of the total stock-based compensation recognized by income statement classification is as follows (in thousands):

Income Statement Classifications	2015	2014	2013
Cost of services and maintenance revenues	\$2,940	\$2,560	\$2,540
Research and development	47,723	55,560	63,448
Sales, marketing and services	49,315	61,925	65,549
General and administrative	47,390	49,242	52,404
Total	\$147,368	\$169,287	\$183,941

Non-vested Stock Units

Market Performance and Service Condition Stock Units

In March 2015, 2014 and 2013, the Company granted senior level employees non-vested stock unit awards representing, in the aggregate, 393,464, 378,022 and 399,029 non-vested stock units, respectively, that vest based on certain target market performance and service conditions. The number of non-vested stock units underlying each award will be determined within sixty days of the calendar year following the end of a three-year performance period ending December 31, 2017 for the March 2015 awards, December 31, 2016 for the March 2014 awards and December 31, 2015 for the March 2013 awards. The attainment level under the award will be based on the Company's total return to stockholders over the performance period compared to the return on the Nasdaq Composite Total Return Index (the "XCMP"). If the Company's return is positive and meets or exceeds the indexed return, the number of non-vested stock units issued will be based on interpolation, with the maximum number of non-vested stock units issuable pursuant to the award capped at 200% of the target number of non-vested stock units set forth in the award agreement if the Company's return exceeds the indexed return by 40% or more. If the Company's return over the performance period is positive but underperforms the index, a number of non-vested stock units will be issued, below the target award, based on interpolation; however, no non-vested stock units will be issued if the Company's return underperforms the index by more than 20% over the performance period. In the event the Company's return to stockholders is negative but still meets or exceeds the indexed return, only 75% of the target award shall be issued. If the awardee is not employed by the Company at the end of the performance period; the extent to which the awardee will vest in the award, if at all, is dependent upon the timing and character of the termination as provided in the award agreement. Each non-vested stock unit, upon vesting, represents the right to receive one share of the Company's common stock.

The market condition requirements are reflected in the grant date fair value of the award, and the compensation expense for the award will be recognized assuming that the requisite service is rendered regardless of whether the market conditions are achieved. The grant date fair value of the non-vested performance stock unit awards was

determined through the use of a Monte Carlo simulation model, which utilized multiple input variables that determined the probability of satisfying the market condition requirements applicable to each award as follows:

F- 23

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	March 2015 Grant	March 2014 Grant	March 2013 Grant	
Expected volatility factor	0.14 - 0.29	0.19 - 0.38	0.16 - 0.42	
Risk free interest rate	0.85	%0.81	%0.33	%
Expected dividend yield	0	%0	%0	%

The range of expected volatilities utilized was based on the historical volatilities of the Company's common stock and the XCMP. The Company chose to use historical volatility to value these awards because historical stock prices were used to develop the correlation coefficients between the Company and the XCMP in order to model the stock price movements. The volatilities used were calculated over the most recent 2.76 year period, which was the remaining term of the performance period at the date of grant. The risk free interest rate was based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms equivalent to the remaining performance period. The Company does not intend to pay dividends on its common stock in the foreseeable future. Accordingly, the Company used a dividend yield of zero in its model. The estimated fair value of each award as of the date of grant was \$61.01 for the March 2015 grant, \$56.94 for the March 2014 grant and \$89.93 for the March 2013 grant. The performance metrics under the March 2013 grant were not met and therefore no stock units will be issued under this grant.

## Service Based Stock Units

The Company also awards senior level and certain other employees non-vested stock units granted under the 2014 Plan that vest based on service. The majority of these non-vested stock unit awards generally vest 33.33% on each anniversary subsequent to the date of the award. The remaining awards vest 100% on the third anniversary of the grant date. The Company also assumes non-vested stock units in connection with certain of its acquisitions. The assumed awards have the same three year vesting schedule. Each non-vested stock unit, upon vesting, represents the right to receive one share of the Company's common stock. In addition, the Company awards non-vested stock units to all of its non-employee directors. These awards vest monthly in 12 equal installments based on service and, upon vesting, each stock unit represents the right to receive one share of the Company's common stock.

## Performance Stock Units

During 2015, the Company awarded certain senior level employees non-vested performance stock units granted under the 2014 Plan. The number of non-vested stock units underlying each award will be determined within sixty days of the calendar year following completion of the one-year performance period ending December 31, 2016 and will be based on achievement of a specific corporate financial performance goal determined at the time of the award. The number of non-vested stock units issued will be based on a graduated slope, with the maximum number of non-vested stock units issuable pursuant to the award capped at 100% of the base number of non-vested stock units set forth in the award agreement. The Company is required to estimate the attainment expected to be achieved related to the defined performance goals and the number of non-vested stock units that will ultimately be awarded in order to recognize compensation expense over the vesting period. Each non-vested stock unit, upon vesting, represents the right to receive one share of the Company's common stock. If the performance goals are not met, no compensation cost will be recognized and any previously recognized compensation cost will be reversed.

The following table summarizes the Company's non-vested stock unit activity for the year ended December 31, 2015:

	Number of Shares	Weighted- Average Fair Value at Grant Date
Non-vested stock units at December 31, 2014	5,037,295	\$66.20
Granted	3,415,207	66.70
Assumed from acquisitions	142,822	64.78
Vested	(1,971,312)	) 64.10
Forfeited	(1,476,086)	) 69.38
Non-vested stock units at December 31, 2015	5,147,926	65.00

For the years ended December 31, 2015, 2014 and 2013, the Company recognized stock-based compensation expense of \$135.9 million, \$143.1 million and \$130.2 million, respectively, related to non-vested stock units. The fair value of the non-vested stock units released in 2015, 2014, and 2013 was \$132.9 million, \$118.3 million and \$95.4 million, respectively. As of December 31, 2015, there was \$238.6 million of total unrecognized compensation cost related to non-vested stock units. The unrecognized cost is expected to be recognized over a weighted-average period of 1.80 years.

F- 24

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Non-vested Stock

During 2015, the Company granted non-vested stock awards of 102,851 shares to certain executive officers which typically vest between one to three years from the date of grant, subject to the holder's continued employment with the Company. Non-vested stock is issued and outstanding upon grant; however, award holders are restricted from selling the shares until they vest. If the vesting conditions are not met, the award will be forfeited. Compensation expense is measured based on the closing market price of the Company's common stock at the date of grant and is recognized on a straight-line basis over the vesting period. For the year ended December 31, 2015, the Company recognized \$1.4 million of stock-based compensation expense related to these awards. At December 31, 2015, there was approximately \$7.1 million of total unrecognized compensation expense related to these awards, which is expected to be recognized over a weighted average period of 0.83 years.

## Stock Options

Stock options granted under the 2014 Plan typically have a five-year life and vest over three years, with 33.3% of the shares underlying the option vesting on the first anniversary of the date of grant and the remainder of the underlying shares vesting in equal installments at a rate of 2.78% thereafter (the "Standard Vesting Rate"). The Company may assume stock options from certain of its acquisitions for which the vesting period is typically reset to vest over three years at the Standard Vesting Rate. See Note 3 for more information related to acquisitions.

A summary of the status and activity of the Company's fixed option awards is as follows:

Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2014	3,577,549	\$67.60	1.29	
Exercised	(1,875,339)	) 59.87		
Forfeited or expired	(390,098)	) 77.36		
Outstanding at December 31, 2015	1,312,112	75.72	0.58	\$5,978
Vested or expected to vest	1,311,936	75.73	0.58	\$5,977
Exercisable at December 31, 2015	1,307,487	75.82	0.57	\$5,857

The Company recognized stock-based compensation expense of \$2.5 million, \$20.9 million and \$48.9 million related to options for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, unrecognized compensation cost related to stock options was not material. The total intrinsic value of stock options exercised during 2015, 2014 and 2013 was \$23.0 million, \$37.1 million and \$77.7 million, respectively.

## Stock Option Valuation Information

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. There were no stock options granted and/or assumed during the year ended December 31, 2015 and 2014. The weighted-average fair value of stock options granted and/or assumed during the year ended December 31, 2013 was \$56.97.

The assumptions used to value options granted and/or assumed are as follows:

	Stock options granted or assumed during 2013
Expected volatility factor	0.39
Approximate risk free interest rate	0.4%
Expected term (in years)	3.35
Expected dividend yield	0%

## Benefit Plan

The Company maintains a 401(k) benefit plan allowing eligible U.S.-based employees to contribute up to 90% of their annual eligible earnings to the plan on a pretax and after-tax basis, including Roth contributions, limited to an annual

maximum amount as set periodically by the IRS. The Company, at its discretion, may contribute up to \$0.50 for each dollar of employee

F- 25

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

contribution. The Company's total matching contribution to an employee is typically made at 3% of the employee's annual compensation. The Company's matching contributions were \$15.9 million, \$14.4 million and \$12.7 million in 2015, 2014 and 2013, respectively. Prior to June 2015, the Company's contributions vested over a four-year period at 25% per year. Effective in June 2015, all matching contributions vest immediately.

## 8. CAPITAL STOCK

### Stock Repurchase Programs

The Company's Board of Directors authorized an ongoing stock repurchase program with a total repurchase authority granted to the Company of \$6.3 billion, of which \$500.0 million was approved in September 2015 and an additional \$400.0 million was approved in January 2016. The Company may use the approved dollar authority to repurchase stock at any time until the approved amount is exhausted. The objective of the Company's stock repurchase program is to improve stockholders' returns. At December 31, 2015, approximately \$32.7 million was available to repurchase common stock pursuant to the stock repurchase program. All shares repurchased are recorded as treasury stock. A portion of the funds used to repurchase stock over the course of the program was provided by net proceeds from the Convertible Notes offering, as well as proceeds from employee stock option exercises and the related tax benefit. The Company is authorized to make open market purchases of its common stock using general corporate funds through open market purchases, pursuant to a Rule 10b5-1 plan or in privately negotiated transactions.

During the year ended December 31, 2015, the Company expended approximately \$755.7 million on open market purchases under the stock repurchase program, repurchasing 10,716,850 shares of outstanding common stock at an average price of \$70.52.

During the second quarter of 2014, the Company used a portion of the net proceeds from the Convertible Notes offering and existing cash and investments to repurchase an aggregate of approximately \$1.5 billion of its common stock as authorized under the stock repurchase program. Of this \$1.5 billion, the Company used approximately \$101.0 million to purchase 1.7 million shares from certain purchasers of the Convertible Notes in privately negotiated transactions concurrently with the closing of the offering, and the remaining \$1.4 billion to purchase additional shares of common stock under an Accelerated Share Repurchase ("ASR") which the Company entered into with Citibank, N.A. ("Citibank") on April 25, 2014 (the "ASR Agreement"). Under the ASR agreement, the Company paid \$1.4 billion to Citibank upon consummation of the ASR and received, in the aggregate, approximately 21.8 million shares of its common stock from Citibank, including approximately 2.6 million shares delivered in October 2014 in final settlement in connection with Citibank's election to accelerate the ASR. The total number of shares of common stock that the Company repurchased under the ASR Agreement was based on the average of the daily volume-weighted average prices of the common stock during the term of the ASR Agreement, less a discount.

In addition to the repurchases described above, during the year ended December 31, 2014, the Company expended approximately \$139.9 million on open market purchases under the stock repurchase program, repurchasing 2,046,400 shares of outstanding common stock at an average price of \$68.36.

During the year ended December 31, 2013, the Company expended approximately \$406.3 million on open market purchases, repurchasing 6,563,986 shares of outstanding common stock at an average price of \$61.90.

### Shares for Tax Withholding

During the years ended December 31, 2015, 2014 and 2013, the Company withheld 679,694 shares, 560,239 shares and 444,657 shares, respectively, from stock awards that vested. Amounts withheld to satisfy minimum tax withholding obligations that arose on the vesting of stock awards was \$46.3 million, \$33.7 million and \$31.0 million, for 2015, 2014 and 2013, respectively. These shares are reflected as treasury stock in the Company's consolidated balance sheets and statements of equity.

### Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock, \$0.01 par value per share. No shares of such preferred stock were issued and outstanding at December 31, 2015 or 2014.

## 9. COMMITMENTS AND CONTINGENCIES

### Leases



The Company leases certain office space and equipment under various operating leases. In addition to rent, the leases require the Company to pay for taxes, insurance, maintenance and other operating expenses. Certain of these leases contain stated escalation clauses while others contain renewal options. The Company recognizes rent expense on a straight-line basis over the term of the lease, excluding renewal periods, unless renewal of the lease is reasonably assured.

F- 26

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Rental expense for the year ended December 31, 2015 totaled approximately \$97.1 million, of which \$22.1 million related to charges for the consolidation of leased facilities related to restructuring activities. Rental expense for the years ended December 31, 2014 and 2013 totaled approximately \$77.1 million and \$70.9 million, respectively. Sublease income for the years ended December 31, 2015, 2014 and 2013 was approximately \$0.4 million, \$0.3 million and \$0.3 million, respectively. Lease commitments under non-cancelable operating leases with initial or remaining terms in excess of one year and sublease income associated with non-cancelable subleases, are as follows:

	Operating Leases	Sublease Income
	(In thousands)	
Years ending December 31,		
2016	\$64,539	\$272
2017	52,243	218
2018	46,199	204
2019	43,119	—
2020	35,363	—
Thereafter	153,139	—
Total	\$394,602	\$694

## Liabilities for Loss on Lease Obligations

The Company recognizes liabilities for costs that will continue to be incurred under operating lease obligations for their remaining terms without economic benefit to the Company. The liabilities are measured and recorded at their fair values as of the cease-use date (the date the Company vacates the leased space and no longer derives economic benefit from the leases). The liabilities are included in Accrued expenses and other current liabilities and Other long-term liabilities in the consolidated balance sheets and the related expense is included in Restructuring expenses in the consolidated statements of income.

The fair values of the liabilities are determined by discounting certain future cash flows related to the leases using a credit-adjusted risk-free interest rate as of the cease-use date (Level 3). The future cash flows that are discounted include the remaining base rentals due under the leases, reduced by the estimated sublease rentals that could be reasonably obtained for the properties even if the Company has no intention to enter into a sublease. The estimate of sublease rentals may change, which would require future changes to the liabilities for loss on lease obligations.

As of December 31, 2015, the Company's liabilities for loss on lease obligations total approximately \$20.7 million, of which approximately \$15.0 million relates to the Company's Santa Clara Office. The calculation of these liabilities requires judgment in estimating the timing of securing subleases for the vacant space, as well as the terms of possible subleases, including the length of the sublease periods, sublease rentals, rent concessions and other tenant incentives. While the Company believes that the assumptions used in the calculation of these liabilities are reasonable, due to the inherent uncertainties related to such assumptions, there can be no assurance that the Company will be able to secure such subleases within the timing assumed in its calculations, or at all, and with terms consistent with the assumptions used.

## Legal Matters

The Company accrues a liability for legal contingencies when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews these accruals and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such determination is made. For the Other Matters referenced below, the amount of

liability is not probable or the amount cannot be reasonably estimated; and, therefore, accruals have not been made. In addition, in accordance with the relevant authoritative guidance, for matters in which the likelihood of material loss is at least reasonably possible, the Company provides disclosure of the possible loss or range of loss. If a reasonable estimate cannot be made, however, the Company will provide disclosure to that effect.

In April 2014, John Calma, ostensibly on behalf of the Company, filed a shareholder derivative complaint against certain of the directors of the Company (and the Company as a nominal defendant) in the Court of Chancery of the State of Delaware. The complaint alleges breach of fiduciary duty, waste of corporate assets and unjust enrichment related to stock awards that they received under the Company's director compensation program. The complaint seeks the recovery of monetary damages and other relief for damages allegedly caused to the Company. The Company believes that its directors and the Company have

F- 27

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

meritorious defenses to these allegations and that it is not reasonably possible that the ultimate outcome of this suit will materially and adversely affect the Company's business, financial condition, results of operations or cash flows. Due to the nature of the Company's business, the Company is subject to patent infringement claims, including current suits against it or one or more of its wholly-owned subsidiaries alleging infringement by various Company products and services. The Company believes that it has meritorious defenses to the allegations made in its pending cases and intends to vigorously defend these lawsuits; however, it is unable currently to determine the ultimate outcome of these or similar matters or the potential exposure to loss, if any. In addition, the Company is a defendant in various litigation matters generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcomes of these cases, the Company believes that it is not reasonably possible that the ultimate outcomes will materially and adversely affect its business, financial position, results of operations or cash flows.

## Guarantees

The authoritative guidance requires certain guarantees to be recorded at fair value and requires a guarantor to make disclosures, even when the likelihood of making any payments under the guarantee is remote. For those guarantees and indemnifications that do not fall within the initial recognition and measurement requirements of the authoritative guidance, the Company must continue to monitor the conditions that are subject to the guarantees and indemnifications, as required under existing generally accepted accounting principles, to identify if a loss has been incurred. If the Company determines that it is probable that a loss has been incurred, any such estimable loss would be recognized. The initial recognition and measurement requirements do not apply to the provisions contained in the majority of the Company's software license agreements that indemnify licensees of the Company's software from damages and costs resulting from claims alleging that the Company's software infringes the intellectual property rights of a third party. The Company has not made material payments pursuant to these provisions as of December 31, 2015. The Company has not identified any losses that are probable under these provisions and, accordingly, the Company has not recorded a liability related to these indemnification provisions.

## Purchase Obligations

The Company has agreements with suppliers to purchase inventory and estimates its non-cancelable obligations under these agreements for the fiscal year ended December 31, 2016 to be approximately \$11.4 million. The Company also has contingent obligations to purchase inventory for the fiscal year ended December 31, 2016, which are based on amount of usage, of approximately \$18.7 million. The Company does not have any purchase obligations beyond December 31, 2016.

## 10. INCOME TAXES

The United States and foreign components of income before income taxes are as follows:

	2015	2014	2013
	(In thousands)		
United States	\$(3,332)	) \$82,032	\$142,085
Foreign	315,209	193,674	245,805
Total	\$311,877	\$275,706	\$387,890

The components of the provision for income taxes are as follows:

	2015	2014	2013
	(In thousands)		
Current:			
Federal	\$27,860	\$22,377	\$51,389
Foreign	43,796	30,878	37,221
State	10,238	7,710	11,605
Total current	81,894	60,965	100,215
Deferred:			
Federal	(75,479)	) (26,922)	) (34,897)
Foreign	(2,746)	) (1,023)	) (8,413)
State	(11,153)	) (9,037)	) (8,538)

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

Total deferred	(89,378	) (36,982	) (51,848	)
Total provision	\$(7,484	) \$23,983	\$48,367	)

F- 28

---

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the breakdown between current and non-current net deferred tax assets:

	December 31,	
	2015	2014
	(In thousands)	
Deferred tax assets - current <sup>(1)</sup>	\$—	\$45,892
Deferred tax liabilities - current <sup>(1)</sup>	—	(1,053 )
Deferred tax assets- non current	215,196	128,198
Deferred tax liabilities - non current	(3,903 )	(8,722 )
Total net deferred tax assets	\$211,293	\$164,315

During the year ended December 31, 2015, the Company elected to early adopt an accounting standard update on <sup>(1)</sup>income taxes on a prospective basis. The new authoritative guidance requires deferred tax liabilities and assets along with any related valuation allowance to be classified as noncurrent on the consolidated balance sheet. The December 31, 2014 consolidated balance sheet was not retrospectively adjusted.

The significant components of the Company's deferred tax assets and liabilities consisted of the following:

	December 31,	
	2015	2014
	(In thousands)	
Deferred tax assets:		
Accruals and reserves	\$36,628	\$27,105
Deferred revenue	84,631	65,541
Tax credits	41,444	43,211
Net operating losses	50,466	75,318
Other	7,527	12,878
Stock based compensation	46,582	63,993
Valuation allowance	(16,673 )	(15,167 )
Total deferred tax assets	250,605	272,879
Deferred tax liabilities:		
Depreciation and amortization	(16,113 )	(16,835 )
Acquired technology	(15,825 )	(82,357 )
Prepaid expenses	(7,374 )	(9,372 )
Total deferred tax liabilities	(39,312 )	(108,564 )
Total net deferred tax assets	\$211,293	\$164,315

The authoritative guidance requires a valuation allowance to reduce the deferred tax assets reported if it is not more likely than not that some portion or all of the deferred tax assets will be realized. At December 31, 2015, the Company determined that a \$16.7 million valuation allowance relating to deferred tax assets for net operating losses and tax credits was necessary.

The Company does not expect to remit earnings from its foreign subsidiaries. Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$2.33 billion at December 31, 2015 and are primarily held by its foreign subsidiary in the Cayman Islands. Those earnings are considered to be permanently reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company could be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. The Company maintains certain strategic management and operational activities in overseas subsidiaries and its foreign earnings are taxed at rates that are generally lower than in the United States.

At December 31, 2015, the Company had \$113.1 million of remaining net operating loss carry forwards in the United States from acquisitions. The utilization of these net operating loss carry forwards are limited in any one year pursuant to Internal Revenue Code Section 382 and begin to expire in 2020. At December 31, 2015, the Company had \$32.3 million of remaining net operating loss carry forwards in foreign jurisdictions that do not expire.

At December 31, 2015, the Company had research and development tax credit carry forwards of \$65.6 million that begin to expire in 2018.

F- 29

---

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of the Company's effective tax rate to the statutory federal rate is as follows:

	Year Ended December 31,					
	2015		2014		2013	
Federal statutory taxes	35.0	%	35.0	%	35.0	%
State income taxes, net of federal tax benefit	0.9		1.2		1.2	
Foreign operations	(22.3	)	(13.8	)	(14.8	)
Permanent differences	6.1		3.3		(1.1	)
Change in deferred tax liability related to acquired intangibles	(6.6	)	(5.9	)	—	
Tax credits	(13.4	)	(13.7	)	(10.9	)
Stock option compensation	0.5		1.9		0.4	
Change in accruals for uncertain tax positions	(3.2	)	(0.3	)	3.3	
Other	0.6		1.0		(0.6	)
	(2.4	)%	8.7	%	12.5	%

The Company's effective tax rate generally differs from the U.S. federal statutory rate of 35% due primarily to lower tax rates on earnings generated by the Company's foreign operations that are taxed primarily in Switzerland. The Company has not provided for U.S. taxes for those earnings because it plans to reinvest all of those earnings indefinitely outside the United States. It was not practicable to determine the amount of unrecognized deferred tax liability for temporary differences related to investments in foreign and domestic subsidiaries.

The Company and certain of its subsidiaries are subject to U.S. federal income taxes, as well as income taxes of multiple state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2012.

During the quarter ended June 30, 2015, the Internal Revenue Service ("IRS") concluded its field examination of the Company's 2011 and 2012 tax years and issued proposed adjustments primarily related to transfer pricing and the research and development tax credit. In June 2015, the Company finalized its tax deficiency calculations and formally closed the audit with the IRS for the 2011 and 2012 tax years. As a result, the Company recognized a net tax benefit of \$20.3 million during the second quarter of 2015 related to the settlement.

The Company's effective tax rate was approximately (2.4)% and 8.7% for the year ended December 31, 2015 and 2014, respectively. The decrease in the effective tax rate when comparing the year ended December 31, 2015 to the year ended December 31, 2014 was primarily due to a change in the combination of income between the Company's U.S. and foreign operations, the decline in reserve for uncertain tax positions, as well as the impact of discrete tax benefits related to the extension of the 2015 federal research and development tax credit.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2015 and 2014 is as follows (in thousands):

Balance at January 1, 2014	\$63,792
Additions based on tax positions related to the current year	5,711
Additions for tax positions of prior years	12,998
Reductions related to the expiration of statutes of limitations	(4,118)
Settlements	(11,465)
Balance at December 31, 2014	66,918
Additions based on tax positions related to the current year	6,613
Additions for tax positions of prior years	4,675
Reductions related to the expiration of statutes of limitations	(9,521)
Settlements	(14,064)
Balance at December 31, 2015	\$54,621



The Company does not anticipate the total amount of unrecognized tax benefits will change significantly over the next 12 months.

F- 30

---

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2015 the Company is offsetting unrecognized tax benefits of \$25.4 million against long-term deferred tax assets.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties in income tax expense. During the year ended December 31, 2015, amounts recognized related to interest and penalties were immaterial. The federal research and development credit expired on December 31, 2013. On December 19, 2014, the Tax Increase Prevention Act of 2014 was signed into law. Under this act, the federal research and development credit was retroactively extended for amounts paid or incurred after December 31, 2013 and before January 1, 2015. The effects of these changes in the tax law result in net tax benefits of approximately \$12.3 million, which was recognized in the fourth quarter of 2014, the quarter in which the law was enacted. The Protecting Americans from Tax Hikes Act of 2015 was signed into law on December 18, 2015, permanently extending the research credit under Section 41 for amounts paid or incurred after December 31, 2014. Accordingly, the Company recognized \$19.2 million of federal research and development credit in the fourth quarter of 2015.

#### 11. SEGMENT INFORMATION

The Enterprise and Service Provider the Mobility Apps business units constitute the Company's two reportable segments. The Company does not engage in intercompany revenue transfers between segments. The Company's chief operating decision maker ("CODM") evaluates the Company's performance based primarily on profitability from its Enterprise and Service Provider and Mobility Apps products. Segment profit for each segment includes certain research and development, sales, marketing, general and administrative expenses directly attributable to the segment as well as other corporate costs allocated to the segment and excludes certain expenses that are managed outside of the reportable segments. Costs excluded from segment profit primarily consist of certain restructuring charges, separation costs, stock-based compensation costs, charges or benefits related to significant litigation that are not anticipated to be ongoing costs, amortization and impairment of product related intangible assets, amortization and impairment of other intangible assets, net interest and other expense, net. Accounting policies of the Company's segments are the same as its consolidated accounting policies.

As part of its continued transformation, effective January 1, 2016, the Company reorganized a part of its business by creating a new Cloud Services business unit that will include the ShareFile product line. The ShareFile product line is currently included within the Company's Workflow Cloud products under the Mobility Apps segment. The Company is currently evaluating its segment reporting and goodwill reporting units for 2016 as a result of these changes. International revenues (sales outside of the United States) accounted for approximately 43.1%, 45.2% and 45.4% of the Company's net revenues for the year ended December 31, 2015, 2014, and 2013, respectively.

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net revenues and segment profit for 2015, 2014 and 2013 classified by the Company's reportable segments, are presented below:

	2015	2014	2013
	(In thousands)		
Net revenues:			
Enterprise and Service Provider	\$2,544,302	\$2,491,294	\$2,335,562
Mobility Apps	731,292	651,562	582,872
Consolidated	\$3,275,594	\$3,142,856	\$2,918,434
Segment profit <sup>(1)</sup> :			
Enterprise and Services Provider	\$759,614	\$589,076	\$588,138
Mobility Apps	83,535	115,998	116,061
Unallocated expenses <sup>(2)</sup> :			
Amortization and impairment of intangible assets	(239,915	) (192,325	) (139,541
Patent litigation charge	—	(20,727	) —
Other	982	—	—
Restructuring	(100,411	) (20,424	) —
Net interest and other (expense) income, net	(38,208	) (26,605	) 7,173
Stock-based compensation	(147,368	) (169,287	) (183,941
Separation costs	(6,352	) —	—
Consolidated income before income taxes	\$311,877	\$275,706	\$387,890

Effective January 1, 2015, the Company revised its methodology for allocating certain corporate costs within General and administrative expenses to more closely align these costs to the employees directly utilizing the

<sup>(1)</sup> related services within each of its reporting segments in connection with organizational structure changes that changed the manner in which shared support services are provided. This change in presentation does not affect the Company's consolidated financial position, results from operations or cash flows.

<sup>(2)</sup> Represents expenses presented to management on a consolidated basis only and not allocated to the operating segments.

Identifiable assets classified by the Company's reportable segments are shown below. Long-lived assets consist of property and equipment, net, and are shown below.

	December 31, 2015	2014
	(In thousands)	
Identifiable assets:		
Enterprise and Service Provider	\$4,578,436	\$4,879,513
Mobility Apps	903,002	632,494
Total identifiable assets	\$5,481,438	\$5,512,007
	December 31, 2015	2014
	(In thousands)	
Property and equipment, net:		
United States	\$294,982	\$284,463
United Kingdom	28,851	29,556
Other countries	49,984	53,760
Total property and equipment, net	\$373,817	\$367,779

The decreases in identifiable assets are primarily due to decreases in the Company's available for sale investments. See Note 4 for additional information regarding the Company's investments.



## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In fiscal year 2015, there was no individual customer that accounted for over 10% of the Company's total net revenues. In fiscal years 2014 and 2013, one distributor, Ingram Micro, accounted for 13% and 14%, respectively, of the Company's total net revenues. The Company's distributor arrangements with Ingram Micro consist of several non-exclusive, independently negotiated agreements with its subsidiaries, each of which covers different countries or regions. Each of these agreements is separately negotiated and is independent of any other contract (such as a master distribution agreement), one of which was individually responsible for over 10% of the Company's total net revenues in fiscal years 2014 and 2013. Total net revenues associated with Ingram Micro are included in the Company's Enterprise and Service Provider business unit.

Revenues by product grouping for the Company's Enterprise and Service Provider and Mobility Apps business units were as follows for the years ended:

	December 31, 2015 (In thousands)	2014	2013
Net revenues:			
Enterprise and Service Provider			
Workspace Services revenues <sup>(1)</sup>	\$1,645,331	\$1,606,903	\$1,549,383
Delivery Networking revenues <sup>(2)</sup>	741,121	695,734	634,598
Professional services <sup>(3)</sup>	147,488	175,541	138,879
Other	10,362	13,116	12,702
Total Enterprise and Service Provider revenues	2,544,302	2,491,294	2,335,562
Mobility Apps revenues	731,292	651,562	582,872
Total net revenues	\$3,275,594	\$3,142,856	\$2,918,434

Workspace Services revenues are primarily comprised of sales from the Company's windows app delivery (1) products, which includes XenDesktop and XenApp, and the Company's mobile app delivery products, which include XenMobile and related license updates and maintenance and support.

(2) Delivery Networking revenues primarily include NetScaler, ByteMobile Smart Capacity and CloudBridge products and related license updates and maintenance and support.

(3) Professional services revenues are primarily comprised of revenues from consulting services and product training and certification services.

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenues by Geographic Location

The following table presents revenues by segment and geographic location, for the years ended:

	December 31, 2015	2014	2013
	(In thousands)		
Net revenues:			
Enterprise and Service Provider			
Americas	\$1,394,985	\$1,328,851	\$1,263,673
EMEA	866,775	859,404	785,862
Asia-Pacific	282,542	303,039	286,027
Total Enterprise and Service Provider revenues	2,544,302	2,491,294	2,335,562
Mobility Apps			
Americas	616,900	541,145	488,307
EMEA	91,324	87,705	73,529
Asia-Pacific	23,068	22,712	21,036
Total Mobility Apps revenues	731,292	651,562	582,872
Total net revenues	\$3,275,594	\$3,142,856	\$2,918,434

Export revenue represents shipments of finished goods and services from the United States to international customers, primarily in Latin America and Canada. Shipments from the United States to international customers for 2015, 2014 and 2013 were \$180.2 million, \$193.8 million and \$215.3 million, respectively.

## 12. CONVERTIBLE SENIOR NOTES

### Convertible Notes Offering

During 2014, the Company completed a private placement of approximately \$1.44 billion principal amount of 0.500% Convertible Notes due 2019. The net proceeds from this offering were approximately \$1.42 billion, after deducting the initial purchasers' discounts and commissions and the offering expenses payable by the Company. The Company used approximately \$82.6 million of the net proceeds to pay the cost of the Bond Hedges described below (after such cost was partially offset by the proceeds to the Company from the Warrant Transactions described below). The Company used the remainder of the net proceeds from the offering and a portion of its existing cash and investments to purchase an aggregate of approximately \$1.5 billion of its common stock, as authorized under its share repurchase program. The Company used approximately \$101.0 million to purchase shares of common stock from certain purchasers of the Convertible Notes in privately negotiated transactions concurrently with the closing of the offering, and the remaining \$1.4 billion to purchase additional shares of common stock through an Accelerated Share Repurchase ("ASR") which the Company entered into with Citibank, N.A. (the "ASR Counterparty") on April 25, 2014 (the "ASR Agreement"). The Convertible Notes are governed by the terms of an indenture, dated as of April 30, 2014 (the "Indenture"), between the Company and Wilmington Trust, National Association, as trustee (the "Trustee"). The Convertible Notes are the senior unsecured obligations of the Company and bear interest at a rate of 0.500% per annum, payable semi-annually in arrears on April 15 and October 15 of each year. The Convertible Notes will mature on April 15, 2019, unless earlier repurchased or converted. Upon conversion, the Company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted and pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, in respect of the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted. As of December 31, 2015, none of the conditions allowing holders of the Notes to convert had been met. The conversion rate for the Convertible Notes is 11.1111 shares of common stock per \$1,000 principal amount of Convertible Notes, which corresponds to a conversion price of approximately \$90.00 per share of common stock. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of certain stock dividends on common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, the payment of cash dividends and certain issuer tender or exchange offers.



CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company may not redeem the Convertible Notes prior to the maturity date and no “sinking fund” is provided for the Convertible Notes, which means that the Company is not required to periodically redeem or retire the Convertible Notes. Upon the occurrence of certain fundamental changes involving the Company, holders of the Convertible Notes may require the Company to repurchase for cash all or part of their Convertible Notes in principal amounts of \$1,000 or an integral multiple thereof at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

In accounting for the issuance of the Convertible Notes, the Company separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the estimated fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the face value of the Convertible Notes as a whole. The excess of the principal amount of the liability component over its carrying amount (“debt discount”) is amortized to interest expense over the term of the Convertible Notes using the effective interest method with an effective interest rate of 3.0 percent per annum. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

In accounting for the transaction costs related to the Convertible Note issuance, the Company allocated the total amount incurred to the liability and equity components based on their relative values. Issuance costs attributable to the \$1.3 billion liability component are being amortized to expense over the term of the Convertible Notes, and issuance costs attributable to the \$162.9 million equity component are included along with the equity component in stockholders' equity. Additionally, a deferred tax liability of \$8.2 million related to a portion of the equity component transaction costs which are deductible for tax purposes is included in Other liabilities in the accompanying consolidated balance sheets.

The Convertible Notes consist of the following (in thousands):

	December 31, 2015
Liability component	
Principal	\$1,437,500
Less: note discount	(112,508 )
Net carrying amount	1,324,992
Equity component *	\$162,869

\* Recorded in the consolidated balance sheet within additional paid-in capital.

The following table includes total interest expense recognized related to the Convertible Notes (in thousands):

	Year Ended December 31,	
	2015	2014
Contractual interest expense	\$7,188	\$4,792
Amortization of debt issuance costs	3,974	2,461
Amortization of debt discount	32,039	20,832
	\$43,201	\$28,085

See Note 5 to the Company's consolidated financial statements for fair value disclosures related to the Company's Convertible Notes.

#### Convertible Note Hedge and Warrant Transactions

In connection with the pricing of the Convertible Notes, the Company entered into convertible note hedge transactions relating to approximately 16.0 million shares of common stock (the “Bond Hedges”), with JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (the “Option Counterparties”) and also entered into separate warrant transactions (the “Initial Warrant Transactions”) with each of the Option Counterparties relating to approximately 16.0 million shares of common stock.



The Bond Hedges are generally expected to reduce the potential dilution upon conversion of the Convertible Notes and/or offset any payments in cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, that the Company is required to make in excess of the principal amount of the Convertible Notes upon conversion of any Convertible Notes, as the case may be, in the event that the market price per share of common stock, as measured under the

F- 35

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

terms of the Bond Hedges, is greater than the strike price of the Bond Hedges, which initially corresponds to the conversion price of the Convertible Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Convertible Notes. The Warrant Transactions will separately have a dilutive effect to the extent that the market value per share of common stock, as measured under the terms of the Warrant Transactions, exceeds the applicable strike price of the warrants issued pursuant to the Warrant Transactions (the "Warrants"). The initial strike price of the Warrants is \$120.00 per share. The Warrants will expire in ratable portions on a series of expiration dates commencing after the maturity of the Convertible Notes. The Bond Hedges and Warrants are not marked to market. The value of the Bond Hedges and Warrants were initially recorded in stockholders' equity and continue to be classified within stockholders' equity. As of December 31, 2015, no warrants have been exercised. Aside from the initial payment of a premium to the Option Counterparties under the Bond Hedges, which amount is partially offset by the receipt of a premium under the Warrant Transactions, the Company is not required to make any cash payments to the Option Counterparties under the Bond Hedges and will not receive any proceeds if the Warrants are exercised.

### 13. CREDIT FACILITY

Effective January 7, 2015, the Company entered into a Credit Facility with a group of financial institutions (the "Lenders"). The Credit Facility provides for a five year revolving line of credit in the aggregate amount of \$250.0 million, subject to continued covenant compliance. The Company may elect to increase the revolving credit facility by up to \$250.0 million if existing or new lenders provide additional revolving commitments in accordance with the terms of the Credit Agreement. The proceeds of borrowings under the Credit Agreement may be used for working capital and general corporate purposes, including future acquisitions. A portion of the revolving line of credit (i) in the aggregate amount of \$25.0 million may be available for issuances of letters of credit and (ii) in the aggregate amount of \$10.0 million may be available for swing line loans, as part of, not in addition to, the aggregate revolving commitments. The Credit Facility bears interest at the LIBOR plus 1.10% and adjusts in the range of 1.00% to 1.30% above LIBOR based on the ratio of the Company's total debt to its adjusted earnings before interest, taxes, depreciation, amortization and certain other items ("EBITDA") as defined in the agreement. In addition, the Company is required to pay a quarterly facility fee ranging from 0.125% to 0.20% of the aggregate revolving commitments under the Credit Facility and based on the ratio of the Company's total debt to the Company's consolidated EBITDA. The weighted average interest rate for the period that amounts were outstanding under the Credit Facility was 1.82%. As of December 31, 2015, there were no amounts outstanding under the Credit Facility.

The Credit Agreement contains certain financial covenants that require the Company to maintain a consolidated leverage ratio of not more than 3.5:1.0 and a consolidated interest coverage ratio of not less than 3.0:1.0. In addition, the Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the ability of the Company to grant liens, merge, dissolve or consolidate, dispose of all or substantially all of its assets, pay dividends during the existence of a default under the Credit Agreement, change its business and incur subsidiary indebtedness, in each case subject to customary exceptions for a credit facility of this size and type. The Company was in compliance with these covenants as of December 31, 2015.

### 14. DERIVATIVE FINANCIAL INSTRUMENTS

#### Derivatives Designated as Hedging Instruments

As of December 31, 2015, the Company's derivative assets and liabilities primarily resulted from cash flow hedges related to its forecasted operating expenses transacted in local currencies. A substantial portion of the Company's overseas expenses are and will continue to be transacted in local currencies. To protect against fluctuations in operating expenses and the volatility of future cash flows caused by changes in currency exchange rates, the Company has established a program that uses foreign exchange forward contracts to hedge its exposure to these potential changes. The terms of these instruments, and the hedged transactions to which they relate, generally do not exceed twelve months and the maximum term is eighteen months.

Generally, when the dollar is weak, foreign currency denominated expenses will be higher, and these higher expenses will be partially offset by the gains realized from the Company's hedging contracts. Conversely, if the dollar is strong, foreign currency denominated expenses will be lower. These lower expenses will in turn be partially offset by the

losses incurred from the Company's hedging contracts. The change in the derivative component in Accumulated other comprehensive loss includes unrealized gains or losses that arose from changes in market value of the effective portion of derivatives that were held during the period, and gains or losses that were previously unrealized but have been recognized in the same line item as the forecasted transaction in current period net income due to termination or maturities of derivative contracts. This reclassification has no effect on total comprehensive income or equity.

F- 36

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The total cumulative unrealized loss on cash flow derivative instruments was \$2.3 million at December 31, 2015 and the total cumulative unrealized loss on cash flow derivative instruments was \$8.3 million at December 31, 2014, and is included in Accumulated other comprehensive loss in the accompanying consolidated balance sheets. The net unrealized loss as of December 31, 2015 is expected to be recognized in income over the next twelve months at the same time the hedged items are recognized in income.

## Derivatives not Designated as Hedging Instruments

A substantial portion of the Company's overseas assets and liabilities are and will continue to be denominated in local currencies. To protect against fluctuations in earnings caused by changes in currency exchange rates when remeasuring the Company's balance sheet, it utilizes foreign exchange forward contracts to hedge its exposure to this potential volatility.

These contracts are not designated for hedge accounting treatment under the authoritative guidance. Accordingly, changes in the fair value of these contracts are recorded in Other expense, net.

## Fair Values of Derivative Instruments

	Asset Derivatives (In thousands)				Liability Derivatives			
	December 31, 2015		December 31, 2014		December 31, 2015		December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated as Hedging Instruments								
Foreign currency forward contracts	Prepaid expenses and other current assets	\$436	Prepaid expenses and other current assets	\$435	Accrued expenses and other current liabilities	\$2,895	Accrued expenses and other current liabilities	\$9,364

	Asset Derivatives (In thousands)				Liability Derivatives			
	December 31, 2015		December 31, 2014		December 31, 2015		December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Not Designated as Hedging Instruments								
Foreign currency forward contracts	Prepaid expenses and other current assets	\$627	Prepaid expenses and other current assets	\$771	Accrued expenses and other current liabilities	\$783	Accrued expenses and other current liabilities	\$328

## The Effect of Derivative Instruments on Financial Performance

	For the Year ended December 31, (In thousands)		
	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)	Location of (Loss) Gain Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from Accumulated Other Comprehensive Loss (Effective Portion)
Derivatives in Cash Flow Hedging Relationships			

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

	2015	2014		2015	2014
Foreign currency forward contracts	\$6,090	\$(11,197	) Operating expenses	\$(13,027	) \$2,123

There was no material ineffectiveness in the Company's foreign currency hedging program in the periods presented.

F- 37

---

## CITRIX SYSTEMS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Derivatives Not Designated as Hedging Instruments	For the Year ended December 31, (In thousands)		
	Location of Gain Recognized in Income on Derivative	Amount of Gain Recognized in Income on Derivative	
		2015	2014
Foreign currency forward contracts	Other expense, net	\$1,669	\$3,551
Outstanding Foreign Currency Forward Contracts			

As of December 31, 2015, the Company had the following net notional foreign currency forward contracts outstanding (in thousands):

Foreign Currency	Currency Denomination
Australian dollars	AUD 1,433
Brazilian Real	BRL 5,700
British pounds sterling	GBP 21,510
Canadian dollars	CAD 4,700
Chinese renminbi	CNY 35,000
Danish krone	DKK 19,000
Euro	EUR 1,500
Hong Kong dollars	HKD 50,813
Indian rupees	INR 660,475
Japanese yen	JPY 449,015
Singapore dollars	SGD 11,629
Swiss francs	CHF 20,400

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 15. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share information):

	Year Ended December 31,		
	2015	2014	2013
Numerator:			
Net income	\$319,361	\$251,723	\$339,523
Denominator:			
Denominator for basic earnings per share - weighted-average shares outstanding	158,874	169,879	186,672
Effect of dilutive employee stock awards:			
Employee stock awards	1,488	1,391	1,573
Denominator for diluted earnings per share - weighted-average shares outstanding	160,362	171,270	188,245
Basic earnings per share	\$2.01	\$1.48	\$1.82
Diluted earnings per share	\$1.99	\$1.47	\$1.80
Anti-dilutive weighted-average shares	2,151	3,026	3,647

The weighted-average number of shares outstanding used in the computation of basic and diluted earnings per share does not include the effect of the potential outstanding common stock from the Company's convertible senior notes and warrants. The effects of these potentially outstanding shares were not included in the calculation of diluted earnings per share because the effect would have been anti-dilutive.

The Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on its Convertible Senior Notes (the "Convertible Notes") on diluted earnings per share, if applicable, as upon conversion, the Company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted and pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, in respect of the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted. The conversion spread will have a dilutive impact on diluted earnings per share when the average market price of the Company's common shares for a given period exceeds the conversion price of \$90.00 per share. For the year ended December 31, 2015, the Convertible Notes have been excluded from the computation of diluted earnings per share as the effect would be anti-dilutive since the conversion price of the Convertible Notes exceeded the average market price of the Company's common stock. In addition, the Company uses the treasury stock method for calculating any potential dilutive effect related to the warrants. See Note 12 to the Company's consolidated financial statements for detailed information on the Convertible Notes offering.

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 16. COMPREHENSIVE INCOME

The changes in Accumulated other comprehensive loss by component, net of tax, are as follows (in thousands):

	Foreign currency	Unrealized gain (loss) on available-for-sale securities	Unrealized gain (loss) on derivative instruments	Other comprehensive loss on pension liability	Total
	(In thousands)				
Balance at December 31, 2014	\$ (16,346 )	\$ (990 )	\$ (8,345 )	\$ (11,109 )	\$ (36,790 )
Other comprehensive income (loss) before reclassifications	—	(2,080 )	(6,937 )	4,083	(4,934 )
Amounts reclassified from Accumulated other comprehensive loss	—	170	13,027	—	13,197
Net current period other comprehensive income (loss)	—	(1,910 )	6,090	4,083	8,263
Balance at December 31, 2015	\$ (16,346 )	\$ (2,900 )	\$ (2,255 )	\$ (7,026 )	\$ (28,527 )

Income tax expense or benefit allocated to each component of other comprehensive loss is not material.

Reclassifications out of Accumulated other comprehensive loss are as follows (in thousands):

For the Twelve Months Ended December 31, 2015  
(In thousands)

Details about Accumulated other comprehensive loss components	Amount reclassified from Accumulated other comprehensive loss, net of tax	Affected line item in the Consolidated Statements of Income
Unrealized net loss on available-for-sale securities	\$ 170	Other expense, net
Unrealized net loss on cash flow hedges	13,027	Operating expenses *
	\$ 13,197	

\* Operating expenses amounts allocated to Research and development, Sales, marketing and services, and General and administrative are not individually significant.

## 17. RESTRUCTURING

## 2015 Other Restructuring Program

On November 17, 2015, the Company announced the implementation of a restructuring program that will focus on simplification of the Company's enterprise go-to-market motion and roles while improving coverage, reflect changes in the Company's product focus, and balance resources with demand across the Company's marketing, general and administration areas. The 2015 Other Restructuring Program calls for the elimination of approximately 700 full-time positions, of which 350 were communicated in 2015. During the year ended December 31, 2015, the Company incurred costs of \$29.7 million associated with the program. The Company currently expects to record in the aggregate approximately \$55.0 million to \$60.0 million in pre-tax restructuring charges associated with this program. The majority of these charges are related to employee severance, outplacement, professional service fees, and facility closing costs. The Company currently anticipates completing the activities related to the 2015 Other Restructuring Program during the first half of fiscal year 2016.

## 2015 Restructuring Program

On January 28, 2015, the Company announced the implementation of a restructuring program designed to increase strategic focus and operational efficiency and began to execute against the program in February 2015. As a result, the Company eliminated approximately 700 full-time positions in the first half of 2015. During the year ended December 31, 2015, the Company incurred costs of \$68.9 million, primarily related to employee severance arrangements and the consolidation of leased facilities. The majority of the activities related to the 2015 Restructuring Program were substantially completed by the end of 2015.



2014 Restructuring Program

During the first quarter of 2014, the Company announced the implementation of the 2014 Restructuring Program. The purpose of this program was to better align resources to strategic initiatives and resulted in the Company reducing its headcount

F- 40

---

CITRIX SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

by approximately 325 full-time positions. The pre-tax charges incurred were primarily related to severance and other costs directly related to the reduction of the Company's workforce. The activities under the 2014 Restructuring Program were substantially completed as of the end of the first quarter of 2015. As of December 31, 2015, total charges related to the 2014 Restructuring Program incurred since inception were \$22.2 million, primarily related to employee severance and related costs.

Restructuring Charges by Segment

Restructuring charges related to the reduction of the Company's headcount by segment consists of the following (in thousands):

	Year ended December 31, 2015	Year ended December 31, 2014
2014 Restructuring Program		
Enterprise and Service Provider	\$1,724	\$14,092
Mobility Apps	50	6,332
2015 Restructuring Program		
Enterprise and Service Provider	67,548	—
Mobility Apps	1,357	—
2015 Other Restructuring Program		
Enterprise and Service Provider	27,680	—
Mobility Apps	2,052	—
Total restructuring charges	\$100,411	\$20,424

Restructuring accruals

The activity in the Company's restructuring accruals for the year ended December 31, 2015 is summarized as follows (in thousands):

	2014 Restructuring Program	2015 Restructuring Program	2015 Other Restructuring Program	Total
Balance at January 1, 2015	\$2,780	\$—	\$—	\$2,780
Employee severance and related costs	2,060	44,837	29,732	76,629
Consolidation of leased facilities	—	22,100	—	22,100
Payments	(3,433)	(44,243)	(13,151)	(60,827)
Reversal of previous charges	(286)	—	—	(286)
Balance at December 31, 2015	\$1,121	\$22,694	\$16,581	\$40,396

As of December 31, 2015, the \$40.4 million in outstanding restructuring accruals primarily relates to the Enterprise and Service Provider segment.

18. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2015, the Financial Accounting Standards Board issued an accounting standard update on income taxes. The new authoritative guidance requires deferred tax liabilities and assets, along with any related valuation allowance, to be classified as noncurrent on the consolidated balance sheet. This standard is required to be adopted for annual periods beginning after December 15, 2016, including interim periods within that annual period, with early adoption permitted. The amendment may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company elected to prospectively adopt the accounting standard in the beginning of the fourth quarter of 2015. Prior periods in the Company's Consolidated Financial Statements were not retrospectively adjusted.

In September 2015, the Financial Accounting Standards Board issued an accounting standard update on business combinations. The new guidance requires that an acquirer in a business combination recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment

amounts are determined, including the cumulative effect of the change in provisional amount as if the accounting had been completed as of

F- 41

---

CITRIX SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the acquisition date. The adjustments related to previous reporting periods since the acquisition date must be disclosed by income statement line item either on the face of the income statement or in the notes. The guidance becomes effective for fiscal years and interim reporting periods beginning on or after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial position, results of operations and cash flows.

In April 2015, the Financial Accounting Standards Board issued an accounting standard update on the presentation of debt issuance costs. The new guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance becomes effective for fiscal years and interim reporting periods beginning on or after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial position, results of operations and cash flows.

In May 2014, the Financial Accounting Standards Board issued an accounting standard update on revenue recognition. The new guidance creates a single, principle-based model for revenue recognition and expands and improves disclosures about revenue. In July 2015, the Financial Accounting Standards Board issued an accounting standard update that defers the effective date of the new revenue recognition standard by one year. The new guidance is effective for annual reporting periods beginning on or after December 15, 2017, and must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. The Company has initiated an assessment of its systems, data and processes related to the implementation of this accounting standard, which is expected to be completed during 2016. The Company is currently evaluating the potential impact of this standard on its financial position and results of operations.

CITRIX SYSTEMS, INC.  
SUPPLEMENTAL FINANCIAL INFORMATION  
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(In thousands, except per share amounts)				
2015					
Net revenues	\$760,802	\$796,759	\$813,270	\$904,763	\$3,275,594
Gross margin	628,196	664,008	667,016	702,010	2,661,230
Income from operations	51,732	122,149	63,798	112,406	350,085
Net income	28,887	103,275	55,925	131,274	319,361
Earnings per share - basic	0.18	0.64	0.35	0.85	2.01
Earnings per share - diluted	0.18	0.64	0.35	0.84	1.99
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(In thousands, except per share amounts)				
2014					
Net revenues	\$750,819	\$781,560	\$758,994	\$851,483	\$3,142,856
Gross margin	616,493	606,304	623,009	676,831	2,522,637
Income from operations	71,887	54,419	58,597	117,408	302,311
Net income	55,939	53,024	47,532	95,228	251,723
Earnings per share - basic	0.30	0.31	0.29	0.59	1.48
Earnings per share - diluted	0.30	0.31	0.29	0.58	1.47

The sum of the quarterly net income per share amounts do not add to the annual earnings per share amount due to the weighting of common and common equivalent shares outstanding during each of the respective periods.

## CITRIX SYSTEMS, INC.

## SCHEDULE II

## VALUATION AND QUALIFYING ACCOUNTS

	Beginning of Period	Charged to Expense	Charged to Other Accounts		Deductions	Balance at End of Period
	(In thousands)					
2015						
Deducted from asset accounts:						
Allowance for doubtful accounts	\$3,791	\$5,664	\$—		\$3,174	(2 ) \$6,281
Allowance for returns	2,185	—	3,276	(1 )	4,023	(4 ) 1,438
Valuation allowance for deferred tax assets	15,167	—	1,506	(5 )	—	16,673
2014						
Deducted from asset accounts:						
Allowance for doubtful accounts	\$3,292	\$2,861	\$76	(3 )	\$2,438	(2 ) \$3,791
Allowance for returns	2,062	—	5,049	(1 )	4,926	(4 ) 2,185
Valuation allowance for deferred tax assets	26,465	—	(11,298 )	(5 )	—	15,167
2013						
Deducted from asset accounts:						
Allowance for doubtful accounts	\$3,883	\$1,046	\$—		\$1,637	(2 ) \$3,292
Allowance for returns	2,564	—	4,473	(1 )	4,975	(4 ) 2,062
Valuation allowance for deferred tax assets	18,185	—	8,280	(5 )	—	26,465

(1) Charged against revenues.

(2) Uncollectible accounts written off, net of recoveries.

(3) Adjustments from acquisitions.

(4) Credits issued for returns.

(5) Related to deferred tax assets on foreign tax credits, net operating loss carryforwards, and depreciation.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 29, 2013)
3.2	Amended and Restated By-laws of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 31, 2015)
4.1	Specimen certificate representing Common Stock (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 33-98542), as amended)
4.2	Indenture, dated as of April 30, 2014, between Citrix Systems, Inc. and Wilmington Trust, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 30, 2014)
4.3	Form of 0.500% Convertible Senior Notes due 2019 (included in Exhibit 4.2)
10.1*	Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010)
10.2*	First Amendment to Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 28, 2010)
10.3*	Second Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of June 2, 2011)
10.4*	Third Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of June 2, 2011)
10.5*	Fourth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 31, 2012)
10.6*	Fifth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013)
10.7*	Sixth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 29, 2013)
10.8*	Form of Global Stock Option Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.9*	Form of Restricted Stock Unit Agreement For Non-Employee Directors under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.10*	Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Performance Based Awards) (incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.11*	Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Time Based Awards) (incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.12*	Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Long Term Incentive) (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)
10.13*	Form of Long Term Incentive Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

Form 10-K for the year ended December 31, 2014)

- 10.14\* Amended and Restated 2005 Employee Stock Purchase Plan (incorporated by reference herein to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011)
- 10.15\* Amendment to Amended and Restated 2005 Employee Stock Purchase Plan (incorporated by reference herein to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)
- 10.16\* Citrix Systems, Inc. Executive Bonus Plan (incorporated by reference herein to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
- 10.17\* Change in Control Agreement dated as of August 4, 2005 by and between the Company and Mark B. Templeton (incorporated by reference herein to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)
-



Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

Exhibit No.	Description
10.18*	Form of Change in Control Agreement by and between the Company and each of David J. Henshall, David R. Freidman and Alvaro J. Monserrat (incorporated by reference herein to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)
10.19*	Form of First Amendment to Change of Control Agreement (Chief Executive Officer) between the Company and Mark Templeton (incorporated by reference herein to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
10.20*	Form of First Amendment to Change of Control Agreement between the Company and each of David J. Henshall, David R. Friedman and Alvaro J. Monserrat (incorporated by reference herein to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
10.21*	Form of Amendment to Change in Control Agreements by and between the Company and each of David J. Henshall, David R. Freidman and Alvaro J. Monserrat (incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011)
10.22*	Form of Indemnification Agreement by and between the Company and each of its Directors and executive officers (incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011)
10.23*	Form of Change in Control Agreement by and between the Company and each of William Burley Catherine Courage, Sudhakar Ramakrishna, Christopher Hysten, Timothy Minahan, Klaus Oestermann, Geir Ramleth, Robson Grieve and Carlos Sartorius (incorporated by reference herein to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)
10.24*	Citrix Systems, Inc. 2014 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 28, 2014)
10.25	Form of Call Option Transaction Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 30, 2014)
10.26	Form of Warrants Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 30, 2014)
10.27	Form of Additional Call Option Transaction Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2014)
10.28	Form of Additional Warrants Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2014)
10.29	Master Confirmation between Citibank, N.A. and Citrix Systems, Inc., dated April 25, 2014 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 30, 2014)
10.30	Credit Agreement, dated as of January 7, 2015, by and among Citrix Systems, Inc., the initial lenders named therein and Bank of America, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 8, 2015)
10.31*	Mutual Separation and Release Agreement, dated as of February 25, 2015, by and between the Company and Sudhakar Ramakrishna (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2015)
10.32*	Mutual Separation and Release Agreement, dated as of January 12, 2015, by and between the Company and Al Monserrat (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 8, 2015)

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K

- 10.33 Cooperation Agreement, by and among Citrix Systems, Inc., Elliott Associates, L.P., Elliott International, L.P. and Elliott International Capital Advisors Inc., dated July 28, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 28, 2015)
- 10.34\* 2015 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 7, 2015)
- 10.35\* Retention Agreement, dated October 12, 2015, by and between Citrix Systems, Inc. and Mark B. Templeton (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 16, 2015)
- 10.36\* Employment Agreement, dated October 20, 2015, by and between Citrix Systems, Inc. and Robert M. Calderoni (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 26, 2015)
-

10.37*	Form of Incentive Agreement by and between the Citrix Systems, Inc. and each of William Burley, David R. Friedman, David J. Henshall, Christopher Hylen, Jesse Lipson, Timothy Minahan, Klaus Oestermann, T. Geir Ramleth and Carlos Sartorius (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.38	First Amendment to Credit Agreement, dated as of August 7, 2015, by and among Citrix Systems, Inc., the lenders named therein and Bank of America, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.39*	Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan for Robert Calderoni granted August 1, 2015 (Time Based Awards) (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.40*	Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan for Robert Calderoni granted August 1, 2015 (Performance Based Awards) (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.41*	Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan for Robert Calderoni granted August 1, 2015 (Performance Based Awards) (incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
10.42*	Form of Restricted Stock Unit Agreement under the Citrix Systems, Inc. 2014 Equity Incentive Plan for each of William Burley, David J. Henshall, Christopher Hylen, Jesse Lipson, Timothy Minahan, Klaus Oestermann, Carlos Sartorius and T. Geir Ramleth (Performance Based Awards) (incorporated herein by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on November 4, 2015)
21.1†	List of Subsidiaries
23.1†	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (included in signature page)
31.1†	Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer
31.2†	Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer
32.1††	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

\* Indicates a management contract or a compensatory plan, contract or arrangement.

† Filed herewith.

†† Furnished herewith.